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Are fair wages possible in the palm oil industry?

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Foreign workers make up the bulk of Malaysia's palm oil industry but many are not paid a 'decent living wage'

In May of 2014, Finnish NGO Finnwatch published a report titled *The law of the jungle: Corporate responsibility of Finnish palm oil purchases*. Because "Neste Oil, owned by Finland's government, is the world's single largest buyer of palm oil", Finnwatch sought to examine the responsibility of palm oil production in Malaysia and Indonesia, the two largest palm oil producers.

Besides looking at the environmental impact, Finnwatch paid extra attention to working conditions on the plantations and small farms. The main findings made for grim reading: "Salaries [are] insufficient for covering basic costs of living" and occupational safety was compromised by "the use of herbicides and pesticides, transport, as well as work ergonomics related to heavy lifting and difficult working positions".

In the case of Malaysia, the salary situation is exacerbated by the industry's nationality mix: three quarters foreigners, one quarter Malaysian. Which raises the question: Do you consider a foreign worker's home country's "basic costs of living", which is almost always lower than those in Malaysia? Or should they be paid the minimum wage, which might be less than what a Malaysian would get for doing the same job? Or should they be paid the same as a Malaysian?

"A lot of what constitutes 'a decent wage' is based on the domestic economy," explained **Joel D Moore**, Senior Lecturer of Global Sciences at the University of Monash, referring to what the Malaysia-based Roundtable of Sustainable Palm Oil (RSPO) calls a Decent Living Wage (DLW). "You go to the local market and say, 'You'll buy this and that for a typical Malaysian diet' and work out how much that costs. If you can buy the same things at a plantation, how much does it cost there? And you also consider the rent and whether housing is provided by the company.

"There are very clear rules but it assumes that everyone is Malaysian, which is very much not the case in this industry."

A DECENT LIVING WAGE

The RSPO articulates DLW as follows:

"A decent living wage shall be paid to all workers including those on piece rate/quotas, for whom the calculation shall be based on achievable quotas during regular work hours.

Note: Where there are no national laws on decent living wage, growers may refer to a credible methodology to measure the living wage which will be developed by RSPO and should be based on the Global Living Wage Coalition."

The Global Living Wage Coalition (GLWC), in what is often called the Anker Methodology, describes a living wage as:

"Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events."

Because [Bangladeshi nationals make up the bulk of Malaysia foreign palm oil workers](#), Moore pointed out that GLWC's living wage for the Bangladeshi capital, Dhaka, is 16,460 taka. That translates to roughly 795 Malaysian Ringgit (RM) – about 300RM less than the Malaysian minimum wage of 1,100RM.

“The concern,” Moore elaborates, “is that if you have separate living wages for locals and someone from somewhere else, it's going to lead to discrimination to people doing the same work. One person gets paid a lot more than the other, and it leads to a race to the bottom in terms of wages.”

To make matter worse, these foreign workers often pay substantial third party agent and recruitment fees to secure work in these countries. Should these fees – which often take years to pay off – be considered in the calculation of a decent wage?

MARKET PREMIUM

Committing to paying a DLW increases costs and therefore lowers profits – a proposition few profit-seeking businesses would support. But what if palm oil producers could charge a premium for certification that proves their palm oil is procured by paying fair wages and inflicts minimal damage to the environment?

“It's hard to trace the source because it's all put into a vat,” Moore explains, referring to the kernel from which palm oil is extracted. “So it's a bit of a chicken and egg situation: if there is no premium, the cost of creating a separate supply chain is prohibitive. But you could get a premium if you can prove it's from a separate supply chain.

“There are different certifications for different stages that can guarantee that they are RSPO-certified. But there is no comprehensive solution.”

While there is limited scope for positive enticement, Moore cites the example of Greenpeace's Kit Kat orang-utan campaign that forced Nestle, Kit Kat's brand owner, into committing to [responsibly sourcing 100 percent of its palm oil by 2020](#). Even though there is little indication that consumers would pay a premium for responsibly produced palm oil, Moore hopes the good cop-bad cop act by the World Wildlife Fund (WWF) and Greenpeace can make a difference.

“You have the WWF, who has a positive messaging strategy of finding out who's doing a good job with regard to sustainable policies and publicising that, and try and show people how to do environmental and worker protection,” he elaborates. “Then you have Greenpeace who say, ‘You're doing horrible things! Look at this person or company and tell them they are horrible, and stop buying their products!’ I want to see the Greenpeace attacks drive the companies into the arms of the more collaborative WWF-type organisations.

“That sort of thing, I feel, does an excellent job of making Nestle terrified. But consumers watch that and think, ‘Palm oil is bad!’ as opposed to ‘I should be buying certified sustainable palm oil’, which is a more nuanced position. As a result, demand goes down amongst the people whose support is most needed to drive market incentives for companies to do better.”

Joel D Moore was the speaker at the recent SMU-SOSS Seminar, ‘Decent Wages’ for Foreign Workers in the Malaysian Palm Oil Sector held on March 15, 2019.

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