

03 Guidance for minimum wage grievances

This document was commissioned by Cargill and written by Proforest and the Fair Labor Association as part of work with Cargill on grievances and how to address grievances with its suppliers. It was designed to guide internal processes, but Cargill decided to make the short guidance public to demonstrate how it approaches these issues. The long form of this guidance will not be published – but is referenced in places throughout this document, and these references have been left in to demonstrate where more information is available.

If you are interested please send a request to receive the more detailed information to info@proforest.net

Introduction

Many companies all along the palm oil supply chain have made commitments to no Exploitation as part of their responsible palm production and sourcing commitments and policies.

Under No Exploitation, minimum wage is a key issue as, if not done correctly, it can infringe on the legal and human right of workers to have access to a minimum wage.

This document provides practical and action-oriented guidance on how to manage and address grievances related to the minimum wage in the palm oil sector. The guidance provides information about how to verify and identify causes of grievances, develop action plans for remediation and resolution, and minimise chances of future non-compliance and conflict.



This guidance is primarily developed for growers or mills as a first point of contact, but corrective actions ultimately need to be carried out wherever a grievance on minimum wage is occurring, whether in mills, plantations they own or/and plantations of outgrower or smallholder farms they source from.



What is meant by a grievance?

A grievance, in the context of the palm oil sector, may be defined as a complaint or allegation of a practice that may go against international standards, company policies or industry best-practices. It usually relates to a company's responsibilities to respect the rights of their employees and neighbouring communities as well as protect the surrounding environment. When individuals, communities, civil society organisations, media and even government agencies identify specific harms that they wish a company to address, they may be termed 'concerns', 'complaints' or 'grievances' or given a different name. They may be raised directly with the company through a formal communication that enters directly into a company's grievance mechanism, or they may arise through informal communication and/or be put forward by proxy through a third party (e.g. by an NGO in a public report).

In the palm oil sector, grievances are usually raised around the production practices of oil palm and therefore fall under the responsibility of the grower or mill. However, grievances at production level may also be raised to downstream companies who source palm oil, in which case they may raise these grievances to those suppliers concerned and routinely follow up to check on progress in resolving them. This also applies to grievances raised against mills concerning the practices of their third-party suppliers (e.g. traders/collectors, outgrowers and independent smallholders).

If left unresolved, grievances can antagonise stakeholders, attract widespread attention, cause damage to a company's reputation as well as that of their buyers, and, in some cases, result in business losses or failure.

What is the minimum wage?

The payment of decent wages and benefits means that, at a minimum, and in compliance with national laws, a worker will receive payment that meets basic needs and provides some discretionary income. Along with these wages, workers should be provided with:

1. Written information regarding their remuneration package, when to expect payments and how often;
2. Reimbursement for any overtime worked.

There is a legal obligation to direct employers to remunerate workers fairly and in line with the work that has been undertaken; furthermore, this responsibility extends to workers who are indirectly employed (via contractors, suppliers and/or employment agents). This means that contracted workers and temporary workers also have the same benefits as permanent members of staff, given the nature of work and the length of service are equivalent. Workers who are employed in indirect operations and smallholder settings including smallholder farms managed by the mill also should receive the minimum wage.

Minimum Wage

The minimum wage is the statutorily defined wage level that every employer is required by law to pay. A minimum wage establishes a wage floor and may differ by country, region, and even by industry or sector. In many places, the statutorily defined minimum wage is inadequate to meet the basic needs of workers. Where this is the case, it means employers will need to take steps to ensure workers are compensated enough to meet basic needs and have extra discretionary income. Other work-place benefits should also be given. The minimum wage is often revised periodically, and employers have a responsibility to keep up to date with new laws relating to the minimum wage and act upon these to ensure workers are properly compensated.

Addressing a minimum wage grievance

A mill or grower that is subject to a grievance must follow a series of steps to address the grievance, presented in the figure below. These should be followed systematically and agreed with relevant stakeholders, in a **transparent, consultative and appropriate** manner.



For further details, please refer to the grievance series [Introduction document](#).

Step 1: Receive and acknowledge grievance claim

On receipt of a grievance claim, the first step is to assign a member of staff to be responsible for investigating the grievance claim, who will acknowledge receipt of the grievance to the grievance raiser and inform them of an initial timeline.

Step 2 & 3: Initial Review and Investigation

Having acknowledged receipt of the grievance, it is then necessary for the grievance holder to conduct an initial assessment to help understand their responsibility towards remedying it. This is done by gathering information and starting a “case file” where all information related to this particular grievance is collected.

The data collection process is critical to identify root causes to ensure longer-term resolution of the issue and that there is less likelihood of recurrence. Investigating a wage-related grievance requires **gathering a wide range of information**. Depending on internal capacity, it might be a good idea to **work with various expert organisations** to help determine the best way to collect and analyse the data required and with the view to ultimately remedy the grievance itself and underlying root causes that have contributed to it occurring in the first place. They can also advise how to strengthen policies, procedures and systems.

Once (a) the wage system is understood, (b) each factor that impacts on take-home pay is evaluated, (c) a wide range of information, including root cause information has been gathered; and, (d) wage data and root causes have been analysed, the grievance holder can begin to identify the appropriate remediation approach to take to ensure its resolution.



Collecting wage data

Undocumented hours of work, or lack of records on actual payments and deductions are factors that often lead to inconsistent payment. To verify the grievance and identify causes of the grievance, it is necessary to look at the wage information. It is essential to collect information and conduct a wage analysis to confirm whether the minimum wage is being paid. There are four basic components to identify and understand relevant wage-related information:

- a. Knowing which type of system is being used to calculate base wages (fixed rate, piece rate and task- or activity-based systems or a combined payment system)
- b. Understanding other wage components
- c. Collecting wage-related data
- d. Analysing wage data

Once the wage data is analysed against the minimum wage, the grievance owner should at least know if the current practice provides its workers with the minimum wage. In addition, more detailed information (e.g. by gender, by nationality, etc.) collected should be analysed to identify any risk areas regarding the minimum wage provisions.

If the wage data shows that wages are below the minimum wage, or whether the wages are sufficient, it is necessary to analyse different aspects of the wage related issues: the wage setting mechanisms, wage components, wage affecting factors and worker profiles. This analysis will reveal the root causes.

Step 4: Development of timebound action plan

To gain a clear picture of the type of wage-related grievance that is occurring, and which remediation strategy will be undertaken within the action plan you will need to have:

1. An internal person or team responsible for the wage-related grievance;
2. Collected all the information and data on the grievance;
3. Understood the root causes of this grievance and understood where you can affect change or that you need to work on a higher level with other stakeholders to address the issues;
4. Know exactly which type of wage-related grievance the claim is referring to and which type of remediation approach is appropriate to take;
5. Understood the different methods available to resolve this grievance.

There should be a clear picture of the type of wage-related grievance which happened and why. The next step is to develop an action plan of corrective actions to resolve the wage grievance. The main objective of the corrective actions is to ensure that workers are paid, at the very least, the minimum wage. A good action plan should consider the context the grievance has occurred in and provide a concrete timeline associated with each stage of the resolution and reporting process.

Good practices in improvement actions include:

- Actions aimed to prevent the reoccurrence of grievances;
- Actions accompanied by specific time frame and milestones;
- Resources (e.g., internal responsibilities and budget, if necessary) are allocated; and
- Review team/process is established

The root cause analysis¹ should involve discussion with relevant decision-makers and will point to necessary action to be taken. It may highlight that there are several actions required to resolve the grievance. It is also good to note that corrective actions based on root cause analyses may not necessarily require wage increases but ask for adjustment of the circumstances leading to grievances.

Table 1: Sample Improvement Actions for Wage Grievances

Please note that the sample action plan and indicators are for reference; the actual action plan needs to be defined based on dialogue and consultation with the supply chain partners, and internal resources and capacity. The sample action plan can serve as a guide for having a dialogue with the supply chain partners.

The table can help in the development of an Action Plan. Each scenario has been associated with an appropriate action and indicators to help guide what needs to be addressed in order to resolve grievances of this type. Unexpected developments might affect remediation timeframes set out; nevertheless, they can be used as a general guide. It is important to remember that delivering the result within a given time is not as important as making meaningful progress toward resolving a grievance, and in many instances, the follow-up needs to be adjusted accordingly.

1 Root Cause Analysis (RCA) is a formalised method to discover root-causes, which may use various tools such as a Cause and Effect diagram, also called Fishbone or Ishikawa diagram, Process flowchart or a Fault tree analysis. Once conducted it will provide inputs to develop an effective action plan.

| Possible Causes | Urgency | Sample Suggested Actions | Progress Indicators | | |
|--|---------|--|---|--|--|
| | | | Initial Stage | Intermediate Stage (additional 4-6 months) | Completion Stage (additional 6-8 months) |
| | | | Plantations/mills do not understand how the farmworkers' wages are set. Plantations/mills do not know how much the farmworkers are paid. | High | Analyse the existing and collected wage components and deductions under the existing wage setting mechanisms to see if the minimum wages are paid. GOAL: COMPANIES UNDERSTAND IF THE WAGES PROVIDED MEETS THE MINIMUM WAGE. |
| Current terms and conditions do not provide minimum wages. Workers do not receive or understand written contracts. Workers are unclear about how their wages are determined. | High | Develop a written contract/ agreement and pay slips and make them available to workers (in their language). GOAL: WORKERS AGREE WITH THE WAGES THEY RECEIVE. | A supplier starts working with its HR Department to draft contracts/agreements/pay slips (a supplier can articulate the content of the contract template). Expected timeframe: 3 months. | Draft written contracts and pay slip are reviewed and revised internally. | New workers receive written contracts; supplier has a plan to introduce written contracts to the rest of the workers. All workers have started receiving pay slips indicating wages, benefits, deductions and bonuses. |
| Wage deductions are excessive and unwarranted (e.g., workers paying for own PPE). | High | Provide adequate PPE to any persons on the plantation (including gloves; adequately sized bags; masks for fire haze) at no cost to worker. GOAL: COMPANIES PROVIDE APPROPRIATE PPE. | A supplier identifies the number and types of PPE required. Expected timeframe: 3 months. | A supplier purchases the necessary PPE and prepares training materials/information on the need and use of PPE for workers. | All workers are using PPE as they understand how they benefit their own health. |

| Possible Causes | Urgency | Sample Suggested Actions | Progress Indicators | | |
|--|---------|---|---|---|--|
| | | | Initial Stage | Intermediate Stage (additional 4-6 months) | Completion Stage (additional 6-8 months) |
| Workers performance (therefore wages) is suboptimal due to the (uncontrollable) working conditions. | High | Adjust the pay scale/ pay systems in consideration of the working conditions. GOAL: COMPANIES OFFER FAIR WAGE RATES UPON RECOGNISING UNCONROLLABLE WORKING CONDITIONS. | Suppliers identify working conditions that affect worker performance. | A supplier analyzes the relationships between working conditions and worker performance and develop a new or adjust the existing, payment approach. | Workers receive different pay rates for different working conditions, or the payments are adjusted based on the working conditions. |
| Wages/ deductions/ targets/ wage setting mechanisms are different for different types of employment (e.g., casual vs regular; male vs female). Wage deductions are too much/ too high. Current fixed-rate wage setting mechanism does not provide the minimum wages. | Medium | Incorporate a wage grid/ matrix that is fair for types of employment (tasks and positions) in the current wage setting mechanisms (e.g., differentiate the rates based on experience and age group). GOAL: COMPANIES SET AN APPROPRIATE WAGE SYSTEM. | A supplier starts working with HR Department to discuss the ranges of pay rates and relevant tasks/ positions and any other groups for rate differentiation. Expected timeframe: 3 – 6 months. | A wage grid or matrix is introduced and the transition to use it for the company-wide is planned. | The wage setting mechanisms are revised and adjusted according to the wage grid and the grievances related to wage discrimination is eliminated. |

| Possible Causes | Urgency | Sample Suggested Actions | Progress Indicators | | |
|--|---------|---|---|--|---|
| | | | Initial Stage | Intermediate Stage (additional 4-6 months) | Completion Stage (additional 6-8 months) |
| Workers' contracts do not provide sufficient work (thus not sufficient pay). | Medium | <p>Improve the operational business practices to improve labour and production planning.</p> <p>GOAL: COMPANIES SET AN APPROPRIATE BALANCE OF WORKLOAD.</p> | <p>Suppliers review and ana-lyse the workload and the need for workers. Expected timeframe: 3 months.</p> | <p>Workload is forecasted and worker needs are planned.</p> | <p>A better operational planning allows for workers to make more than the minimum wages.</p> |
| <p>Evidence of low wages exist but management was not aware.</p> <p>No awareness of minimum wages.</p> | High | <p>Build awareness on legal minimum wages among management and operational staff, and supervisors and foremen at the mills and plantations.</p> <p>GOAL: ALL STAFF OF THE COMPANIES ACCEPT THAT MINIMUM WAGES MUST BE PAID AND UNDERSTAND THE PROCESS FOR GRIEVANCES.</p> | <p>A relevant team has been formed (staff have been assigned) to plan the training and prepare the training materials. Expected timeframe: 6 months.</p> | <p>Training materials and training plan has been prepared (or a 3rd party service provider is contracted).</p> | <p>A better operational planning allows for workers to make more than the mini-mum wages.</p> <p>Management and operational staff and supervisors and foremen at the mills and plantations are trained to enforce policy and procedures to ensure payment of local minimum wages.</p> <p>Supervisors and foremen are sensitised to wage related issues brought to them by the workers and know what process to follow and when and how to escalate the issues internally. The records are maintained for issues, follow-ups, and escalations.</p> |
| <p>Wage data (e.g., payroll records; hour of work records; payment breakdowns; deduction explanations) does not exist to confirm the workers' wages.</p> <p>Do not know how much farmworkers are paid.</p> | High | <p>Set up a record keeping and payment record system.</p> <p>GOAL: COMPANIES AND WORKERS KNOW HOW MUCH THE WORKERS WERE PAID.</p> | <p>A team is formed (or staff assigned) to determine if the issue will be managed internally or external help will be sought. Expected timeframe: 8 months.</p> | <p>A set of requirements (e.g., type of information recorded; who has access and edit rights), process and 'system' (could be as simple as a spreadsheet) are determined and prepared.</p> | <p>Workers receive more accurate information about their wages on a regular basis.</p> |

| Possible Causes | Urgency | Sample Suggested Actions | Progress Indicators | | |
|---|---------|--|--|--|--|
| | | | Initial Stage | Intermediate Stage (additional 4-6 months) | Completion Stage (additional 6-8 months) |
| | | | <p>Wage related information (e.g. payroll records; hour of work records; pay schemes; positions/ types of work; deductions) are not used for decision-making.</p> <p>Current wage setting mechanism does not provide the minimum wages.</p> <p>Wages/deductions/targets/ wage setting mechanisms are inconsistently applied (e.g., casual vs regular; male vs female).</p> | Medium | Collect wage information (as an HR function) for analysis. GOAL: COMPANIES ANALYSE THE WAGE INFORMATION AND INTEGRATE WAGE ANALYSIS TO IMPROVE BUSINESS PRACTICE. |
| <p>Farmworkers' wages (full-time workers) do not cover their basic needs.</p> | Low | Benchmark wages regularly to ensure business competitiveness as part of business practices (HR management). GOAL: SUPPLIERS ARE MOVING TOWARDS A LIVING WAGE. | <p>HR Department identifies staff and assigns responsibilities to collect and analyse local living wage benchmarks. Timeframe as when to start this activity: after 12-15 months into improving wage-related practices.</p> | <p>A supplier collaborates with relevant stakeholders to discuss ways to improve the farmworkers' wages and identify the supplier's role. sets up a process and system for data collection, update and analysis.</p> | <p>Management and operational staff identify gaps with local living wages and develops a strategy and plan to increase base wages for farmers.</p> |

Step 5: Implementation

Having finalised the action plan and incorporated stakeholder feedback, particularly considering the viewpoints of the affected party, the plan then needs to be implemented. This means turning the action plan into day-to-day responsibilities, workplans, etc. If different activities are implemented by different staff members and over different time scales, it is important that an overall lead manager is appointed. The responsible person will need to keep communicating progress with the grievance raiser, the affected party, those working on the grievance internally and other stakeholders on a regular basis.

Step 6: Monitor and report

Once the action plan implementation is underway, the next step is to monitor and report on progress against it. This means measuring progress against the agreed outcomes and progress indicators included in the action plan. Progress should then be reported to the grievance raiser and affected party on a regular basis. It is recommended to invite the grievance raiser or a third party to visit at intervals as part of monitoring and verifying progress.

To resolve the grievance, the grievance holder, raiser and affected party should discuss and agree at what stage sufficient progress in implementation has been made to allow the grievance to be considered closed. Normally the grievance raiser and holder can agree to a monitoring period that varies from a few months to a year from the point that the action plan is agreed. If all parties accept that the initially agreed outcomes for that time period were met, then the grievance can be considered closed. Grievance raisers will expect to see evidence that the grievance holder has taken the plan seriously by allocating adequate resources, and competent and trained staff to its implementation.

Avoiding repetition of grievances – for actors upstream

Grievances related to labour issues can be difficult to address because the underlying root causes are often systemic problems that will not change as a consequence of resolving one case. This means that alongside individual grievance remediation, the grievance holder should learn and incorporate measures that can change the root causes that have led to any harm that has occurred. This could involve a range of measures that cover the company's direct operations and also for monitoring and engaging with service providers and Fresh Fruit Bunch (FFB) suppliers. Undertaking the following activities can go a long way towards avoiding the risk of a future labour-related grievance:

- **Understand the laws in your country of operation, your buyers' requirements and the ILO standards.** These can be different and best practice is to comply with the maximum requirements.
- **Conduct a risk assessment of potential human rights risks and assessment of actual impacts of your operations.** The United Nations Guiding Principles (UNGPs) stipulate the need for assessment of human rights risks and actual human rights impacts to people. This can help to understand root-causes to issues and help mitigate potential risks in the future, based on a company's current operations and that of suppliers. It is important to include vulnerable workers.
- **Review and revise company policies.** Ensure that policies relating to human rights are up to date and include strong clear commitments to protect the rights of all workers (including those hired via agencies, those working on site for other service providers, and those working in supplier operations). Gender considerations should be cross-cutting in these policies.

- **Socialise, operationalise and communicate the policies.** For policies to be effective they must be adopted by all levels of management in the various departments of the business and integrated in company management systems through Standard Operating Procedures (SOPs). Workers, including those hired via agencies or for other service providers, should know where to find the policies. These SOPs should be in a language they understand and be familiar with the content. Policies should also be communicated to suppliers and contractors.
- **Establish or strengthen procedures for concerns to be raised via a grievance system.** It is important for all companies to have an effective and systematic grievance mechanism which is accessible and functional for all workers and others who may wish to raise a grievance.
 - It should be trusted by those who may raise a grievance. This gives the process **legitimacy**;
 - Consulting stakeholder groups through **meaningful engagement and dialogue** is the best approach;
 - It should be clearly communicated so that grievances can be raised by workers, communities, Civil Society Organisations (CSO) and others. This makes the process **accessible**;
 - It should provide a clear set of steps around the remediation process and monitor grievance processes. This makes the process **predictable**;
 - Grievance raisers and affected parties should have access to information, advice and expertise necessary to ensure their engagement is fair, informed and respectful. This ensures the process is **equitable**;
 - Grievance raisers and affected parties should be updated regularly throughout the remediation process. Being **transparent** is essential;
 - Remedy should be consistent with international best-practice standards. This makes the process **rights-compatible**;
 - It is necessary to implement any lessons learned and make improvements to the grievance procedure and ensure **continuous learning**.

Further guidance on grievance mechanism design is provided by the UNGPs (**Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy Framework**).

- **Develop or review supplier management systems.** Mills that are supplied by independent estates or smallholders have a responsibility to check that their suppliers are respecting the human rights of workers in their operations. Therefore, mills should have measures in place to determine the risks in their supply base, and to pass on and monitor the requirement to identify, protect and remedy any labour rights issues to their suppliers.
- **Engage consistently with other actors to address systemic issues.** Tackling systemic challenges related to human rights can require joint efforts and shared responsibility among downstream buyers, producers across different sectors, governments, local communities and civil society organisations. Participating in broader initiatives to address root-causes will also likely reduce the cost to individual companies of trying to address issues.