Analysis of Social Economy Sustainable Palm Oil Plantations Management based on Indonesian Sustainable Palm Oil (ISPO) Criteria in Riau

Oni Apriyanto¹, Irham², Jangkung Handoyo Mulyo³ and Suhatmini Hardyastuti²

¹Study Program of Plantation Cultivation, Polytechnic LPP, Yogyakarta, Indonesia
²Department of Agriculture Socio-Economic, Faculty of Agriculture, Universitas Gadjah Mada, Yogyakarta, Indonesia
³Socio Economic and Regional Planning Agency, Yogyakarta, Indonesia

E-mail: oniapriyanto.lpp@gmail.com

Abstract. Indonesian government has obliged palm oil plantation companies to produce sustainable palm oil by the regulation from the Ministry of Agriculture No. 19/2015 about guidelines for Indonesian Sustainable Palm Oil (ISPO). This research aims to study the plantation management of PT. Perkebunan Nusantara V Riau from their existing socio-economic aspects, then to analyze its sustainability according to ISPO's principles and criteria. The primary data were collected through field observation, distributing questionnaires, and interviews with selected respondents by purposive sampling method. Secondary data was obtained from the company's data and literature review. The results show that the process of the land's approval and the company's responsibility towards their employee is accordant with ISPO's preliminary pleas and criteria. Meanwhile, for the plasma plantations, the company's social responsibility towards local culture development has not been fulfilled yet.

1. Introduction

Sustainable development of palm oil plantations should meet three aspects: profit (economics), people (social), and planet (environment), but businesses tend only to consider the economic point. Oil palm plantations yield income that is large enough for the central and local governments mainly in Sumatra and Kalimantan [1]. The consequences of oil palm development include negative impacts on the environment and social conflicts [2]. Government through the Directorate General of Plantation encourage employers palm oil to meet the obligations according to its legislation, protect and promote the oil palm plantation business sustainable following the demands of the market with the Directive Oil Palm Plantation in Indonesia (Indonesian Sustainable Palm Oil, ISPO) that established through Minister of Agriculture Regulation No. 19 of 2015. The regulation is a mandatory guideline for all oil palm plantation companies in producing palm oil to obtain an ISPO certificate for plantations based on the assessment of plantation business (class I, II, and III). In this regard, it is necessary to conduct a more in-depth study, specifically related to the responsibilities of workers, individuals, and local communities around the plantation, based on ISPO principles and criteria. The objectives of this study were analyzing the social and economic performance of palm oil plantation management based on ISPO criteria and analyzing management policies for socio-economic aspects of oil palm plantations in line with ISPO criteria.

2. Materials and Methods

The study was carried out at the Sei Pagar palm oil plantation, PT. Perkebunan Nusantara V, District Kampar, Riau. The study was conducted from July to September 2018. The primary data were collected from interviews, field observation, focus-group discussion, and in-depth interviews (depth interview to implementing operational company, informal leader, government officials, the ministry of Agriculture, the ministry of Environment, Social Office of Manpower and Transmigration, and Regional Planning Agency of Kampar District). The secondary data were
sourced from company documents, i.e., Analysis of Environment Impact (AMDALE), CSR Report, SOP, Identification Report, and HCV Management Plan. Respondents were determined by methods purposive sampling to 60 people in each village around the estate and 60 employees. Descriptive analysis was used to assess the performance of management of the socio-economic based on ISPO criteria, evaluate the problems and efforts to optimize the control of the socio-economic aspects.

3. Results and Discussion

3.1. General Conditions of the Company

The research location can be reached by three hours ground transportation from the city of Pekanbaru. Plantations consisted of main estate and oil palm plasma as a partnership with community. The palm oil plantation workforce numbered of 1,124 people based on company data in May 2013 with a composition of permanent employees with a monthly salary (SKU-B) of 7%, daily permanent employees (SKU-H) of 25%, specific time workers (PKWT) of 16% and employees only have 52% off. Based on gender, 82% of employees were male, and the rest were female. The first planting was in 1993, and the last was in 2007. PT. Perkebunan Nusantara V in plantation management covered area of 2,813 hectares and smallholdings farmers worked of 6,000 ha, and it has a capacity of 30 tons/hour.

3.2. State of the Village Around the Plantation

The plantation working area is in Sei Simpang Dua Village, Kampar Kiri Hilir sub-district, and Mayang Pongke Village, Kampar Kiri Hulu District, Kampar district. Most of the residents in the village worked as oil palm farmers, daily plantation workers, and private employees. The composition of the labor force, working on plantations, and unemployment in the sample villages are presented in Table 1.

| Village         | Workforce (people) | Working on plantations (people) | Percentage of employment (%) | Number of unemployed (people) |
|-----------------|--------------------|--------------------------------|------------------------------|-------------------------------|
| Sei Simpang Dua | 595                | 166                            | 28.49                        | 21                            |
| Mayang Pongke   | 1413               | 155                            | 10.77                        | 53                            |

3.3. Environmental Management Performance Socio-Economic Aspect Based on ISPO Criteria

3.3.1. Acquisition of Land Rights from the Community

Acquisition of land rights that have been managed by the community was made through a process of socialization and negotiation between the company and the community and involving the village head, sub-district head, and BPN, however, BPN as mediators but there was no documentation. Land compensation has been regulated in PT TN-BAME/SOP/24 regarding SOP for land compensation, which is only carried out on land that has legal proof of ownership. Based on the Minister of Agrarian Regulation/BPN No. 5, 1999 stating that the acquisition of plots of land, including land communal land by government agencies, legal entities or individuals, not citizens customary law which concerned the granting of State after the area released by indigenous and tribal peoples, or following the provisions and procedures of law customary applicable. Indigenous communities generally did not have official ownership documents even though indigenous communities can register land ownership based on Agrarian Regulation No. 5 of 1999. Based on Law No. 18 of 2004 concerning plantation companies that can be given land rights in the form of ownership rights, business use rights, building rights, and usage rights, although the land was community land rights; The applicant was obliged to hold a consultation with the customary law community holders of rights and the holder of the relevant land rights had to obtain an agreement regarding the surrender of the land and compensation.
3.3.2 Development of Gardens for the Community

ISPO regulations refer to Regulation No. 98 of 2013 concerning the Plantation Business Licensing Guidelines, which require companies to facilitate the development of plasma oil palm plantations for the community at least 20% of the total area of IUP. Plasma is outside the IUP area by considering the availability of land, the number of eligible communities as participants, the agreement between the plantation company and the surrounding community that is known by the head of the provincial or district/city service office in charge of the plantation according to its authority. Based on interviews with community leaders and employees stated that the company had offered cooperation with the community. However, the community itself did not want the development of plasma for the community hence there was no agreement has been reached with the community until the last oil palm planting in 2007.

3.3.3 Provision of Information to Stakeholders

Before the implementation of the project activities, counseling has been carried out to the community regarding the project plan by involving relevant agencies (Dinas Perkebunan, BPN, Sub-district office officials, and others). This activity was intended to explain the plan of project activities further and the governance aspects of land use, regarding the restitution of land and crops in community lands which affected the project. The management in companies needs to consider the attitude of the local community because it will affect significantly to the development of the company at the time that will come [3]. The change in community land use should be based on the principle of Free Prior Informed Consent (FPIC) or free, prior, and informed decision. According to Colchester and Ferrari [4], FPIC is free, prior and informed consent, which is the right of indigenous peoples to give or not give free, prior informed consent to all actions affecting their land, territories and natural resources. The right to FPIC was intended to provide opportunities for indigenous peoples to reach consensus and make decisions following customary decision-making systems. This was reinforced by Environmental Regulation No. 17 of 2012 concerning guidelines for community involvement in the process of analyzing environmental impacts and environmental permits to regulate community participation in announcing business plans, public consultations and the presence of community representatives as members of the EIA appraisal commission. The company had a clear commitment to managing plantations for those who want to get company information in the corridor that is justified. The provision of responses in the form of documents has been regulated in SOP/SPO/SMART/LH-02 regarding the control and the shelf life of materials. Publicly accessible company documents such as HGU, AMDAL, Occupational Health and Safety Management Plan, and CSR (Corporate Social Responsibility) Programs. Requests for data and information for types of information such as financial data, costs and income, will be regulated by the Jakarta Top Management Center for further action. Based on the data available so far, there has not been found any request for confidential information.

3.3.4 Environmental Management and Monitoring

The company has specialized staff who handle environmental management (Environmental Staff) and specifically for managing HCV (high conservation value areas), an HCV officer has been formed based on SK 006/RSPO/BMLE/05/13 on 1 May 2013 to ensure the implementation of management plans and HCV monitoring. HCV posters and signs based on the results of the 2011 HCV identification report and monitoring plan. All staff and employees received information on 5 June 2011 while a Public consultation was held on 4 October 2011.

3.3.5 Responsibility to the Workers

The ISPO provisions require that plantation companies have responsibilities towards workers through the existence of a management system, an employee capacity building/welfare program, no discrimination treatment, the establishment of workers unions, and employee cooperatives. Based on the results of interviews and field observations show that the company had carried out the principle of responsibility towards workers. Plantation management was demanded to manage human resources to be able to improve productivity, create harmonious conditions, instill a sense of ownership and be able to coordinate to achieve goals by dividing tasks into each line and sensitive to change [5]. Furthermore, Preffer [6] asserted that the superiority of HR can be obtained by applying
work safety, effectiveness in recruitment, wage rates, incentives, participation and empowerment, training, and skills development of workers. According to Atmosoeprapto [7], the development of human resources is aimed at increasing human motivation and skills following existing potential; hence performance increases and contributes significantly to increasing productivity.

3.3.6. Social and Community Responsibility

Based on Law No. 40 of 2007, palm oil companies are required to carry out social responsibility and livelihoods whose implementation is carried out with due regard to propriety and fairness for the community. Based on ISPO criteria, the form of social responsibility is in the way of programs to improve the welfare of indigenous people and maintain local wisdom. Social responsibility shows a commitment to sustainable development and management of social, economic, and environmental performance [8]. Social responsibility has elements, such as (1) Continuity and sustainability are planned, systematic and evaluate activities, (2) Community empowerment is charity and able to create independence (3) the company is not only as a communicator but also must be able to hear the aspirations of the community [9]. The social responsibility was undertaken by the company was generally still indirect assistance without any coordination with the community. Corporate social responsibility in aspects of culture and local wisdom had not been fulfilled. The effectiveness of the implementation of social responsibility programs is strongly influenced by recipient factors, organizational factors, and community need [10]. Sustainable social responsibility will have a positive impact and benefit to the palm oil company and the stakeholders. Forms of corporate social responsibility in Table 2.

![Table 2. Social responsibility PT. Perkebunan Nusantara V](image)

| Aspect     | Program                                      | Stakeholder                  |
|------------|----------------------------------------------|------------------------------|
| Social     | Infrastructure improvements                   | The community in the plantation area |
|            | celebration of the national and religious holiday |                             |
|            | Operational development trade union           |                              |
| Economy    | Recruitment of labor                          | The community                |
|            | Cooperation with contractors local           |                              |
| Education  | Direct assistance in the construction of educational facilities | Communities around the garden, employees |
|            | Educator help                                |                              |
|            | School operations and smart home             |                              |
| Health     | Medical assistance free                       | Employee Community           |
|            | Central clinic assistance                    |                              |

3.3.7. Empowerment of Indigenous Peoples

The local population empowerment program includes the recruitment of domestic workers, training for local workers based on their expertise, cooperation with local contractors, infrastructure improvements, and indirectly opening business opportunities for the surrounding community. The recruitment of domestic workers will provide opportunities to increase family income and open business opportunities. Based on the company data, the hiring of workers in the area around the plantation site can be seen in Table 3.

![Table 3. Total employment of local people](image)

| Village            | Amount of labor absorbed (people) |
|--------------------|----------------------------------|
| Sei Simpang Dua    | 169                              |
| Mayang Pongke      | 152                              |
| Hangtuah           | 82                               |
| Behive             | 32                               |
| Kubang             | 9                                |
| Kampar Hilir       | 1                                |
| Kampar Hulu        | 1                                |
| **Total**          | **446**                          |
Local employment majority come from neighboring villages near plantation amounted to 169 people from the community of Sei Simpang Dua, and 152 workers were from the village of Mayang Pongke of a total of 1,124 workers Gardens Sei Pagar PT. Perkebunan Nusantara V. Based on the results of interviews with village officials, the people of Kubang Village preferred to work in coal and cement companies rather than workers in oil palm plantations. Business opportunities include opening small shops for food stalls, office, and school equipment, car and motorcycle repair shops, and convenience stores. Oil palm plantations absorb local labor and give benefits to the community [11].

Conclusion
Management of Perkebunan Nusantara V at Sei Pagar Unit has been implementing aspects of social and economic who sustained based on the criteria of Indonesian Sustainable Palm Oil (ISPO). This study found that the acquisition of land rights by the company does not met the criteria of ISPO. The plantation management policy on social and economic aspects based on ISPO criteria are to maintain coordination with employees and increase the active role of the community in corporate social responsibility programs and the implementation of environmental management.

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