



Case Studies: Pukin Palm Oil Mill & Segamat Estate

These case studies are based on field visits conducted by the Earthworm Foundation to IOI Corporation Bhd operations, Pukin Mill in Keratong, Johor and Segamat Estate in Segamat, Johor dated 24-25 May 2019. The sites are certified by the Roundtable on Sustainable Palm Oil (RSPO), the Malaysian Sustainable Palm Oil (MSPO) and the International Sustainability and Carbon Certification (ISCC).

The company's labour practices are guided by their Sustainable Palm Oil Policy (SPOP) that was launched in March 2014 and later revised in August 2016 following stakeholder engagement. The policy was drafted in accordance with international standards such as the United Nation's Guiding Principles on Business and Human Rights, the International Labour Organisation's Fundamental Conventions, and also incorporates No Deforestation, No Peat and No Exploitation (NDPE) policy principles. Companies with a 'No Exploitation' component of NDPE commit to ensuring there is no exploitation of workers or communities where their operations are located. The company's policy covers commitments on human rights and workplace conditions, community development, environmental management and social impact. The policy applies across all operations of the company.

The following two case studies provide an overview of the positive impact on 2 particular sites of the Company when policies were enhanced to better align with international labour and human rights standards. The case studies may serve as inspiration for other companies looking to implement practical measures to improve their worker retention rates.

SUMMARY OF THE ADOPTION OF GOOD PRACTICES

1. INTEGRATING HUMAN RIGHTS INTO SUSTAINABILITY POLICIES AND HUMAN RESOURCES POLICIES

- Established a Sustainable Palm Oil Policy (SPOP), including a *No Recruitment Fees* commitment.
- "Migrant Workers Recruitment Guidelines and Procedures" detailed operational procedures and increased transparency.

2. SUPPORTING FAIR RECRUITMENT AND DECENT WORKING CONDITIONS

To adhere to their SPOP commitment, the company follows fair recruitment practices from the pre-employment to post-employment stage.

- Conducts due diligence on recruitment agents and contractors before engaging their services, and ensuring they monitor their recruitment partners.
- Migrants workers view the company corporate video and profile and receive an orientation on job functions and contract details in their country of origin. Following the briefing, workers sign employment contract in their native language.
- Conducts post arrival interviews and induction trainings with trained interpreters.
- Workers are given the opportunity to recommend their family members or relatives directly to management.
- Site level manager explore reasons for worker resignation to resolve issues faced by workers.

3. ESTABLISHING COMMITTEES TO ADDRESS GRIEVANCES

- Employees Consultative Committee (ECC) is developed and workers can elect representatives according to their nationalities and raise their concerns together.
- Joint Consultative Committee (JCC) allows for workers' representatives and management representatives to meet together and resolve grievances.

4. PROVIDING OPPORTUNITIES FOR HIGHER WAGES AND CAPACITY BUILDING

- Workers can earn at least 20% more than the minimum wage during their normal working



hours. This can be achieved through meeting the productivity target set by the estate.

- Workers provided with relevant skills and technical knowledge through training.

5. PROVIDING RECREATIONAL ACTIVITIES

- Occasional sports, activities such as hiking, dinners and celebrations are organised for workers.

6. ENSURING A SAFE AND HEALTHY WORK ENVIRONMENT

- Continuous improvement on occupational health and safety trainings for employees.
- Reallocation of work for injured workers and payment of compensation.

Estate Case Study



Case Study 1- IOI Plantations Berhad, Segamat Estate, Johor, Malaysia

Size: 1700 ha plantation

Type of operation(s): Manuring, harvesting, weeding, pruning

Origin of migrant workers: Indonesia, Bangladesh, India, Nepal,

Number of migrant workers: 141 (As of August 2019)

Drop in abscondment rate: 32% in 2016 reduced to 3.70% in 2018

With labour shortages in the palm oil industry, this Estate in Johor was initially struggling with high migrant worker abscondment rates. The annual abscondment rate was almost 32% in 2016 but this number dropped to 3.70% in 2018. Similarly, its retention rate increased from 41.18% in 2016 to 70.37% in 2018.

IOI's first step was to find out how best to address the incidences of abscondment. An engagement process with their workers and further reviews to their Sustainability Policy were carried out to promote confidence and trust between migrant workers and the management. Subsequently, several key priorities for policy reform were outlined: no identity document or passport retention, no security deposits when migrant workers go on leave, no restriction of movement, no unlawful salary deductions and no recruitment fees; migrant workers are given transparent contracts.

The company also recognised that productivity-linked incentives would boost the morale of their migrant



workers. The company pays 20% more than the minimum wage (as of 2019, set at RM1100 under the Malaysian *Minimum Wage Order 2018*) for each worker if they meet productivity targets during their normal working hours. This productivity incentive has been included in each estate manager's Key Performance



Indicator. This higher income was cited by numerous employees as an incentive to stay in the company as each of them could receive between RM1,200 – RM2,500 in monthly salary.

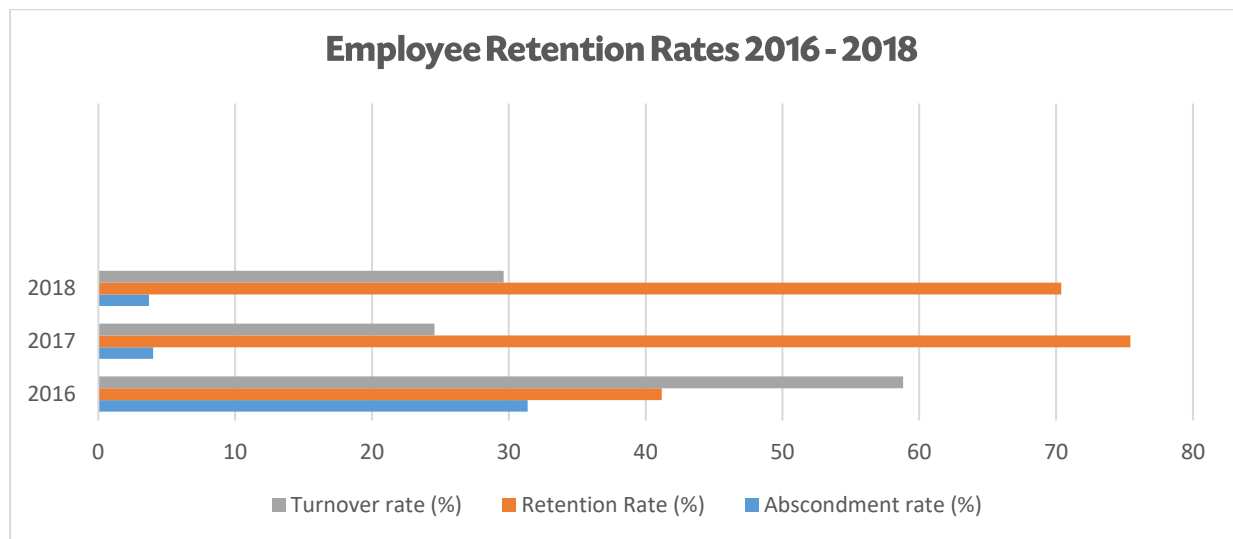


Chart 1: Retention rates of employees at Segamat Estate from 2016 to 2018. Average number of migrant workers at the plantation were: 127.5 (2016), 142.5 (2017), 162 (2018)

"I have been working in Segamat Estate for 7 years. You need discipline and hard work to earn the extra 20%. By earning about RM2,000 to RM3,000 a month, I want to finish my contract and return home in 6 years. I have friends working in other plantations but I can say that I'm the happiest because of the working conditions here. My dream is to open a restaurant and convenience store in my hometown, Calcutta, and continue to support my wife and family." **Indian Migrant Worker, 29 years old, Harvester/Pruner/Electrician**

In addition, there are strong grievance mechanisms on site. The Employees Consultative Committee (ECC) is a platform where migrant workers can raise concerns regarding their workplace, accommodations, facilities such as sport facility and others. The ECC representatives are elected by their peers of the same nationality. This is to ensure that there is a balanced representation from each nationality. The number of representative positions available is based on 10% of the total number of workers of that particular nationality. Elected representatives hold ECC meetings once every 2 months.





Issues raised during these meetings are presented by ECC representatives to the Joint Consultative Committee (JCC). These meetings are held every 2 months with management representatives. Workers can also express their grievances through a hotline managed at headquarters, through a logbook of complaint that managed by the management of the estate.

"I have worked at IOI since 2009 and as the Head of ECC, I am satisfied with how the management handles our complaints. For example, they made improvements on the futsal field and they repaired the lights and water supply at the workers' quarters. After the Lombok earthquake in Indonesia, the management arranged religious programmes and donation for our families who were affected by the incident. I feel appreciated and respected working here, and my family is at ease knowing that my welfare is being taken care of." **Indonesian Migrant Worker, Harvesting Mandore (leader of migrant worker group) and Head of ECC for Indonesian Nationality workers.**

These efforts are also supplemented by the engagement between management and workers through various activities during and after working hours. This includes sports, religious celebrations and get-togethers between management and workers that establish respect and rapport in the estate regardless of nationality or religion.

Workers have also recommended working at Segamat Estate directly to their contacts at home. Their testimonials prove to be an effective way in recruiting new workers as migrant workers are able to describe the positive experiences in their daily routine and the conditions of their workplace. One worker from India has recommended 40 individuals from his hometown to this estate.

Mill Case Study



Case Study 2: Pukin Palm Oil Mill, Johor, Malaysia

Type of operation(s): Palm oil mill processing, palm bunch reception, sterilization, threshing, palm oil pressing, palm oil clarification, crude oil storage tank, palm kernel recovery, nut & kernel separation, steam-supply station, power supply station, raw water treatment, effluent treatment

Origin of migrant workers: Indonesia, Bangladesh, India, Nepal, Myanmar

Number of migrant workers: 54 (As of August 2019)

Drop in abscondment rate: From 7.27% in 2016 to 3.57% in 2018

Unlike the plantation, the mill did not experience very high abscondment rates. However, following the adoption of new policies, turnover rates also dropped in the past three years and there has been an increase in the overall worker retention rate as seen from the chart below.

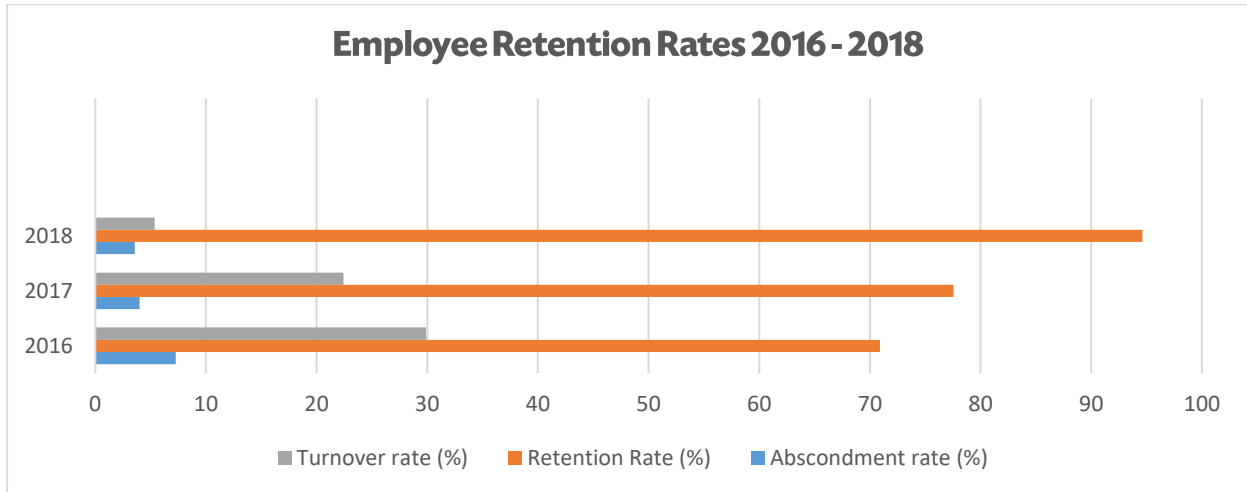


Chart 2: Retention rates of employees at Pukin Palm Oil Mill, Johor from 2016 to 2018. Average number of migrant workers at the plantation were: 55 (2016), 53.5 (2017), 56 (2018)

Similarly, the mill has positive worker retention strategies as inspired by their policies. As its operations involve heavy machineries, the mill takes its safety measures seriously. The management has installed clear safety signs in each work site and it provides occupational safety and health trainings to both all workers on a regular basis. The last accidents that the mill had was in 2018 and workers affected by these accidents were provided with monetary compensation and they were able to retain their jobs. Since then, the mill has not had any more accidents.

Capacity building and leadership trainings are also important aspects of the mill's worker retention strategies. The management has taken steps to provide employees with opportunities to build their skills and experience by allowing them to work in different stations. This strategy has also resulted in higher productivity.



"Not only do locals take on higher position jobs like a foreman, but migrant workers are given the chance to handle this responsibility. This way they can earn more salary and it shows that we treat all workers here equally and have a stable workforce in the long run." **Kesavan Manohar, Palm Oil Mill Manager**

The Pukin Palm Oil Mill is an example of how businesses can maintain a stable workforce and a good worker retention rate by investing in the skills of their workers.

The case study above illustrates the importance of adopting good practices that has impact in reducing their migrant workers abscondment rate. This case study was produced with the support of the International Labour Organisation's (ILO) Improved Migration Governance Project in Malaysia.