



Guideline for Indonesian Palm Oil Companies

Fair Target-Setting and Wage Policies in Oil Palm Plantations

2020

Earthworm





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Glossary

Work Target	: A certain output of work to be achieved by a worker within standard working hours in order to receive a full daily/monthly wage. This can be defined in terms of area or volume such as hectares of land to be sprayed with pesticide or kilos of fruit to be harvested. For harvesting work, companies generally use a volume-based work target, also referred to as a 'quota'.
Wage Policy	: A company's policy on wages, including its commitment to paying minimum wage, decent living wages, offering wage bonuses and applying wage deductions
Deductions	: Monetary penalties paid by workers in the form of salary cuts, for example, for violating rules
Peak season	: High production period when trees produce plenty of palm fruit
Low season	: Low production period when trees produce few palm fruits
Average Work Output	: The amount of work completed on average by workers within standard working hours
Child Labour	: Every child who does work that has deprived them of their childhood, their potential and their dignity, and that is harmful to physical, mental social and intellectual development, including by interfering with their education ¹ . As stated in the Decree of the Indonesian Minister of Manpower and Transmigration, Number 235 of 2003, a child is every person under the age of 18 (eighteen)
Family/' <i>Kernet</i> ' workers	: The term commonly used to refer to workers who are not recruited and paid directly by the company. <i>Kernet</i> workers are generally plantation workers' family members or relatives (sometimes including children) who are invited by company workers to help with their work
Bonuses	: In the context of oil palm plantations, bonuses are defined as monetary rewards given to workers usually for surpassing their work target
Piece-rate	: The wage paid per unit of work completed ² . For example, for piece-rate based harvest work, workers are paid a wage based on each kilo of fruit harvested instead of being paid a fixed wage based on an agreed target.
Minimum wage	: The lowest monthly wage to be paid by employers to workers whose length of service is less than a year ³
Daily minimum wage	: Monthly minimum wage divided by the working days in a month (25 days a month for a 6 day work week or 21 days a month for a 5 day work week)
Standard working hours	: Standard working hours per day as per company's policy, not exceeding national regulation standards of 40 hours per week
Overtime	: Work that is done above standard working hours, either on work days or on rest days or public holidays. In Indonesia the limit on overtime hours is 14 hours per week and 3 hours per day.

¹Indonesian Ministry of Manpower. Roadmap Towards A Child Labour-Free Indonesia 2022

https://www.ilo.org/wcmsp5/groups/public/--asia/--ro-bangkok/--ilo-jakarta/documents/publication/wcms_377169.pdf

² Borino, F. (2018). Piece rate pay and working conditions in the export garment sector. ILO Discussion Paper No, 28.

³ Indonesian Regulation Number 78 Year 2015 on Remuneration Article 41-42





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I. Introduction

The palm oil industry in Indonesia plays a significant role in providing employment. According to 2018 data from the Indonesian Development and Planning Agency (BAPPENAS) the palm oil industry employs approximately 16.2 million people⁴. The number contributed 42% to employment in agriculture and 13% to total employment in Indonesia in 2018⁵.

As is also widely known palm oil is the leading agricultural export commodity from Indonesia. The industry occupies 14.33 million-hectares of land⁶ with a production of 42.88 million tons⁷ of palm oil in 2018. Given its size and scale, the industry has made many efforts to improve its environmental and social impact. Given the large number of people in Indonesia, who depend on the industry for their livelihoods, the industry also holds a responsibility to ensure that the rights of all workers in the supply chain are protected and respected. This has been well articulated through individual palm oil companies' sustainability commitments that may include commitments to No Deforestation, No Peat and No Exploitation (NDPE).

In addition, principles and certification criteria from bodies such as Indonesian Sustainable Palm Oil (ISPO) and the Roundtable for Sustainable Palm Oil (RSPO) also require palm oil companies to protect and respect workers involved in their operations. Specifically, these criteria include Occupational Safety and Health (OHS), minimum or living wages, work contracts, access to social security, adequate provision of education, health and housing facilities, no discrimination, no child labour, no forced labour, freedom of association, no illegal labour, fair recruitment and no abuse and harassment.^{8 9}

At the global level, the UN Guiding Principles on Business and Human Rights-- established by the UN Human Rights Council in 2011-- provide direction for industry and non-industry stakeholders to implement human rights principles of protection, respect and remedy for people affected by businesses which includes workers, individuals or communities.

At the national level, Indonesia's Law No. 13 of 2003 regulates labour and manpower and has led to the development of several derivative regulations in this space. In addition, Indonesia has signed and ratified all eight ILO Fundamental Conventions, which strengthens the Indonesian framework for the protection of workers.

⁴ Statement of the Minister of National Development Planning / National Development Planning Agency Bambang Brojonegoro during the 14th Indonesian Palm Oil Conference, 2 November 2018. Accessed through <https://www.bpdp.or.id/id/berita/industri-kelapa-sawit-indonesia-serap-162-juta-pekerja/>

⁵ Central Bureau of Statistics. 2018. Citizens above 15 years old who work, According to Main Employment 2011 - 2018. <https://www.bps.go.id/statictable/2009/04/16/970/penduduk-15-tahun-ke-atas-yang-bekerja-menurut-lapangan-pekerjaan-utama-1986--2018.html>

⁶ Indonesian Ministry of Agriculture. 2020. Total cultivated area of palm oil by province, 2016 - 2020*). <https://www.pertanian.go.id/home/index.php?show=repo&fileNum=229>

⁷ Indonesian Ministry of Agriculture. 2020. Palm oil production by province, 2016 - 2020*). <https://www.pertanian.go.id/home/index.php?show=repo&fileNum=214>

⁸ Indonesia Minister of Agriculture Regulation No. 11 of 2015 concerning Indonesia's Sustainable Palm Oil Certification System (Indonesian Sustainable Palm Oil Certification System /ISPO)

⁹ Roundtable on Sustainable Palm Oil. 2018. *Principles and Criteria for the Production of Sustainable*.

<https://rspo.org/resources/certification/rspo-principles-criteria-certification/rspo-principle-criteria-for-the-production-of-sustainable-palm-oil-2018>



The palm oil industry in Indonesia has been in the spotlight in recent times for its lack of respect for human rights including labour rights. Reports have detailed findings such as the presence of child labour in the supply chain, forced labour caused by excessive working hours, workers not earning minimum wages, workers facing high work 'quotas' or targets or facing excessive wage deductions as well as the presence of unpaid or 'invisible' workers (workers not registered, nor paid directly by the company and often with no protection such as employment contracts, health insurance, personal protective equipment etc) known as '*kernet*' workers¹⁰. To investigate these risks further Nestle and Golden Agri Resources (GAR), the largest Indonesian palm oil supplier to Nestle, undertook a study in 2017-2018 with the Danish Institute of Human Rights and Earthworm Foundation (formerly The Forest Trust)¹¹. The study focused on GAR's Belawan refinery and four suppliers in the refinery supply-shed¹².

The study confirmed a lot of the labour issues mentioned above, however, an important observation and finding of the study was also to understand the root causes of these issues. While many labour problems arise from the general context of rural poverty in Indonesia, the study found that some specific challenges can be linked directly with plantation productivity systems i.e. work target-setting and wage policies applied in plantations.¹³

I.1 Work Targets for Oil Palm Plantation Workers

According to wage regulations in Indonesia there are two systems for calculating wages, one based on units of time and the other based on units of yield (output)¹⁴. Wages based on units of time can be determined on a daily, weekly or monthly basis in accordance with established working hour standards. Meanwhile, wages based on outputs are determined based on results achieved by the worker.

In oil palm plantations, some companies pay wages based on the unit-based system, also known as a piece-rate system where workers are remunerated for every unit of work completed (for example, per kilo of fruit harvested). However there are also many plantation companies that apply a combination of the time-based and output-based systems. In this combination system, plantation workers work during the company's standard working hours within which a certain output or a certain 'target' must be achieved. This is known as a 'target-based' system. Therefore, for the purposes of this guideline, we refer to two types of remuneration systems that are commonly observed on Indonesian oil palm plantations, namely the piece-rate system and the 'target system' (time-based and output based combination of systems). The use of the term 'target system' is also used in several international reports related to employment in oil palm plantations.¹⁵

¹⁰ Rainforest Action Network. 2016. The Human Cost of Conflict Palm Oil; Amnesty International. 2016. The Great Palm Oil Scandal; UNICEF. 2016. Palm Oil and Children in Indonesia.

¹¹ The Danish Institute for Human Rights & TFT (sekarang Earthworm Foundation). 2018. Labour Rights Assessment: Palm Oil Supply Chain in Indonesia. <https://www.humanrights.dk/publications/labour-rights-assessment-nestles-palm-oil-supply-chain-indonesia>

¹² The Danish Institute for Human Rights & TFT (now Earthworm Foundation). 2018. Labour Rights Assessment: Palm Oil Supply Chain in Indonesia. <https://www.humanrights.dk/publications/labour-rights-assessment-nestles-palm-oil-supply-chain-indonesia>

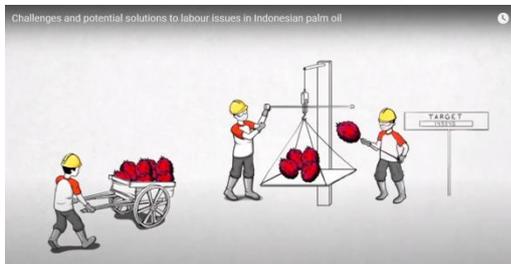
¹³ The Danish Institute for Human Rights & TFT (now Earthworm Foundation). 2018. Labour Rights Assessment: Palm Oil Supply Chain in Indonesia; Rainforest Action Network. 2016. The Human Cost of Conflict Palm Oil; Amnesty International. 2016. The Great Palm Oil Scandal; UNICEF. 2016. Palm Oil and Children in Indonesia.

¹⁴ Indonesian Government Regulation Number 75 Year 2015 on Wages

¹⁵ Rainforest Action Network. 2016. The Human Cost of Conflict Palm Oil; Amnesty International. 2016. The Great Palm Oil Scandal; The Danish Institute for Human Rights & TFT (sekarang Earthworm Foundation). 2018. Labour Rights Assessment:

I.2 Impact of Target-setting practices on Workers

In some cases workers may find targets unachievable or very high. In such situations, workers may be forced to work very long hours to achieve the target or forfeit some or part of their wages when targets cannot be met. In some cases, even when targets are reached easily, wages may be set at a very low rate which can have similar impacts on workers like excessive working hours or low wages. Additionally, it was also found that sometimes if targets are too high or wages too low, workers may bring family members to help them in their work, which can include children.



EF has created a video to better understand the complexity of the issue of setting work targets, wage policies and their impact on oil palm plantation workers. The video can be seen here: (<https://bit.ly/2YPhROu>).

I.3 Study on Targets and Wage Policies

Therefore, to understand these issues and the root cause better, Earthworm Foundation and its members, Nestle and one of their tier 1 suppliers in Indonesia, initiated a project on Targets and Wage Policies. The aim of the project was to study different plantation systems and develop deeper understanding of target-setting and wage policies on plantations. Linked to this, the project aimed to understand the extent of the impacts on workers linked to their targets and wage payments. The ultimate aim of the project was to develop guidelines for palm oil plantation companies on how to set fair targets and fair wage policies to reduce negative impacts on workers and improve business sustainability. This document serves as the guideline.

II. How to Use This Guideline?

This guideline is designed to establish a fair target-setting process and fair remuneration policies in oil palm plantations that can have positive impacts on workers. This guideline is compiled based on the study mentioned in section I.3 above. According to best practices observed on plantations under this study, workers' daily targets are set based on :

- The average capacity/output of work per worker and;
- Other factors that influence workers' productivity.

Companies should note that determination of workers' daily targets is not the same as the calculation of plantation production targets. However, calculating workers' daily targets can be useful to determine a plantation's labour needs which is crucial to achieve the plantation's production target. As such, both are complementary measurements of a plantation's productivity.

Labour needs in a plantation can be calculated based on the average workers' output, the daily work targets and the set production targets. More information on this is available in section VII.4.



The guideline was compiled based on the results of EF's study on Targets and Wage Policies. The study focused on the current practices used to determine workers' daily work targets and the wage policies in these companies. The study included conducting a Focus Group Discussion (FGD) of 11 oil palm companies, a survey of 6 companies as well as field visits to three companies, two with an area between 25-1,000 hectares and one company with an area of 1,001-2,999 hectares. Field work was conducted in North Sumatra and Aceh and involved discussions with 91 workers. Observations at site including good practices, gaps identified between company practice and national labour regulations, as well as positive and negative impacts on workers rights helped in the development of the recommendations under this guideline.

The steps in this guideline are meant to be simple and practical for oil palm plantation companies to follow in determining fair daily work targets and wage policies for their plantation workers. The guideline can specifically help plantation companies to :

- Assess the impact of their own practices of target-setting and wages on workers
- Understand the factors that need to be considered for fair target-setting to reduce any negative impacts on workers
- Understand best practice on wage policies (bonuses, deductions etc.) to reduce any negative impacts on workers

Chapter I	Get to know this Guideline.	
Chapter II	How to Use this Guideline	
Chapter III	Recognise and understand why the system for setting work targets and fair wage policies is important for sustainability from a labour perspective	
Chapter IV	Understand the definition and principles of fair target-setting and wage policies	
Chapter V	Case Study : How company practice on target-setting and wage policies can impact workers	
Chapter VI	Find out if the target-setting system and wage policies applied in your company follow the principles in Chapter IV.	
Chapter VII	Understand the importance of setting work targets based on the characteristics and conditions in your plantation and the steps that need to be taken for setting fair targets that have minimum negative impacts on workers	
	VI.1	Create a detailed list of all activities in your plantation
	VI.2	Set your company's standard working hours
	VI.3	Collect production data/work output data
	VI.4	Set work targets
	VI.5	Adjust your company policy for production during low and peak season
Chapter VIII	Understand the steps that need to be taken for setting fair wage policies that have minimum negative impacts on workers	
	VII.1	Bonuses for harvest volumes that exceed targets
	VII.2	Wage deductions for work errors
	VII.3	Benefits and allowances



Chapter IX	Familiarise yourself with other policies that companies can take to ensure that all workers are formally employed with the company and meet the minimum age requirement for work
Annex 1	Learn how identify peak and low season using mathematical tools

III. Understanding Impacts of Target-setting and Wages on Workers

Before discussing the steps that companies can take for determining fair targets and wage policies, we need to understand the link between workers' targets, company policies on wages and their collective impact on workers.

III.1 Impacts on Workers

As agricultural work and plantation productivity is usually measured by output, workers on oil palm plantations are either paid for the achievement of a fixed daily output-based target or are paid based on a piece-rate payment (a rate of wage applied for each unit of work done). Regardless of the system implemented, either target-based or piece-rate, workers can experience some negative impacts:

1. Wages below minimum or Low Wages¹⁶

For workers paid on a daily target-basis, failure to achieve the target could lead to workers earning only a partial daily income which is often below minimum wage standards. In more extreme cases, workers may not get paid at all for unfulfilled daily targets. In addition to this, workers on oil palm plantations may also face the issue of excessive wage deductions for making any work errors. Some plantations can impose very strict deductions policies that reduce workers' income and, in some cases, lead to wages below minimum standards.

For piece-rate workers, the rate at which workers are paid might be so low that workers are unable to earn a daily minimum wage in standard working hours (7-8 hours). They may work much longer than the standard hours a day to earn minimum wage, or might work standard hours and not earn daily minimum wage. The former case could amount to an indicator of forced labour, while the latter may be seen as a serious form of exploitation.¹⁷

2. Excessive Working Hours¹⁸

While setting workers' daily targets, companies may not take into account various factors that affect workers' productivity such as the average output of work of workers in standard working hours or the age of trees. In such cases workers might work longer than regular working hours to reach their daily target. That is, workers might work longer than standard working hours only to earn a minimum wage. This can be an indicator of forced labour. Moreover, the concept of

¹⁶ Law No 13/ 2003 Concerning Labour, Article 90 ; RSP0 Criteria 6.2.6; ISPO Criteria 4.2

¹⁷ ILO Indicators of Forced Labor on Excessive Overtime (https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf) and ILO Indicators of Exploitation on Low Salary. (https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_105035.pdf)

¹⁸ Law No 13/ 2003 Concerning Labour, Article 77 ; RSP0 Criteria 6.2.3



overtime is not applied in oil palm plantations, so it presents a challenge to palm oil businesses to pay a fair rate for the output of work conducted beyond the standard working hours. Many oil palm plantations use output-based premiums/bonuses to substitute overtime wages, but the rates are often lower than time-based overtime wages and don't always compensate workers comparably.

On the other hand, as mentioned above, low piece-rates may force workers to work long hours to maximize earnings. The additional hours exceeding the standard hours are not compensated with premium overtime pay. This can again be considered an indicator of forced labour¹⁹.

3. Family Workers or *Kernet* Workers and Children in Plantations²⁰

In both cases of high targets and low piece-rates, workers may find their workloads unmanageable— requiring long hours or facing the risk of earning low wages sometimes below minimum as a result of not achieving targets, being paid at a low piece-rate or facing heavy deductions to wages. The contrary might also occur where workers are offered attractive bonuses for exceeding targets, encouraging them to work for longer hours. Both circumstances may trigger the presence of family workers in the plantation also known as *kernet* workers. These groups of family helpers can include workers' children. These *kernet* workers 'help' the company's hired worker in their daily work. These workers work informally, and are not recruited by the company. They do not have formal agreements or contracts with companies and so they receive no wages nor do they get any benefits or protection at work such as accident insurance or Personal Protective Equipment (PPE). The presence of *kernet* workers can be categorized as a serious form of exploitation. When children are present in these groups, it can be categorized as child labour as plantation work is hazardous and is classified as one of the worst forms of child labour in Indonesia²¹. Apart from the responsibility of parents and company workers not to bring children and their family members to work, the company can also play an important role by establishing a prevention and mitigation system reducing the need for *kernet* workers.

The causal relationship between the drivers and the impacts on workers is elaborated in the figure below:

¹⁹ ILO Indicators of Forced Labour on Excessive Overtime (https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_203832.pdf)

²⁰ Law No 13/ 2003 Concerning Labour, Article 50 and 68-75, RSPO Criteria 6.2.2 and 6.4; ISPO Criteria 4.3

²¹ Presidential Decree Number 59 Year 2002 National Action Plan for Eliminating the Worst Forms of Child Labour (<https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/65381/105728/F-228398971/IDN65381.pdf>)

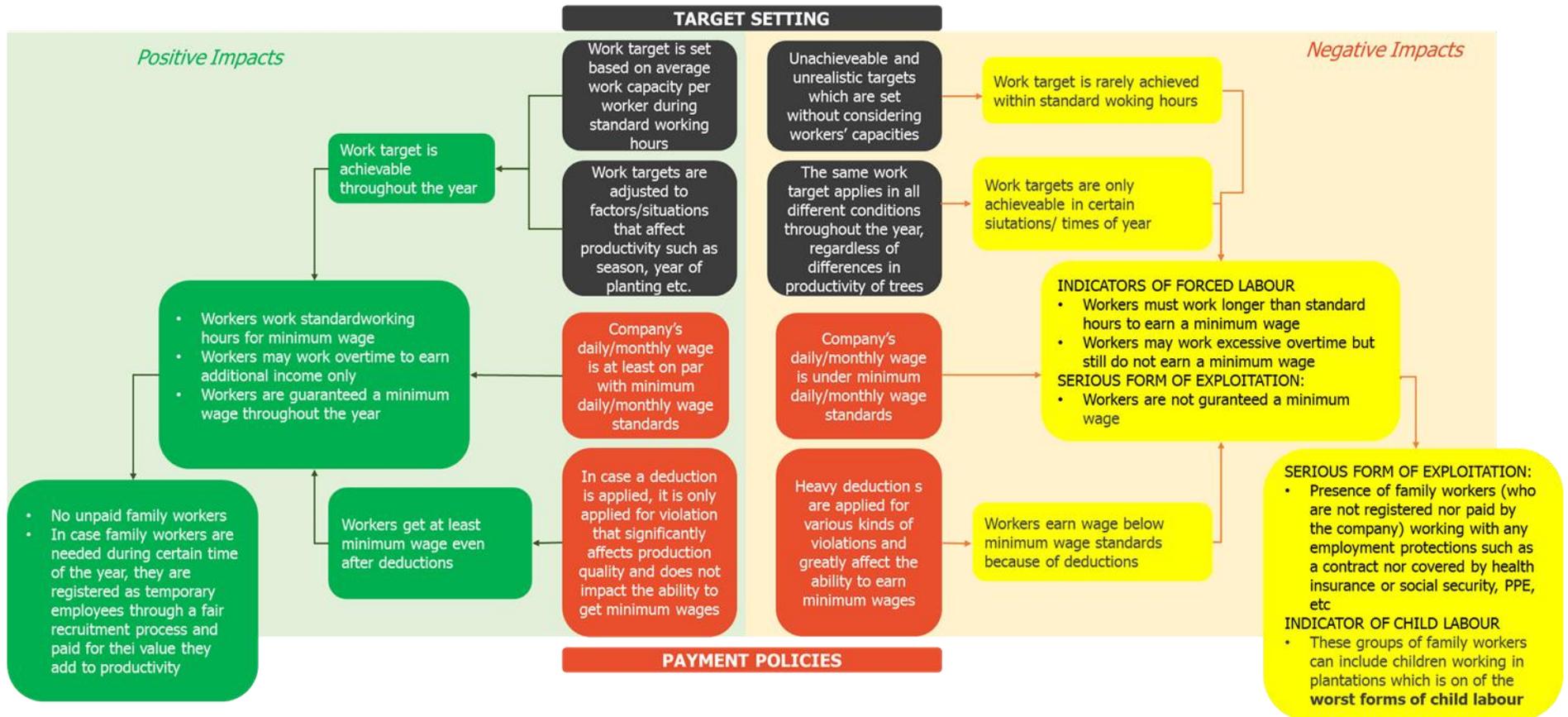


Figure 1. The Relationship between Work Targets and Wage Policies and their Impacts on Workers



III.2 Impacts on Business

A fair target-setting policy which is based on average workers' output and other factors contributing to workers' productivity is essential for business operations to determine accurate workforce needs. This will help companies ensure a balance between the number of workers and the total workload to achieve the predetermined plantation production targets.

In addition, when workers targets are achievable and wages are fair, it can boost workers' retention and help in the creation of a stable workforce for the company. When workers face unfair targets, or are paid low wages, it can affect their productivity as well as their motivation to stay with the company. Thus companies can face worker retention issues.

There can also be legal consequences for the company in case its policies lead to impacts on workers which do not comply with national labour regulations. Failure of companies to meet employment standards can put them in a disadvantageous position if the issue is reported by the media or civil society organisations working on the issue of workers' welfare. In recent years such incidences have occurred frequently in Indonesia's palm oil sector.

From an international perspective, many brand buyers of palm oil are setting their own sourcing standards to ensure their raw material procurement, like palm oil, is socially and environmentally responsible. As this trend grows, plantation companies and palm oil mills will need to improve their practices, including their labour practices, to ensure they can enter and remain competitive in the international market.

For these reasons, it is recommended that palm oil companies minimize any negative impacts on workers. One way this can be done is by setting fair work targets and wage policies for workers. The following chapters will explain how this can be done.

IV. Fair Target Setting and Wage Policies

Fair target-setting and wages are defined as a company's policies that can help minimize negative impacts on workers caused by very high or unachievable work targets or by low wages where even minimum wages are not guaranteed to workers.

As illustrated on page 7, the main principles of setting fair work targets and wages are:

FAIR TARGET SETTING POLICY

Main Principle:

Work target is achievable within standard working hours throughout the year

- ✓ Work target is set based on average workers' output achieved during standard working hours
- ✓ Work targets are set based on factors that affect productivity such as season, year of planting, topography, etc.



FAIR WAGE POLICY

Main Principle:

Workers are guaranteed at least a minimum wage throughout the year

- ✓ Company's daily/monthly/piece-rate wage is at least on par with minimum daily/monthly wage standards
- ✓ In case a deduction is applied, it does not impact the ability to get minimum wages
- ✓ Workers receive basic benefits and facilities as required by the law

These principles are used as the ground rule of this guideline, including in determining work targets and wages in the following sections.

V. A Case Study

To get a clearer picture of the explanation in the previous chapter, this section will present examples of a case study. This case study is a combination of various real cases in the field with a few changes made for simplification. At the far right, there are notes in italics to explain whether the practices are in accordance with the principle of fair target-setting and fair wage policies that minimize negative impacts on workers or not.

An oil palm plantation company in Indonesia has a 1,500 hectare plantation area. The company has a total of 250 plantation workers consisting of 100 harvest workers and 150 maintenance workers. This number does not include office staff.



Company's labour practices

All harvest workers are permanent workers who work from Monday to Saturday for 7 hours every day except Fridays, when workers only work for 5 hours. Harvest workers are paid a daily wage of Rp. 120,000 per day. This daily wage is the same as the regency minimum daily wage set by the local district government.

Workers have the opportunity to receive a full daily wage if they can achieve a harvest target of 1,200 kg per day. If they cannot reach the target, they will not receive the full wage, and the wage will be calculated proportionally to the kilograms of oil palm fruits harvested. Workers who are sick and can present doctor's certificate will receive the full daily wage.

Workers complain that the target of 1,200 kg per day is too high and difficult to achieve within 7 hours which is the standard working hours. Workers are able to reach the target comfortably only for 4 months of the year, during the peak season. In other months the target cannot be achieved unless workers work overtime for 2 to 3 hours a day. In the low season when there are very few fruits, the target cannot be achieved despite workers working overtime.

In the peak season, workers can harvest the equivalent of 2 days' wages in a single day by working for 10 hours a day and bringing their wives and children to help pick up loose fruits. This additional wage is obtained in the form of a bonus. The bonus is calculated based on a piece-rate applied for each kilogram of fruit harvested exceeding the harvest target. Other bonuses are also given to workers for their performance

Workers also face a deduction of half their daily wage if they forget to record their attendance with a finger print machine in the morning.

Harvest workers also receive benefits and allowances such as health insurance, religious holiday allowance, free company-provided housing, as well as monthly in-kind benefit (rice allowance).

However, in the low season when there are only few fruits, workers are only able to get a half day's wage in a full day of work as they cannot achieve the target. Additionally if workers make mistakes such as not harvesting ripe fruit, they get a deduction of Rp. 10,000 for each bunch of ripe fruit that is not harvested. Similar deductions are also applied for other errors such as harvesting raw fruit, not picking up loose fruits,

Findings (Principle vs Reality)

Working hours are in line with standard working hours and minimum wage standards.

Workers are at risk of not getting a daily minimum wage if they can't reach the target

There are indications that the daily target is set too high because it is often difficult to reach in regular working hours

- *Workers have the opportunity to get higher wages in peak season*
- *There are invisible workers including children who work in the plantation to help harvest workers*

Workers are at a risk of earning wages below minimum standard due to deductions

In compliance with labour regulations.

- *Workers are not guaranteed to get a daily or monthly minimum wage in low season*
- *Workers may be paid less than a minimum wage due to deductions*
- *Deductions are applied for errors that can affect*



Company's labour practices	Findings (Principle vs Reality)
<p>not pruning palm fronds, not cutting the fruit stalk according to the specified length, and so on.</p> <p>Meanwhile all maintenance workers in this company are casual daily workers. These workers work for 6 days a week with 5 hours of work per day. The workers are paid a daily wage of Rp. 70,000.</p> <p>Similar with harvest workers, maintenance workers will earn a full daily wage if they can achieve daily work targets. So far, workers are not complaining about the target and state that they can always achieve the daily work target throughout the year, except when they are working on a hilly plantation block or in an area with thick weeds.</p> <p>For maintenance workers, there are no bonuses or deductions based on work performance; however, they will face wage deductions if they cannot achieve the daily work target or if they do not record their attendance.</p> <p>Maintenance workers do not get any benefits or allowances, except for the religious holiday allowance of up to Rp. 300,000 per worker.</p>	<p><i>production quality and quantity</i></p> <ul style="list-style-type: none"><i>Working hours are less than 7 hours a day (for 6 working days a week). The working hour standard refers to the national regulation 102-2004 on Overtime and Overtime Work Wages</i><i>The daily wage rate is lower than the district minimum wage standard as stipulated in Indonesian Manpower Law No. 13 of 2003, Article 88-101</i><i>Maintenance workers do not get the minimum wage even though they can reach the target, since they are paid below daily minimum standard</i><i>Work targets in several areas need to be adjusted according to the level of work difficulty due to hilly conditions or thick weeds</i><i>Workers do not have the opportunity to get bonuses</i><i>Workers may be at risk of earning low wages due to deductions</i> <p><i>Workers do not receive benefits and allowances mandated by regulations such as health insurance and employment insurance (BPJS kesehatan and ketenagakerjaan) and religious holiday allowances in line with</i></p>



Company's labour practices	<i>Findings (Principle vs Reality)</i>
	<i>workers' monthly wage and length of service²².</i>

According to this case study, there is evidence that the site needs to improve its practice of setting work targets and improving its wage policies. From the details mentioned above, we can note that the company sets high daily targets as workers found it difficult to achieve their daily targets ; workers may earn low wages sometimes even below minimum standards ; wage deductions are also applied when workers make mistakes which increases the risk of workers earning below minimum wage. In addition, workers did not receive basic benefits as mandated by the regulations and there is the practice of *kernet* workers helping the company workers with their work. Thus, in line with these observations, some of the recommended corrective steps to be taken by the company are:

- Review the data on daily work targets achieved by workers throughout the year so that work targets are adjusted to factors that affect work output such as topography
- Adjust maintenance workers' wage rates to comply with the daily / monthly minimum wage provisions
- Review the application of deductions so as to ensure workers earn at least the minimum wage through out the year
- Review working hours and the number of maintenance workers available and adjust them to the workload volume. From the case study there is an indication of an excess in the number of maintenance workers because they work less than the standard working hours in a day (See EF's guideline on "Fair Employment of Casual and Temporary Workers")
- Provide basic facilities and benefits as mandated by regulations such as employment and health insurance and religious holiday bonuses to all workers, including maintenance workers

To find out the impact of target-setting and wage policies in your company and the improvements that could be needed, the first step that companies must take is to conduct an assessment.

VI. Assessing Your Company's Target-setting and Wage Policies

To better understand the impacts of target-setting practices and wage policies on their workforce, companies can use the assessment table or checklist below. If results show that company systems to set daily work targets and company wage policies have negative impacts on workers, this is an indication that there is room for improvement. The company can make these improvements based on the steps outlined in this guideline.

²² Indonesian Law 40, year 2004, on National Social Security System; Indonesian Government Regulation No. 44-46 of 2015 on Accident and Death Insurance, Pension Insurance Programs, Old Age Program Implementation; Presidential Decree No. 82 of 2018 concerning Health Insurance; Minister of Manpower Regulation Number 6 Year 2016 Regarding Religious Holidays Benefits for Workers / Labourers in the Company



Assessments can be carried out routinely (for example once every 1 year) to monitor the impacts of targets and wage policies on workers and to ensure that the systems and policies in place remain relevant for use and have positive impacts on workers.

Component	Checklist		Yes	No	Remarks
Target Setting	1.	The work target is set based on average work output per worker achieved in standard working hours.			If "No", improvement is recommended
	2.	Work targets are adjusted to factors/situations that affect workers' output such as season, planting year, topography etc.			If "No", improvement is recommended
	3.	The company's standard working hours are: <ul style="list-style-type: none"> • 7 hours per day and 40 hours per week for 6 working days in a week, OR; • 8 hours per day and 40 hours per week for 5 working days in a week, 			If "No", improvement is needed
	4.	There are workers who work less than 7 hours a day and/or less than 6 days a week			If "Yes", improvement is needed
	5.	Work targets are sometimes/always unachievable within standard working hours throughout the year			If "Yes", improvement is needed
Wage Policies	6.	Daily/monthly /piece-rate wages set by the company is at least equal to or higher than the standard minimum wage set by the regency/city or province			If "No", improvement is needed
	7.	There are workers who are paid daily/monthly/piece-rate wages that are lower than the standard minimum daily/monthly wage set by the regency/city or province			If "Yes", improvement is needed
	8.	If workers are paid by the piece-rate, the wage value is equal to at least the daily/monthly minimum wage			If "No", improvement is needed
	9.	Workers do not need to work more than standard working hours to get minimum wage			If "No", improvement is needed
	10.	Workers earn a daily minimum wage for working standard hours , even if targets are not met			If "No", improvement is needed
	11.	Workers work beyond standard working hours only to earn bonuses and premiums			If "Yes", it is important to note how long the additional work hours are. It should not be more than 3 hours a day and 14 hours a week
	12.	All workers (including harvest and maintenance workers) receive a daily/monthly minimum wage throughout the year			If "No", improvement is needed



Component	Checklist	Yes	No	Remarks
	13. Workers are paid a minimum wage, or above minimum wage only in certain seasons/months			If "Yes", improvement is needed
	14. In certain conditions, for example in low season, workers earn wages below minimum wage			If "Yes", improvement is needed
	15. Premiums/bonuses are given to workers who successfully reach or exceed work targets			If "Yes", proceed to the next question
	16. If the bonus is calculated at a piece-rate, the value is at least equal to the hourly overtime wage			If "No", improvement is recommended
	17. Deductions are applied when workers make errors at work			If "Yes", proceed to the next question
	18. Deductions are only applied for errors that have a significant impact on the quantity and quality of production			If "No", improvement is recommended
	19. If a worker's wage is deducted he might earn a wage lower than minimum wage			If "Yes", improvement is needed
	20. Workers are provided with health insurance benefits (<i>BPJS Kesehatan</i>)			If "No", improvement is needed
	21. Workers are provided with employment insurance (<i>BPJS Ketenagakerjaan</i>) including all four components on Accident, Death, Pension and Old Age)			If "No", improvement is needed
	22. Workers receive religious holiday allowances according to their monthly wage and length of service.			If "No", improvement is needed
	23. Workers are provided with Personal Protective equipment (PPE) and work equipment free of charge and it is easily replaced in case of damage from usage			If "No", improvement is needed
Identification, Prevention and Mitigation of Family / <i>Kernet</i> workers	24. The company ensures that there is an adequate workforce to undertake all the work that is available : • Identify the frequency and volume for each activity in a certain period, for example one year • Developing workforce plans • Recruiting workers according to workforce plans Please refer to EF's guideline on " Fair Employment of Casual and Temporary Workers " for more detailed steps			If "No", improvement is needed
	25. The company has made efforts to identify, prevent and mitigate <i>kernet</i> workers, including children Please refer to EF's guideline on " Mitigating the Risk of Child Labour on Oil Palm Plantations " for more detailed steps			If "No", improvement is needed
Family/ <i>Kernet</i> Workers	26. There are family/ <i>kernet</i> workers helping with harvest or maintenance work at certain times or in certain conditions			If "Yes", proceed to the next question



Component	Checklist		Yes	No	Remarks
	27.	Family / <i>kernet</i> workers are officially registered as company workers (contracts or work agreements are provided)			If one of the answers is "No", improvement is needed
	28.	Family/ <i>kernet</i> workers are directly paid by the company for their work.			
	29.	Family/ <i>kernet</i> workers get PPE and work tools provided by the company free of charge			
	30.	There are children under 18 years old who help with work in the plantation.			If "Yes", improvement is needed

VII. Why Do You Need to Set Work Targets Based on Your Plantation's Characteristics and Conditions?

Often times, companies may find that workers cannot achieve the set work targets. There are 2 possible reasons for this. If only a small number of workers cannot achieve the set target, this could be an indication of workers who are not skilled enough or have a slow pace of work. However, if all or most workers cannot achieve the target, it could be an indication for management that the targets are too high and not set in accordance with the average worker's output of work achieved within standard working hours.

We need to keep in mind the following:

- Different variety of oil palm trees have different productivity levels
- The same oil palm variety with different planting years will have different productivity levels as per the age of the tree
- The same oil palm variety with the same planting year but planted in different areas with different types of soil will have different productivity levels as per the topography
- Workers' output is highly dependent on the three points above and on various external factors such as topography and other conditions.

Therefore, companies are best advised to determine work targets in accordance with the specific conditions in your respective plantation.

At the start of the 'Targets and Wage Policy' study carried out by EF, there were eleven factors that were thought to influence workers' output. The survey data from 6 companies was supported by data collected through discussions with workers stating the same factors affect their output. However, data collected from both companies and workers shows that from the eleven factors, there are four that are mainly taken into consideration to determine harvest and maintenance workers' daily targets—i.e. the year of planting, season, topography and average work output of workers in standard working hours. This finding was also confirmed through the data from the field work done in two of the three



companies visited. The other factors were not included in the target-setting process, but did influence the wage policy.

These positive findings form the basis of recommendations for the target-setting process in this guideline. The year of planting, topography, peak/low season and average work output in standard working hours should be considered at a minimum for setting daily work targets. Other factors may also be used to determine the target calculation however; this will require more complex data collection and target calculation which is not covered in this guideline.

Table 1. List of Factors Affecting Workers' Output

All Factors Affecting Workers' Output	The Minimum Factors to be considered for Target-setting
<ul style="list-style-type: none"> • Average weight of FFB (Fresh Fruit Bunch) • Planting Year • Season (peak season/low season) • Average workers' production capacity within normal working hours • Plantation productivity target • Activities/ workload for each worker • Topography/Gradient/Slope/Swamp/dry land • Number of workers per division • Plantation conditions (Weed thickness, etc) • Rainfall level • Access to water/ water availability 	Harvest work <ul style="list-style-type: none"> • Planting year (Related to the height of trees and weight of FFB) • Topography • Peak/Low Season • Average Work Output in standard working hours
	Maintenance Work <ul style="list-style-type: none"> • Planting year • Topography • Average Work Output in standard working hours

You can undertake the following steps in order to determine work targets that are appropriate to the conditions of your company:

First, create a detailed list of all activities in your plantation. All different types of activities have different difficulty level and thus different standard output. **Second**, set your company's standard working hours, either 7 hours per day for 6 working days in a week or 8 hours per day for 5 working days in a week. **Third**, collect production data to determine average work output for all activities. Average work output is the standard output for a particular task that can be achieved by a worker in standard working hours. Calculation of a standard work output forms the basis of establishing work targets that are achievable in standard working hours. To come up with average work output, collect and analyse data of all workers' daily outputs in the past year.





Several methods can be used for determining average work output, including but not limited to:

1. Time and motion study

A time and motion study is commonly applied in the manufacturing sector to analyse productivity and efficiency. The study analyzes which activities provide added value and which activities inhibit productivity and efficiency. The result of such studies is to determine the efficiency of the organisation of activities or the flow of activities of a task, the method of carrying out each activity in a practical and efficient manner, as well as the standard of workmanship and the time it takes to complete the work. For this guideline, time and motion studies will not be elaborated on as this was not field-tested as part of the research study which forms the basis of this guideline. However, more information can be found through the two following references:

- The Philippine Department of Manpower Regulation regarding Guidelines for the Implementation of Time and Motion Study (<https://nwpc.dole.gov.ph/issuances/departement-order-no-125-13-series-of-2013-revised-guidelines-on-the-conduct-of-time-and-motion-study-tms/>), and
- Case studies in Malaysia in conducting time and motion studies for oil palm harvest activities (<https://jurnalteknologi.utm.my/index.php/jurnalteknologi/article/view/4555/3180>)

2. Trends in Production / Work Output Data

This method is used to calculate average workers' output standards by using past production data. Using this data, companies can find out the daily average output per worker. How to collect and process production data will be discussed in the next section

Fourth, set work targets based on the average workers' output from the third step. The work target is a number referring to a certain size of area or a certain volume set by your company that should be achieved by workers within standard working hours. **Fifth**, for harvest work in particular, the company needs to adjust work targets and wage policies during low and peak season. This is to ensure a balance between the workload and the workforce.

From a mathematical perspective, the daily target for a worker is calculated using the average annual worker's output and applying the following equation. For the calculation, steps in chapters VII.3 and VII.4 can be used as an explanation of the equation using recapitulated data of monthly production.

Daily Work Target = Average work output in standard working hours

= The average year-round data on "total output in a day" divided by "the number of workers who work in a single day to produce that total output" and "the average hours worked per worker in a single day to produce that total output" times "the standard working hours in a day"

$$= \left[\frac{\sum_{i=1}^n \left(\frac{O_i}{p_i \times t_i} \right) + \left(\frac{O_2}{p_2 \times t_2} \right) + \left(\frac{O_3}{p_3 \times t_3} \right) + \dots + \left(\frac{O_n}{p_n \times t_n} \right)}{n} \right] \times ST$$

Description:

O = total output in one day (kilograms/hectares/other units)

p = total number of workers working in a single day to produce the total output *O* (people)

t = average hours worked per worker in a single day to produce the total output *O* (hours)

ST = standard working hours in a day (hours)

n = number of working days in a year (days)



VII.1 Create a detailed list of all activities in your plantation

Your company should create a detailed list of all activities in your plantation.

Table 2. Example of List of Activities in Oil Palm Plantation

No		Type of work
1	Harvest Work	Harvesting and transporting the FFBs
2		Picking up lose fruits
3		Pruning and stacking palm fronds (can be classified under maintenance work depending on your company policy)
4	Maintenance Work	Chemical weed control: Partial spraying (harvesting path and stacked fronds)
5		Chemical weed control: Total Spraying (harvesting path, stacked fronds and base of trees)
6		Fertilizer dispersal
7		Manual weed control
Etc....		

VII.2 Set the standard working hours

As per the Indonesian regulation, the standard weekly working hours is 40 hours per week. Your company may choose one of the following two working hour arrangements for all workers :

- a. 7 hours per day and 40 hours per week for 6 working days in a week.
- b. 8 hours per day and 40 hours per week for 5 working days in a week

Table 3. Example of Standard Working Hours

No	Activities	Standard Working Hours per Day	Number of Working Days in a week
1	Harvest Worker	7 hours	6 days (Monday-Saturday)
2	Maintenance Worker
Etc....			

VII.3 Collect Production Data / Work Output

Production data of at least 1 year is needed to derive the productivity output trends throughout the year and in different seasons– for example during peak season or low season. Data collection can be done through the following steps:

1. Record data of all components of FFB production for each date in every month of the year
2. Calculate the average of all components of FFB production and fill in the column 'Monthly Average' For steps 1 and 2, please see **Box 1** and **Box 2** for examples



3. Recap the data into the tables in **Box 4** and **Box 5** (Sample recap of January 2019) to determine the Average Work Output for Daily Standard Working Hours for a period of 1 month. This recap should be done for every month.
 4. Recap the data into the table in **Box 6** to determine the Average Work Output for Daily Standard Working Hours of each month for a period of 1 year
 - a. Compile average monthly data in a year based on a location / block and planting year information
 - b. If there are 2 locations / blocks with the same planting year but have different topographic characteristics, separate the data of the two locations / blocks
In this process topographic data are simply classified into 2 categories : 1) relatively flat topography (slope below 25 degrees) and 2) hilly topography (slope above 25 degrees)
 - c. Calculate the average data for 1 year to obtain average workers' capacity (Average Work Output for Daily Standard Working Hours)
-



Box 1 Sample of Harvest Production Data

Month/Year :/.....

Work Activity : Harvesting

Variety :

Division/Block :/.....

Planting Year :

Topography : Flat (0-25%) / Steep (> 25%) *

No	I Components of Production	II Days in a Month				III Average Daily Output in a Month
		1	2	31	
		Total harvest on the 1 st	Total harvest on the 2 nd	Total harvest on each day from the 3 rd to 30 th	Total harvest on the 31 st	
1	Planned Harvest Volume (Kg)					
2	Average FFB weights (Kg)					
3	Number of FFBs (Fruit Bunches)					
4	Area size (Ha)					
5	FFB weights (Kg)					
6	Loose Fruits (Kg)					
7	Total of actual Harvest Volume (Kg) - sum of data in row number 5 and 6					
8	Number of harvest workers					
9	Total working hours of harvest workers (Hours)**					
10	Number of additional harvest workers (if any) ***					
11	Total working hours of additional harvest workers (Hours)					
12	Total number of harvest workers (sum of data in row number 8 and 10)					
13	Total working hours of harvest workers (sum of data in row number 9 and 11)					

*cross out one

** Obtained through the attendance list by calculating the effective work time, meaning that rest hours are not counted. See Box 3 for sample of recording working hours in the attendance list.

*** It is necessary to count and record all manpower who are involved in the work process, including a) kernet workers who become formally hired by companies as additional temporary workforce to fill in production gap (if any) or b) maintenance workers who are temporarily assigned as harvest workers



Box 2 Sample of Maintenance Work Output Data

Month/ Year :/.....

Work Activity :

Variety :

Division/Block :/.....

Planting Year :

Topography : Flat (0-25%) / Steep (> 25%) *

I Components of Production	II Days in a Month				III Average Daily Output in a Month
	1	2	...	31	
	<i>Total output on the 1st</i>	<i>Total output on the 2nd</i>	<i>Total output on each day from the 3rd to 30th</i>	<i>Total output on the 31st</i>	
Total Spraying					
Area size (Ha)					
Herbicide Volume (L)					
Number of Spraying Workers					
Total working hours per worker **					
Fertilizing					
Area Size (Ha)					
Fertilizing Volume kg)					
Number of Fertilizing Workers					
Total working hours per worker **					
Pruning					
Area Size (Ha)					
Number of Trees					
Number of Workers					
Total working hours per worker **					
Manual weeding					
Area Size (Ha)					
Number of Trees					
Number of Workers					
Total working hours per worker **					
Etc...					

* cross out one

** Obtained through the attendance list by calculating the effective work time, meaning that rest hours are not counted. See Box 3 for sample of recording working hours in attendance list.



Important information that must be collected in the production data table is working hours. Recording working hours including a recap of the time used for work and rest periods. Law Number 13 Year 2003 Article 79 stipulated that workers must get a minimum rest time of half an hour after working for 4 consecutive hours, and the rest period does not include working hours.

The number of working hours recorded through a finger print system or using a manual recording system done by the foreman or *mandor*, is used to calculate the average hours worked per worker in a day.

Below is a sample document for manual recording that can be filled in by foremen every day :

Box 3 Sample of Attendance List

Day/Date :
Work Activity :
Division/Block :/
Foreman :

No	Name	Time in	Break Time	Time out	Worker* Signature	Remarks
1		 to			If a worker does a different type of work, record it! For example: 5 hours harvest + 2 hours pruning
2		 to			
...						



Box 4 Sample of Recap of Average Daily Harvest Output for Block A in January 2019

I	IV	V	VI	VI
Components of Production	Average Daily Worker Output in a Month	Average Daily Working Hours per Worker in a Month	Standard Daily Working Hours	Average Daily Work Output within Standard Working Hours
	<i>Data from column III divided by average number of workers who do the work (Box 1)</i>	<i>Data from column III of Box 1</i>	<i>7 or 8 hours according to your company's working hours</i>	<i>Column IV divided by column V multiplied by column VI</i>
HARVEST				
Planned Harvest Volume (Kg)				
Average FFB weights (Kg)				
Number of FFBs (Fruit Bunches)				
FFB weights (Kg)				
Loose Fruits (Kg)				
Total of actual Harvest Volume (Kg)				
Number of Harvest Workers*				
Area Size (Ha)				

**Total of all manpower who are involved in the work process, including a) kernet workers who become formally hired by companies as additional temporary workforce to fill in production gap (if any) or b) maintenance workers who are temporarily*

Box 5 Sample Recap of Average Daily Output Per Worker for Block A in January 2015

I	IV	V	VI	VI
Production Factor	Average Daily Worker Output in a Month	Average Daily Working Hours per Worker in a Month	Standard Daily Working Hours	Average Daily Worker Output within Standard Working Hours
	<i>Data from Column III (Box 2)</i>	<i>Data from Column III of Box 2</i>	<i>Determine 7 or 8 hours according to the system applied in the company</i>	<i>Column III Divided by column IV Multiplied by Kolom V</i>
Total spraying				
Area Size (Ha)				
Herbicide Volume (L)				
Fertilizing				
Area Size (Ha)				
Fertilizer Volume (kg)				
Pruning				
Area Sizes (Ha)				
Number of Trees				
Manual weeding				
Area Sizes (Ha)				
Etc...				



Box 6 Recap of Average Daily Work Output in Standard Working Hours									
Planting Year	Topography	Location	Components of Production	Average Daily Work Output for Standard Working Hours					
				Months					Average in 1 year
				Jan 2019	Feb 2019	Mar 2019	...	Dec 2019	
2005	Flat	Blok A, Blok E, Blok F	a. HARVESTING	<i>Data from column VI Box 4</i>					
			Number of FFBs (Fruit Bunches)						
			FFB weights (Kg)						
			Loose Fruits (Kg)						
			Total of actual Harvest Volume (Kg)						
			Harvest area (Ha)						
			b. TOTAL SPRAYING	<i>Data from column VI Box 5</i>					
			Spraying Area (Ha)						
			Herbicide Volume (L)						
			c. FERTILIZING						
			Fertilizing Area (Ha)						
			Fertilizer Volume (kg)						
			d. PRUNING						
			Area (Ha)						
			Number of Trees						
e. MANUAL WEEDING									
Area (Ha)									
f. Etc. (Other types of work)									
2005	Hilly	Block B							
2011	Flat	Block C							
Etc...									

From the calculations in **Box 6** we are able to calculate the average daily output per worker during daily standard working hours. These outputs can be both area-based (Eg: no. of hectares harvested/sprayed/pruned etc.) or volume-based (Eg: kilos of FFB harvested, loose fruits collected, number of trees pruned, etc.). This figure will then be used in determining daily work targets.

For companies that apply a piece-rate to determine wages, workers are generally not given a daily work target. The amount of wages received by workers is calculated based on the amount of output produced. Even so, average work output can still be used to calculate the wage per unit of yield so that the value is at least equivalent to the daily / monthly minimum wage. This will be discussed further in the section on wage policies.



In addition, both for companies that use a target-based system or a piece-rate, average work output can also be used to calculate workforce requirements accurately, by dividing the total volume of work for a year by the number of working days and average work output (See **Box 7**).

An accurate calculation of labour needs is essential to ensure a balance between the number of workers and the total workload, and to provide at least a minimum wage for all workers (even if the company applies a piece-rate based wage system).

Box 7 Example of Using Average Work Output to Calculate Workforce Needs

$$\text{Total Workforce Needed} = \frac{\text{Total volume of work for one year}}{\text{Number of actual working days in one year} \times \text{Average workoutput}}$$

- For example, a company has an oil palm plantation with an area of 500 Ha which is harvested once a week. Therefore the volume of harvest work in a year is 500 hectares multiplied by 52 weeks, which is 26,000 hectares.
- If the average work output or generally if a harvest worker can harvest an area of 2.5 hectares per day in standard working hours (7 hours a day) and work for 25 days a month or 300 * days in a year, then the amount of labour needed in a year is 26,000 Ha divided by 2.5 Ha / day and then divided by 300 days, ie 34.6 workers.

**The figure excludes workers' annual leave and public holidays in the year*

VII.4 Set Your Company's Work Targets

Your company may choose either area-based or volume-based work targets. However, to have the most positive impacts, a company can choose to set production targets on the basis of both area and volume. For certain types of activities such as harvesting, an area-based target can be used to assign the daily targets for harvest workers in low season and a volume-based target can be used for assigning targets in high season.



Box 8 Sample of Work Target Within Standard Daily Working Hours

Planting Year	Topography	Location	Work Target (Sample)	
			Activity	Target
2005	Flat	Block A, Block E, Block F	Harvesting	[.....] Hectares/kg/other units... per worker per day
			Total Spraying	[.....] Hectares/kg/other units... per worker per day
			Fertilizing	[.....] Hectares/kg/other units... per worker per day
			Pruning	[.....] Hectares/kg/other units... per worker per day
			Manual Weeding	[.....] Hectares/kg/other units... per worker per day
			Etc...	[.....]
2005	Hilly	Block B, Block H	Harvesting	[.....] Hectares/kg/other units... per worker per day
			Total Spraying	[.....] Hectares/kg/other units... per worker per day
			Fertilizing	[.....] Hectares/kg/other units... per worker per day
			Pruning	[.....] Hectares/kg/other units... per worker per day
			Manual Weeding	[.....] Hectares/kg/other units... per worker per day
			Etc...	[.....]
2011	Flat	Block C	Harvesting	[.....] Hectares/kg/other units... per worker per day
			Total Spraying	[.....] Hectares/kg/other units... per worker per day
			Fertilizing	[.....] Hectares/kg/other units... per worker per day
			Pruning	[.....] Hectares/kg/other units... per worker per day
			Manual Weeding	[.....] Hectares/kg/other units... per worker per day
			Etc...	[.....]
Dst...				

VII.5 Adjust Company's Policy for Production in Low Season and Peak Season

Harvesting work is unique because it depends on the availability of fruits. During low season, the volume of fruits that can be harvested decreases, meaning fruits are less than the average production. Whereas in peak season, the volume of fruits that can be harvested increases, meaning fruits are higher than the average production. This condition is depicted in Figure 2. Low season and peak season can be identified by using calculation as shown in Annex 1.

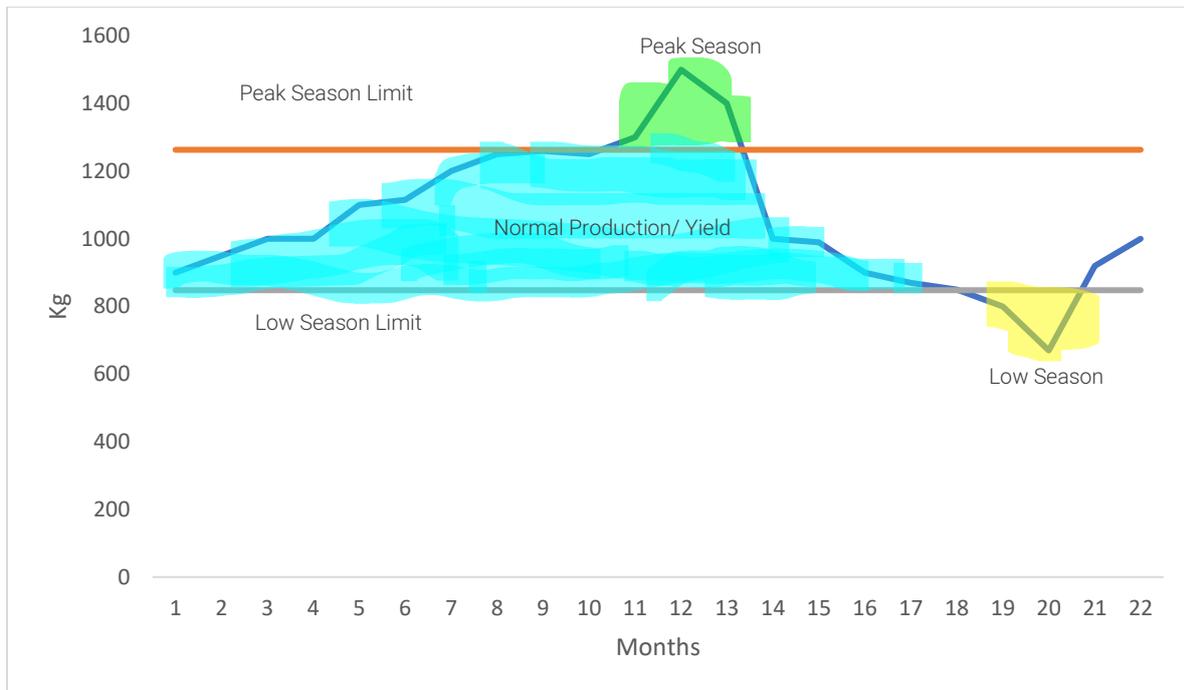


Figure 2. Illustration of Fruit Yield during Low Season and Peak Season

From the figure above, a company can see which months are low season and which months are high season. If the company calculates the average worker output in low and high season within one year, then the difference will be seen as per the table below (See Table 4). That means that in low season, the workload is much less than the annual average, and during peak season, the workload is much more than the annual average. If each worker is allocated a work target based on the annual average production every month, there will be an excess of labour during the low season and a shortage of labour during the peak season.

Table 4. Average Work Output achieved during Daily Working Hours in Low and Peak Seasons

Planting Year	Topography	Location	Components of Production	Average Daily Output per Worker in Standard Daily Working Hours		
				Average in 1 year	Average for Low Season	Average for Peak Season
				January to December	Month..... to	Month..... to
					Figure 2 indicates which months are included in low season. Take the average of workers' output throughout the months referring to the average output data in Box 6.	
2005	Flat	Block A, Block E, Block F	Number of FFB (Bunches of Fruits)			
			FFB weights (Kg)			
			Loose Fruits (Kg)			
			Total of actual Harvest Volume (Kg)			
			Harvesting area (Ha)			
2005	Hilly	Block B				
2011	Flat	Block C				
Etc...						



Therefore, your company shall make adjustments to work targets or reallocate work tasks and adjust the number of workers in the low season and peak season. This is to ensure that there is enough work in the low season for the entire available workforce, and that there is an adequate workforce to deal with a significant increase of work during peak season. Below are some examples of policies that can be applied to help companies adjust their workforce needs:

a. Low Season

- ✓ Harvest workers are assigned to do harvest work according to average work capacity with additional tasks (for example picking up loose fruits or pruning) to ensure they have enough work to do during standard working hours (full day of work).
- ✓ Reduce the number of harvest workers and increase the harvest area per worker. Other harvest workers are assigned to do other work (for example pruning and stacking palm fronds)

For example, there are 30 harvest workers with a daily work target of 2.5 hectares. During low season, the company can reduce the number of harvest workers from 30 to 20 workers and add the harvesting target area to become 3.75 hectares per worker. Other harvest workers can be assigned to do pruning.

b. Peak Season

Recruiting an additional workforce (for example daily casual workers, by prioritizing hiring family/*kernet* workers if there are any) or temporarily assigning maintenance workers to do harvest work (for example to pick up loose fruits), considering harvest workers can only work according to the average capacity plus overtime work of 3 hours maximum per day

For calculations on number of workers needed and work target adjustment, companies may refer to data in Table 4.



VIII. Wage Policies

As mentioned in the introduction to this guideline, under Indonesian law, workers can be paid based on time worked or output achieved. However, in oil palm plantations, it is common to find a combination of the two systems, known as the target system. Regardless of the systems, all wage policies should be clearly explained in a company regulation, a collective bargaining agreement, and employment contracts.

In a time-based wage system, workers can be paid on a daily or monthly basis, as long as all workers receive a minimum daily/monthly wage after fulfilling their work obligations within standard working hours. Monthly wages refer to the minimum monthly wages mandated by the sector or the district, city or provincial governments of the region where the company is based. Daily minimum can be calculated by dividing the minimum monthly wage by the number of working days²³:

- Daily minimum wage for companies following a 6 day week is the monthly minimum wage divided by 25 working days
- Daily minimum wage for companies following a 5 day week is the monthly minimum wage divided by 21 working days

VIII.1 Wages for the Target-based System

Wages in the target system are based on the daily / monthly minimum wage standard, which in turn is dependent on the completion of work in units of time. However, on oil palm plantations, this has been adapted to output of work so that workers receive the minimum wage based on the fulfillment of their target. For companies that use the target-based system, it is recommended that companies implement recommendation 1 or a combination of the following three recommendations to ensure that work is compensated with at least the applicable minimum wage.

In some extreme cases, achieving volume-based targets is also the only factor used to determine whether workers receive full daily wages or not. This practice is not recommended because oil palm fruit production is not fixed throughout the year and fluctuates as per the season. In addition, other factors (See **Table 1**) can affect work outputs and cause targets to remain unachieved. Therefore it is recommended that companies use a combination of work targets based on area and volume, especially for harvest workers, in anticipation of fluctuations in fruit volume in different seasons.

Did You Know?

The Minimum Wage is the lowest monthly/daily wage set by governments as a safety net for individual workers with under 1 year of service. Companies are therefore encouraged to set wages at a rate higher than the monthly/daily minimum or provide additional benefits in accordance with the service period. In addition to supporting workers to fulfill their decent-living needs, this can also help with building workers loyalty to the company and improved rates of employee retention

²³ Indonesian Labour Law Article 77



RECOMMENDATION

Every worker receive at least minimum wage if:

01 They have completed their work in standard working hours

OR

This policy is to anticipate:

- Less amount of fruit in the low season where workers have achieved the target before standard working hours end, so harvest workers are directed to do other work until standard working hours are over;
- Changes in external conditions that cause area-based targets to remain incomplete or unachieved (for example a delay in spraying pesticides because of rain).

02 They have achieved area-based daily targets

OR

- This policy is to anticipate a lower amount of fruits during low season making it difficult for harvesting workers to achieve the volume-based target
- Same policy can be applied to maintenance workers, adjusted to relevant factors

03 They have completed the volume-based target

- This policy is to anticipate a higher volume of fruits during peak season, making area-based targets difficult to achieve
- Same policy can be applied to maintenance workers, adjusted to relevant factors

VIII.2 Wages based on Piece-Rate and Bonuses for Harvest Volumes Exceeding Targets

For companies that apply wages based on piece-rates, the value of the piece-rate could be fair, set at a rate that is equal to the wage value per hour. On the other hand, the piece-rate may be lower than the wage value per hour leading to low incomes for workers. Regardless of the piece-rate paid, the drawback of this system is that workers' earnings vary depending on the amount of fruit available. The piece-rate may not affect workers wages negatively in high season as fruit is plenty and workers may still be able to earn a minimum wage or even above minimum. However, this may not be the case throughout the year, as the amount of fruit available fluctuates thus affecting workers' earnings.

The same thing can happen to companies that apply a target for workers—to be completed within standard working hours—to calculate workers basic wages but apply a piece-rate system to calculate bonuses when workers' exceed their targets and might work longer hours. Bonus wages paid at a piece-rate have a lower value than overtime wages per hour.

Recommendation :

For work that is paid by a piece-rate system and is carried out during standard working hours, the rate should be at a value equal to the minimum wage

For work done outside of regular working hours, and paid for by a piece-rate, the rate should be equal to the rate of overtime pay per hour

'If during regular working hours a worker is paid Rp. 100 to harvest 1 kg of palm fruit, the bonus rate for every 1 kg of palm should be higher than Rp. 100.'

To ensure that the applied piece rate wages comply with the minimum wage and overtime stipulations, the following steps are recommended.

- Calculate average work output per day and hourly (columns A and B, [Table 5](#)) to find out the average output that workers can produce in standard working hours.
- Determine the value of wages per kilogram in standard working hours (column D, [Table 5](#)). The value in column D is the value that can be used as a standard wage per unit of yield during regular hours.
- Furthermore, in column E, determine wages per unit of yield during overtime based on the following provisions (Article 11 Decree of the Minister of Manpower and Transmigration Number 102 of 2004 concerning Overtime and Overtime Salaries):



- The first overtime hour should be paid at 1,5 times the basic hourly rate
- The second and all following overtime hours should be paid at 2 times the basic hourly rate.
- The basic hourly rate is the monthly wage divided by 173

Rules of Overtime Work Payment

Interpretation of Rules of Overtime Work Payment to Overtime pay based on volume/output yield

A. If overtime work is conducted on weekdays	
The first overtime hours should be paid at 1,5 times the basic hourly rate	Each additional kg exceeding the volume target that is equal with one-hour of work is paid at 1,5 times of the payment rate for 1 kg. (see Table 5 below for an example)
The second and all following overtime hours should be paid 2 times basic hourly rate	Each additional kilogram exceeding the volume-based target, that is equal with output yield in 2 hours or more is paid 2 times of the payment rate for 1 kg. (see Table 5 below for an example)
B. If overtime is conducted on weekly rest day or official holiday	
<p>For companies using 6 work days in a week:</p> <ul style="list-style-type: none"> • The first 7 hours are paid 2 times of hourly wage, and the 8th hour is paid 3 times of hourly wage and the 9th and 10th overtime hours 4 times hourly wage. • If the official holiday falls on the shortest working day, the calculation of overtime of the first 5 hours is paid 2 times hourly wage, the 6th hour 3 times the hourly wage and the 7th and 8th overtime hours 4 times the hourly wage 	<p>Payment of wages does not refer to the volume-based target, but started from the first kilogram, the payment is calculated progressively.</p> <ul style="list-style-type: none"> • For work output during standard working hours, each kilogram is paid at twice of the rate per kg. • For the following hours, work output in the first overtime hours is paid at 3 times the rate per kg, and the second and following hours should be paid at 4 times the rate per kg. <p>(see Table 5 below for an example)</p>
<p>For companies using 5 working days in a week:</p> <p>The first 8 hours are paid at 2 times the hourly wage, the 9th hour is paid at 3 times the hourly wage, and the 10th and the 11th hours are paid 4 times the hourly wage</p>	

Table 5. Sample of Calculation of Piece-rate payments and Bonuses/Additional Wages in Accordance with Overtime Wage Calculations

A Daily Average Work Capacity per Worker with Volume Based Targets (Kg/Day)	B Hourly Average Work Capacity per Worker with Volume Based Targets (Kg/Hour)	C Daily Minimum Wage(IDR/Day)	D Wage per kg During Standard Working Hours (IDR/Kg)	E Premium Rate/ Additional Wage per Kg (IDR/Kg)
<p>The figure is obtained from the average work capacity calculation in your company.</p>	<p>Calculated by dividing Column A by standard daily working hours.</p>	<p>Calculated by dividing the monthly minimum wage by the total working days in a month (21 days or 25 days).</p>	<p>Calculated by dividing the daily minimum wage by average work capacity (Column A)</p>	<p>Calculated based on interpretation of overtime pay rules per time unit to overtime pay per unit result/piece rate</p> <ul style="list-style-type: none"> Wages for overtime on working days: <ul style="list-style-type: none"> ✓ Harvesting output of 'quota basis' up to 'quota basis + output of the first 1 hour' is paid 1,5 times the wage per kg ✓ Harvesting output beyond 'quota basis + output of the first 1 hour' is paid 2 times the wage per kg Wages for overtime on rest days/public holidays: <ul style="list-style-type: none"> ✓ Harvesting output up to 'quota basis' is paid 2 times the wage per kg ✓ Harvesting output of 'quota basis' up to 'quota basis + output of the first 1 hour' is paid 3 times the wage per kg ✓ Harvesting output beyond 'quota basis + output of the first 1 hour' is paid 4 times the wage per kg
<p>EXAMPLE</p> <p>For example, the average work capacity is 1.000 kg/day</p>	<p>For example, the average work capacity of 1.000 kg/day is divided by standard working hours of 7 hours per day = 143 kg/hour</p>	<p>For example, a district's minimum monthly wage is IDR 3,000,000, with standard working time of 6 days a week, the daily wage is IDR 120.000/Day</p>	<p>For example, the daily wage is IDR 120,000 and the average work capacity is 1,000 kg, the wage per kg is IDR 120,- /kg</p>	<ul style="list-style-type: none"> Wages for overtime on working days: <ul style="list-style-type: none"> ✓ Harvesting output of 1.001-1.143 kgs is paid IDR 180/kg (1,5 times the wage per kg) ✓ Harvesting output of 1.144 kgs onwards is paid IDR 240/kg (2 times the wage per kg) Wages for overtime on rest days/public holidays: <ul style="list-style-type: none"> ✓ IDR 240/kg for the first 1,000 kgs (2 times the wage per kg) ✓ Harvesting output of 1,001-1,143 kgs is paid IDR 360/kg (3 times the wage per kg) ✓ Harvesting output of the 1,143-1,286 kgs is paid IDR 480/kg (4 times the wage per kg)
<p>Do the same calculation for every single average work capacity in all types of activities</p>				



VIII.3 Wage Deductions for Work Errors

Fines or wage deductions are often applied by companies to provide a deterrent effect for workers to be more careful and not make too many mistakes which could have an impact on productivity. One example of this is when workers pick unripe fruit, thereby affecting plantation productivity, and affecting the quality of the FFB. The application of deductions is generally not recommended, but if the company wants to apply deductions, conditions must be regulated by company policy, Collective Bargaining Agreements (CBA), and workers' work agreements or contracts. In addition, these conditions should be clearly explained to workers.

Conditions for the application of deductions should be in accordance with the following principles:

- Deductions are only applied to the types of work errors that affect the quantity and quality of CPO and PKO production, crop productivity, and other irreparable errors
- The application of deductions does not threaten the ability for workers to earn at least a minimum wage, meaning that deductions are applied to bonuses and not to basic wages

Recommendation :

- Types of work errors and applicable deductions can be set in written rules after a discussion with workers
- If deductions are applied, they are only applied to the types of violations that will affect the quantity and quality of CPO and PKO production, plant productivity, and for errors that cannot be corrected
- The implementation of fines does not risk the opportunity for workers to get a minimum wage, meaning that fines are applied to bonuses, not to basic wages.

Did You Know ?

If the worker faces a deduction and this reduces the wage he/she receives making the final amount lower than the minimum wage, then the worker is at high risk of not being able to meet his/her daily needs. This will especially affect workers who have families to support.

In order to determine the types of work errors that will be subject to deductions, the company can conduct an impact assessment process to determine the impact of different work errors. This stage is important to assess how severe the impact of the error is, especially if it affects the quantity and quality of production, and whether it can or cannot be corrected. This will help inform the company on the appropriate disciplinary action for common errors made by plantation workers.

Table 6. Example - Assessment of the Impact and Opportunities for Work Error Correction

Type of Error	Impact	Opportunity to Correct the Errors
Harvesting raw fruits	<ul style="list-style-type: none"> • Reducing the quality of CPO • Reducing crop productivity 	Work Error that cannot be corrected , which means that if workers harvest raw fruit, the harvested raw fruit cannot be returned to the tree and contributes to a loss for the company.
Not Harvesting ripe fruits	Reducing production of Crude Palm Oil (CPO) and Palm Kernel Oil (PKO)	Work Errors that can be corrected , which means that workers can still harvest the ripe fruit the same day, under instructions from the foreman.
Not Picking-up Loose Fruits	<ul style="list-style-type: none"> • Reducing production of Crude Palm Oil (CPO) and Palm Kernel Oil (PKO) 	Work Errors that can be corrected , which means that workers can still pick up the left over loose fruits, under instructions from the foreman



Type of Error	Impact	Opportunity to Correct the Errors
	<ul style="list-style-type: none">Unpicked loose fruit will grow into an oil palm tree and disrupt the growth of other oil palm trees and that will increase maintenance costsReducing plantation cleanliness and tidiness	
Not pruning and stacking the fronds neatly.	Reducing plantation cleanliness and tidiness	Work Errors that can be corrected , which means that workers can still prune and stack the fronds, under instructions from the foreman
Not cutting the fruit stalk according to the specified maximum length rules.	Reducing the quality of CPO	Work Errors that can be corrected , which means that workers can still cut fruit stalks that are too long, under instructions from the foreman

The company management can undertake the following actions towards workers committing errors at work:

- Verbally reprimand workers so that they can correct their mistakes straight away and avoid making the same mistakes going forward.
- If workers continue to make the same mistakes, the company can issue a written warning or other non-monetary sanctions to give the workers deterrent effects.
- For types of mistakes that can be corrected, it is not recommended to apply wage deductions
- For types of mistakes that cannot be corrected, such as harvesting raw fruit, the company can apply monetary fines or sanctions to the premiums or bonuses received by workers.

The following is one good example that has been applied by companies regarding the application of deductions:

Company A offers several types of bonuses to harvest workers. The first bonus is when the harvest worker successfully exceeds the specified harvest target, where the worker is entitled to a bonus that is calculated based on the weight of the excess harvest. Besides this, the harvest workers also have the opportunity to get a bonus of a certain amount every month if the worker makes no mistakes during the month. If the worker does make any mistakes then deductions are applied accordingly but only to the bonus, thereby guaranteeing a minimum wage to workers.

Deductions are usually not applied for maintenance workers. When a company applies deductions for maintenance workers, the company is recommended to undertake the same analysis as in setting deductions for harvesters as explained above.



VIII.4 Benefits and Allowances

Under current Indonesian regulation, there are several types of benefits and allowances that must be provided by the company to all workers, whether they are permanent, casual/temporary, or subcontracted workers (through subcontractor companies). The following are the types of benefits that must be given by the company to all workers, including casual daily workers. For more detail on this, please see EF's guideline on 'Fair Employment of Casual and Temporary Workers'.

- **Health Insurance and Employment Insurance**

Every worker and his/her family is entitled to receive employment/social security insurance^{24 25 26}. Further, Government Regulations and Presidential Regulations have mandated companies to register and pay Employment and Health insurance for all workers²⁷.

- **Personal Protective Equipment (PPE) and Work Tools are provided for free to all workers.**

As mandated by Minister of Manpower and Transmigration Regulation Number 8 of 2010 concerning Personal Protective Equipment, as well as Indicator 6.7.3 of the RSPO, and article 9 of Government Regulation Number 78 of 2015 concerning Wages, companies need to ensure that all workers receive Personal Protective Equipment (PPE) and work tools/equipment for free. If PPE or work tools are damaged after being used for a reasonable period of time, it is necessary to ensure workers get free replacement of PPE or work tools/equipment.

- **Religious Holiday Allowance**

Regulation of the Minister of Manpower Number 6 Year 2016 Concerning Religious Holiday Benefits for Workers in the Company stipulates that every worker who has worked for more than 1 month is entitled to receive a religious holiday allowance (*THR*). For workers with a work period of less than 12 months, the amount of *THR* given is proportional to the period of work completed.

- **Annual (Paid) Leave.**

As stated in article 79 of the Manpower Act, workers have the right to annual breaks for a minimum of 12 days a year. When taking annual leave, workers still receive full wages

Some companies also provide additional benefits/allowances such as in-kind allowances (rice), housing allowance and electricity allowance.

²⁴ Minister of Agriculture Regulation No. 11 of 2015 concerning Indonesia's Sustainable Palm Oil Certification System (Indonesian Sustainable Palm Oil Certification System /ISPO)

²⁵ Roundtable on Sustainable Palm Oil. 2018. *Principles and Criteria for the Production of Sustainable.*

<https://rspo.org/resources/certification/rspo-principles-criteria-certification/rspo-principle-criteria-for-the-production-of-sustainable-palm-oil-2018>

²⁶ Law Number 13 of 2003 concerning Labour, article 99

²⁷ Indonesian Law 40, year 2004, on National Social Security System; Government Regulation No. 44-46 of 2015 concerning Occupational Accident Insurance and Life Insurance, Retirement Insurance, and Old Age Insurance; Presidential Regulations No. 82 of 2018 concerning Health Insurance.



IX. Ensuring All Workers Are Officially Registered with the Company and Meeting the Minimum Age for Working

The presence of *kernet* workers in plantations is an indication of the need to improve the target-setting practices and wage policies in the company. For a long term solution to the issue, the company must ensure that the work targets and wage policies are fair and do not create negative labour impacts. This means work targets should be set taking into account various factors of productivity so that they can be achieved by workers within regular working hours throughout the year. The company wage policies should ensure that workers earn at least a minimum wage and if possible even move towards a decent living wage. This has been discussed in detail in the previous chapters.

At the same time, it is important to note that *kernet* workers play a role in increasing company productivity as their work helps to increase the overall work output and fill production gaps. Especially if there is an inaccurate manpower/workforce planning, thus, causing a shortage of workers at the company during certain seasons. Therefore, when such workers are identified in the plantation, it may be more appropriate to formalise the working relationship between *kernet* workers and the company through a short-term or casual work agreement with provision of their basic rights such as payment of at least a daily minimum wage, health insurance, PPE, tools etc. More detailed information on this can be found in the "**Guideline for Palm Oil Companies – Fair Employment of Casual and Temporary Workers**".

When a company needs *kernet* workers and chooses to recruit them as temporary workers, the company should record their presence and contribution to production activities as per **Box 1**.

The company also needs to ensure and to monitor that all workers in a plantation have met the legal minimum age and are officially registered with the company. The company also needs to have a policy and clear steps for remedial actions if there are workers who are found to be below the age limit working in the plantation. More detailed information on these steps can be found in the "**Guideline for Palm Oil Companies - Mitigation the Risk of Child Labour in Oil Palm Plantations**".



X. Annexes

Annex 1. Identifying Peak Season and Low Season

Harvesting work is unique because it depends on the availability of fruits. During low season, the volume of fruits that can be harvested decreases, meaning fruits are less than the average production. Whereas in peak season, the volume of fruits that can be harvested increases, meaning fruits are higher than the average production.

Average production can be described as the middle of the range of production throughout the year. This middle represents the mean or the standard production. Based on this standard one can calculate high and low season production, by calculating the 'Standard Deviation'. Standard Deviation is measurement of data spread out from the standard or the mean. A low standard deviation means that most of the numbers are close to the average, while a high standard deviation means that the numbers are more spread out.

In relation with harvest production, standard deviation can be used to describe :

- Average production : Range within **mean minus standard deviation** and **mean plus standard deviation**
- Low season : Data with the value below **mean minus standard deviation**
- High season : Data with the value above **mean plus standard deviation**

To further identify the length and which months are average production, low season, or peak season, calculate mean and deviation standard of your production data through the followings :

- a. Calculate means for each production components (number of FFB, harvest volume, area). Mean/average can be obtained by summing up all your data value and dividing it by the number of your data.
- b. Calculate standard deviation for each production components (number of FFB, harvest volume, area). Standard deviation is calculated by subtracting each dataset by an average value, then squaring it. Sum up the square results and divide by $n-1$, i.e number of datasets minus one. Then derive the squareroot of the results.
- c. Mark the months that indicate peak season period and low season period to identify how many months of peak season are included in one year, and how many months of low season are included in one year.



FORMULA TO CALCULATE AVERAGE

Manual Formula

$$\bar{x} = \frac{\sum_{i=1}^n x_i}{n} = \frac{x_1 + x_2 + \dots + x_n}{n}$$

Microsoft Excel Formula

=AVERAGE (DATA RANGE)

Remarks :

\bar{x} = average

x_i = value x, month - i (first)

x_n = value x, month - n (the last)

n = number of data/month

Σ = sum

FORMULA TO CALCULATE STANDARD DEVIATION

Manual Formula

$$\begin{aligned}\sigma &= \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n - 1}} \\ &= \sqrt{\frac{(x_1 - \bar{x})^2 + (x_2 - \bar{x})^2 + \dots + (x_n - \bar{x})^2}{n - 1}}\end{aligned}$$

Microsoft Excel Formula

=STDEV (DATA RANGE)