Briefing Note 19

December 2025

# Social Dialogue

## Fostering Dialogue between Workers and Employers in Indonesia

### Key points

1. Freedom of Association (FoA) and Collective Bargaining (CB) are essential for promoting decent work conditions, as defined by the ILO, and are protected by two core ILO conventions (87 and 98). They allow workers to form trade unions, negotiate working conditions, and contribute to workplace dialogue. However, these rights are often misunderstood and widely violated.

2. Social Dialogue is a process involving negotiation, consultation, or information exchange between workers, employers, and governments. It is a tool for resolving labour disputes, improving working conditions, and fostering economic and social progress. In Indonesia's palm oil sector, Social Dialogue is underutilised, and collective bargaining agreements (CBAs) with trade unions are not yet common.

3. Both workers and companies face obstacles in implementing FoA through Social Dialogue, including lack of knowledge, mistrust, and administrative barriers. Workers often do not understand their rights or have capacity to negotiate, and companies can view trade unions as adversarial. Addressing these challenges requires better training, capacity-building, and commitment to engaging in meaningful dialogue across the supply chain.

# Introduction

Freedom of Association and Collective Bargaining are trade union rights. They are important pillars of decent work as defined by the International Labour Organisation (ILO) and they form the foundation of industrial relations to establish fair wages and working conditions, share information, consult with staff and manage conflicts in the workplace. They are covered by two ILO core conventions (87 and 98). Ratifying countries are expected to apply these conventions in national legislation and practice. Besides governments, buyers and producers are also expected to respect these rights within their value chains. International guidelines, including the OECD guidelines for multinational corporations and the UN Guiding Principles for Business and Human Rights, have been established to monitor and safeguard these processes. Nevertheless, these standards are widely violated around the world.

Throughout value chains, the palm oil industry being no exception, stakeholders and supply chain actors still find it difficult to understand the value of freedom of association, what the rights really mean for them and how they can play a role in achieving and implementing them.

For downstream companies, especially buyers in the supply chain, it often is not fully clear what role they can play in promoting Freedom of Association and Collective Bargaining through their supply chains. Upstream employers often feel trade unions are not beneficial to their business and a great deal of mistrust exists. For workers, these basic rights are often not self-evident either as they are often unaware of their rights. Implementation of Social Dialogue is the current best practice for companies to address these legal and social requirements.

Social Dialogue can form part of a company's Human Rights and Environmental Due Diligence (HREDD) process, as laid out in the OECD guidelines and UNGPs[1]. As HREDD extends to the whole supply chain, downstream companies can promote Social Dialogue as an approach for their suppliers to respect workers' rights in their supply chains. Upstream companies, including plantations and mills, have the opportunity and responsibility to engage their workers and other stakeholders in Social Dialogue processes in their own operations.

Social Dialogue is also an important process for companies aiming to implement a Just Transition, in this case meaning that workers are not disadvantaged by the drive to meet climate targets, and that changes in the palm sector include respect for human rights, decent work and sustainable livelihoods[2].

This briefing note is aimed at palm oil supply chain actors working in or sourcing from Indonesia. It provides accessible and practical information to understand why and how to act on Social Dialogue; more detailed information on implementation is available in our longer-form 2022 guidance document[3]. Proforest's 2024 briefing note on Human Rights Due Diligence supports companies on using the HRDD approach to assess risks.

# What is Social Dialogue?

Social Dialogue is defined by the ILO to include all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy[4]. It is based on trade union rights, specifically workers' Freedom of Association and the right to Collective Bargaining.

The main goal is consensus building and democratic involvement of workers. It aims to facilitate consultation and negotiation, leading to respect for fundamental rights at work. Successful Social Dialogue can lead to harmonious industrial relations between workers and employers.

Preconditions for Social Dialogue are strong, independent workers' representatives and employers' organisations, corporate institutional frameworks promoting and enabling Social Dialogue and respect for fundamental rights at work.

**Bipartite Social Dialogue** (without participation of government) occurs at company level, covering collective bargaining, any form of other collective negotiations, consultation and information exchange (for instance negotiation with a gender committee on separate sanitary provisions on the work floor) as well as dispute prevention and resolution. In Indonesia, a Bipartite Cooperation Forum is mandatory for all companies with more than 50 employees.

**Tripartite Social Dialogue** takes place between organisations of employers, workers and government. This can be at decentralised (for instance at district level) or at national and even international level where representatives of governments, employers' organisations and trade unions meet to discuss labour issues at the ILO.

**Multiparty Social Dialogue** is a dialogue between different stakeholders, such as multi-stakeholder initiatives, which bring together participants from companies and non-profits. An example is the Roundtable on Sustainable Palm Oil, which brings together stakeholders from across the supply chain to develop and implement global standards for producing and sourcing certified sustainable palm oil.

# The Value of Social Dialogue

The benefits of Social Dialogue range from resolving economic and social issues which are important to workers, to encouraging good governance, promoting social and industrial peace and stability, and even boosting economic progress. Social Dialogue is an important element to ensure decent work and economic growth, one of the United Nations' Sustainable Development Goals. It is also a cornerstone of the Global Deal, a multi-stakeholder partnership of governments, businesses and employers' organisations, trade unions and civil society organisations[5].

## Enabling rights

Trade union rights are particularly important for improving sustainability because they are also 'enabling rights'. This means that respecting these rights can lead to the fulfilment of a number of other rights such as living wages, reasonable working hours, and a healthy and safe workplace that is free from discrimination and harassment. Trade unions can enable workers to collect information, to negotiate, improve, and monitor their own working conditions in a sustainable and empowering manner. In this way, trade unions can help address root causes of workplace-related human rights impacts. Social Dialogue is a key instrument to sustainably improve the quality of work, labour conditions, and income (see **Figure 1**)[6].

## Addressing key labour risks

Stakes are high if key labour risks are not addressed. Companies across the supply chain face threats of legal sanctions, loss of business, lasting damage to reputation and brand value, if these are not addressed. Damage to reputation may result in the loss of contracts and future business opportunities and allegations of human rights abuse also jeopardise investor relations[7]. Social Dialogue offers a constructive way for companies and workers to identify and address these key labour risks.

### Social dialogue is a value driver

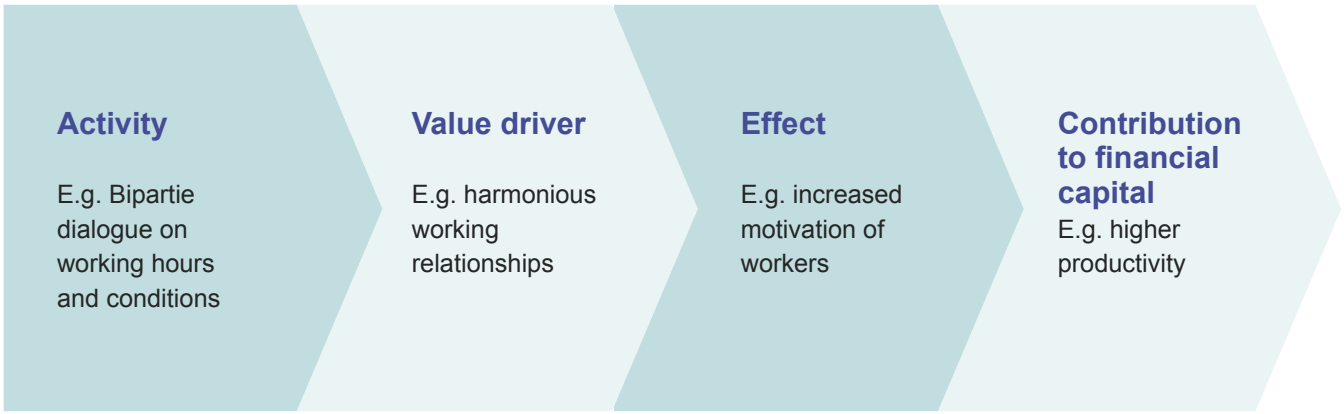


**Figure 1:** Social Dialogue is a value driver

**Box 1.**

## CASE STUDY: Social Dialogue in Indonesia at different levels

In Indonesia, tripartite consultations are generally held at national, provincial and district levels. They may also take place on a sectoral basis and in institutions such as the Wage Council, the Employment Council, the Occupational Safety and Health Council, the Training Council, the Productivity Council and the Industrial Relations Dispute Settlement Court[8].

- **Tripartite Social Dialogue at National Level**
  The most important tripartite Social Dialogue body in Indonesia is the Tripartite Cooperation Institution, the "LKS Tripartite" (Lembaga Kerja Sama Tripartit). The LKS Tripartite mostly serves as an exchange of information around policies and plans, rather than mutual consultations. It is composed of 45 representatives, with equal numbers from trade unions, the employers' association and the government. Furthermore, in the National Wage Council, suggestions and considerations are provided to the central government in formulating wage policy and developing a national wage system[9].

- **Tripartite Social Dialogue at decentralised level**
  Since 2000, with the implementation of the Autonomy Law, the functions of the Department of Labour are incorporated into the structure of provincial and district governments. There is no uniform structure of tripartite dialogue in all provinces and districts – it depends on the needs of each local government. In most cases however, there are three tripartite bodies: the general tripartite body, the wages body and the occupational safety and health body.

- **Bipartite Social Dialogue at company level**
  Social Dialogue at company level is realised in a bipartite committee (LKS Bipartit) formed by a workers' and an employers' organisation. This bipartite committee is the first step to starting negotiations towards a Collective Bargaining Agreement.

According to law, every company that employs at least 50 workers must form a bipartite committee. Although no national data on the number of LKS is available, from mapping in Siak and Pelalawan districts, in practice the number of LKS is relatively low[10].

## Building trust

Building trust between companies and trade unions can take a long time, preventing a good Social Dialogue from taking place, a precondition for a quality Collective Bargaining Agreement (CBA). However, trade unions not only have a responsibility to raise awareness to members about the importance of CBAs to protect their rights, but also on the importance to change the paradigm of how companies see trade unions. Trade unions at the higher level (district, province and national level) can play a proactive role in this, by initiating constructive dialogue with companies, to make sure that Social Dialogue at plantation level is respected for the benefit of all.

Trade union federations (district/provincial/national level union) can support their members at company level in conducting Social Dialogue with the management –especially if the company level union is new and lacks experience or skills.

Capacity building between companies and trade unions can help with many fundamentals such as existing uneven capacity and competence for dialogues, and lack of understanding of the value of CBAs, as well as the central issue of building trust.

Social Dialogue is in essence good practice in worker engagement, to ensure workers' rights, but also a healthy way of management, workers and unions being able to discuss issues - leading to more satisfied workers and better productivity. It can therefore be a strongly recommended action resulting from a Human Rights and Environmental Due Diligence (HREDD) assessment to improve workers' rights and conditions at many levels of the supply chain. For downstream companies, supporting Social Dialogue processes in their supply sheds can be an important contribution to improving respect for workers' rights in supply chains. Social Dialogue can equally be an important tool for stakeholder engagement with a company's workers - an important part of risk assessment in HREDD, and of monitoring/tracking in HREDD, to know what the issues are (hearing the workers' voices) and to monitor whether actions put in place are making a difference (being effective) in practice.

**Box 2.**

## Social Dialogue in the Siak Pelalawan Landscape Programme

The Siak Pelalawan Landscape Programme (SPLP) is a private sector-driven initiative which aims to achieve sustainable palm oil production in Siak and Pelalawan Districts in Riau, Indonesia. These major palm oil-producing districts are home to more than 200 villages, with 700,000 hectares of oil palm spread over 2 million hectares.

SPLP brings together a coalition of nine palm oil related companies from different stages in the supply chain, from production level to downstream consumer goods manufacturers. Led by CNV Internationaal, Social Dialogue has been established as a key mechanism in SPLP to enable exchange of information, consultation, negotiation and dispute settlement with the aim of creating and maintaining bipartite platforms for discussions between palm oil companies and workers' unions. Since 2020, Bipartite Social Dialogue has been implemented in 22 companies benefiting over 10,000 workers with improved collective bargaining agreements. As there is not always leverage to incentivise the upstream mills to establish Social Dialogue processes, engaging District government and refinery companies can help influence the mills to adopt the process.

The Social Dialogue process has especially highlighted the lack of representation of women in dialogue processes, and the need for spaces for discussion of women's issues, both in the labour force and local community. As a result, gender committees have been established in some companies. While this is not mandatory in Indonesian legislation, they are required as part of RSPO certification.

"Social Dialogue is not an objective in itself; it is a process. SPLP and CNV Internationaal facilitate Social Dialogue as part of the Siak Pelalawan Landscape Programme, to establish discussions as a habit ,address labour rights challenges and to prevent conflicts in the future."
*Samuel Gultom, CNV Internationaal*

See Siak Pelalawan Landscape Programme Social Dialogue Indonesia

# Opportunities and looking forward

Given the opportunities, challenges and increasing (international) demand for Social Dialogue, the question is: what can downstream companies do to promote and support Social Dialogue practices as part of their supply chain responsibility?

## Within own supply chains

Within their supply chains, downstream companies can act individually and in collaboration with other supply chain companies to engage suppliers and address issues. This could involve encouraging suppliers to permit unions on their plantations or in their mills, or by checking if any Collective Bargaining Agreements are already in place. Organisations such as Proforest, CNV Internationaal and Daemeter are able to support individual companies with supplier engagement to build a strong system of social dialogue with their suppliers' workforces.

## Landscape or sectoral initiatives

Downstream companies can also support landscape or sectoral initiatives in production origins, as occurs in the Siak Pelalawan Landscape Programme (Box 2). This involves working with other companies, as well as other stakeholders including government and civil society organisations, in a pre-competitive manner to raise standards across the entire production landscape, not only in the specific supply base of one company.

By mixing the two approaches companies can reward the use of Social Dialogue with their direct suppliers whilst also supporting the enabling environment on the ground for such practices to become implemented and normalised.

*This Briefing Note has been adapted from the 2022 publication 'Social Dialogue, Freedom of Association and Collective Bargaining: Insights from the palm oil sector in Indonesia', developed by CNV Internationaal, Daemeter Consulting and Proforest.*

proforest

Proforest is a global organisation with a single mission: To ensure agricultural and forestry production that delivers positive outcomes for people, nature and climate. We have more than twenty years of practical experience in supporting companies, governments, communities and partners, to establish responsible production and sourcing practices in Asia, Africa, Latin America and the Caribbean, Europe and North America. We work within and beyond supply chains: with technical expertise in implementation of responsible sourcing and production, collaboration, landscape and multi-stakeholder initiatives, capacity building, tools and training.

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## Endnotes

1 For more information on HREDD see Converged HREDD Assessment Tool and Guidance
2 For more see A Just Transition to Regenerative Agriculture
3 See Guidance Paper on Social Dialogue, Freedom of Association and Collective Bargaining in the palm oil sector in Indonesia
4 ILO - Social dialogue and tripartism | International Labour Organization
5 See The Global Deal Partnership
6 See Creating an Alliance for Change through Social Dialogue, CNV Internationaal 2021
7 See Verite Toolkit for Palm Oil Producers on Labor Rights
8 See Examples of Social Dialogue in Indonesia (2004-2015) and its Contribution to Development
9 See Salary, Minimum Wage, Regular Pay at Minimum wage - Indonesia - WageIndicator.org
10 See Mapping Social Dialogue in Siak and Pelalawan, CNV 2022

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