

# Survey on Hiring Foreign Labour in Malaysian Oil Palm Plantation Sector

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**Abstract**— The study aims to identify the motivation of hiring foreign labour and the criteria hiring foreign labour in oil palm plantation sector in Malaysia. As the majority of foreign labours hired are unskilled, thus it is challenges for employers to find the best-suited candidates for their firms. A total of 40 plantations representing five plantation companies were interviewed and selected by convenience sampling technique. The data was analysed using the descriptive statistic. The result from the study shows that majority of labours hired are foreigners, dominated by labour from Indonesia. There are four sourcing countries preferred by the plantations namely, Indonesia, Bangladesh, Nepal and India. Indonesian labours are most preferred by employers because of resilience and suited to the nature of plantation work. Their attitudes such as willing to work the extra hours, work hard and have required skilled make them become a priority to be recruited. The study suggests a proper selection and recruitment of foreign labour can help plantation to hire the best-suited labour for their plantations.

**Index Terms**— Criteria, Foreign labour, Oil palm plantation, Preferred labour

## 1 INTRODUCTION

Malaysia document is one of the favourite Asian destinations for foreign labour to migrate, especially those who have little skills and unskilled [1]. As stated by Kaur [2], Malaysia welcomes both high and low skilled labour making it the largest labour importer in Asia. In 1990, a [3] report showed that the number of foreign workers from many ASEAN countries such as Indonesia, Philippine, Vietnam and others is round 380 000. The figure then increased drastically up to 2.1 million in 2010 [3]. High importation of foreign labours in Malaysia is due to its acute shortage in most of the economic sectors especially manufacturing, construction and agricultural. Numerous studies which support this situation indicated that insufficient domestic labour is the main reason to hire foreign workers [4], [5], [6], [7], [8].

Malaysia has been experiencing a massive inflow of foreign labour since post independent which begins in 1969 [9]. Initially, workers from Indonesia were hired [10], due to proximity between two countries, then later followed by recruitment of labours of other nationalities such as from Pakistan, India, Thailand, Vietnam and the Philippines. The number foreign labour hired has increased substantially after the signing of the various memorandum of understanding (MoU) between Malaysia and outsource countries. Economic sectors such as agriculture, construction, manufacturing as well as service sectors hire foreign labour because of the labour shortfall bedevilling them. Abubakar [9] reported that Indonesian labours were first recruited by plantation sector during 1970s to 1980s to fill up the labour shortage gap.

As statistics by the [11] show, until the end of 2016, the number of registered foreign labours in Malaysia were recorded at 1.8 million persons. The statistics explicitly show that six sectors employed the workers; they are, manufacturing, construction, servicing, plantation, agriculture and house maid. Fifteen outsourcing countries supply most of the labours, and the majority are from Indonesia, Nepal, Bangladesh and India.

Foreign labours in the plantation sector occupy 40% of total foreign labour and are predominantly from Indonesia (79.47%). The high number of Indonesian labour in the plantation sector is due to proximity and a common culture shared between Malaysia and Indonesia [12]. Also, Indonesians are given priority during recruitment in the plantation sector because they are skill full, hardworking and eased of communicate with [13].

At first, the recruitment of foreign labour in various economic sectors including plantation is seemed like a solution to alleviate labour shortage problems faced by many employers in the country [4], [6]. Though the availability of foreign labour in the labour market is among the leading reason of hiring them, employers still facing challenges in finding the most suitable candidates for their organizations. Kanapathy [14] emphasized that the primary component of foreign labours in Malaysia is the unskilled and semi-skilled categories. While studying the Malaysian construction, service and manufacturing sectors, [7] found that the unskilled foreign labours impact the economic growth of the country negatively.

Othman and Abdul Rahim [6] indicated that employers could recruit foreign labour through registered agents or directly by the plantation itself. Nevertheless, most of the employers preferred to directly employ the labour by sending their representatives to the sourcing countries. As such, they have an opportunity to directly interview and choose the labours best suit for the jobs [15]. The current foreign labours also recommend their next of kind, relatives and friends that are unemployed and interested in working in plantations to come and join them. It is crucial to recruit the right person for the right job so that they can perform efficiently. Employers set criteria and characteristics for the kind of needed labour. Hiring an unsuitable candidate who does not match with the job's scope, later, would cause an adverse effect on the company.

Thus, in this study, we aim to identify the motivation of hiring foreign labour, the criteria of foreign labour preferred, and the sourcing country preferred by the employers.

## 2 RESEARCH METHODOLOGY

Data gathered from the plantation managers were analyzed to attain the objective of the study. The managers were selected because they oversee recruitment and management of labours in their plantation. The survey selected and interviewed a total of 40 respondents representing five plantation companies using convenience sampling technique. This study employed this technique because of the difficulties in getting the plantations' managers cooperation due to their busy schedule and other commitments. Thus, the participant in the survey was voluntary. As stated by [16], convenience sampling is the best sampling technique when the target sample is difficult to access, and when the participation is voluntary. The survey involves conducting few series of investigation in the 40 plantations located in five states namely; Johor, Perak, Negeri Sembilan, Terengganu and Kedah. Diversification in the distribution of the plantation is the basis for adopting this sampling method, and we divided it based on states. The survey involved sending questionnaires through email to the listed plantations. Followed by a face to face interview with the plantation managers. This approach was taken to ensure that the managers were ready for questions that might require additional information from file search besides facilitating the face-to-face interview process. Data collection took place between June 2015 and February 2016. Descriptive statistics were employed to analyses the data from the completed questionnaire.

## 3 RESULTS AND DISCUSSION

### 3.1 Plantation's Profile

Table 1 shows the characteristics of the oil palm plantations surveyed. The result reveals that data collection involves five oil palm plantation companies and the majority of them are from Company A and Plantation E. The plantation size varies from 916 ha. to 3919 ha. The majority of the plantations belong to the medium size category, which is in range between 1501 – 2000 ha., with 17.5% of the total plantation surveyed. This result indicates that the plantation, on average operates on a medium size farm, and the geographical factor influenced the size. The result further revealed that the plantation employs both local and foreign labours. However, there was only one fourth of domestic labours (24.5%) that works in the oil palm plantations, while foreign labours (75.5%) dominated the rest. This finding lends supported to the national statistics published by MPOB, which reveals that out of total labour employed in oil palm plantation sector in 2015, 77.8% are foreign labour [17]. Foreign labours hired in these plantations came

from Indonesia, Bangladesh, Nepal, India and others, including Vietnam and Thailand. Indonesian labourers dominated the foreign labours which approximately 87.5% of the total. Followed by labours from Bangladesh (8.6%), Nepal, India and the others. The distribution of local and foreign labours hired in plantation were shown in Table 2. It shows that the number of foreign labours hired is high relative to local labours. The ratio of local to foreign labours in the plantation is ranged in between 1:1.12 to 1:5.6 labours, indicates the large proportion of foreign labours hired in oil palm plantation. Labours from Indonesia reported the highest foreign labours hired by all plantation companies (Table 3). This might be contributed by the closed proximity in language between Malaysia and Indonesia, plus they are physically suit with the plantation work.

Table 1: Plantation characteristic

Items	Frequency	Percentage
Plantation company (No. of plantations)		
Plantation Company A	10	25.0
Plantation Company B	9	22.5
Plantation Company C	4	10.0
Plantation Company D	6	15.0
Plantation Company E	11	27.5
Farm size		
Less than 1000 ha	4	10.0
1001 – 1500 ha	8	20.0
1501 – 2000 ha	13	32.5
2001 – 2500 ha	7	17.5
More than 3000 2500 ha	8	21.5
Hired labour (no. of labour)		
Local labour	1659	24.5
Foreign labour	5117	75.5
Labour by Country of Origin (no. of labour)		
Indonesia	4469	87.3
Bangladesh	439	8.6
Nepal	92	1.8
India	92	1.8
Others	25	0.5

Source: Survey data (2016)

Table 2: Total labours hired by plantation company

Plantation Company	Local labour	Foreign labour	Ratio local to foreign
Plantation Company A	394	1749	1:4.5
Plantation Company B	280	906	1:3.2
Plantation Company C	126	713	1:5.6
Plantation Company D	178	949	1:5.3
Plantation Company E	681	790	1:1.2

Table 3: Distribution of foreign labours by country of origin

Plantation Company	Indonesia	Bangladesh	India	Nepal	Others
Plantation Company A	1387	362	0	0	0
Plantation Company B	877	4	12	1	14
Plantation Company C	708	8	0	5	0
Plantation Company D	840	20	70	19	0
Plantation Company E	657	45	10	66	11

### 3.2 Criteria of Foreign Labour Selection and Recruitment

Before the recruitment of foreign labours in any company or organization, the management of the company mainly has placed some requirements that match with specifications as well as aptitudes of workers. It is crucial for a plantation company to recruit the suitable labour to ensure they can perform the assigned job effectively. As shown in figure 1, there are a total of six criteria including 'other' measures that have been used by the plantation companies before recruiting foreign labour. Eighty percent of the plantations in the study area choose work capability as the criteria that they want from a

labour, making it as the primary criteria set by employers before the hiring of a labour. It is to ensure that labours are suited to the job and able to perform the different task efficiently. Next, working experience of the labour accounted 62.5 percent of the respondents, making it the next important criterion required by the plantation. Because working in the plantation requires the labour to have both skills and experience, so that they can perform the job efficiently. In dialogue, the plantation managers indicated that the majority of Indonesian labours already have some expertise and have worked in plantation either in their home country or in Malaysia. The nationality of the foreign labour (35 percent) was also among the listed criteria considered because it will influence their capability and working attitude when they work in plantations. Other measures (25 percent) consisting of fulfilling the requirement and suited to work on the plantations. Wage demand (fifteen percent) is the least considered criteria. This scenario is because foreign labour is less demanding on wages. The education level also is less preferred criteria since the plantation work does not require education qualification. Instead, it requires skills to perform the job.

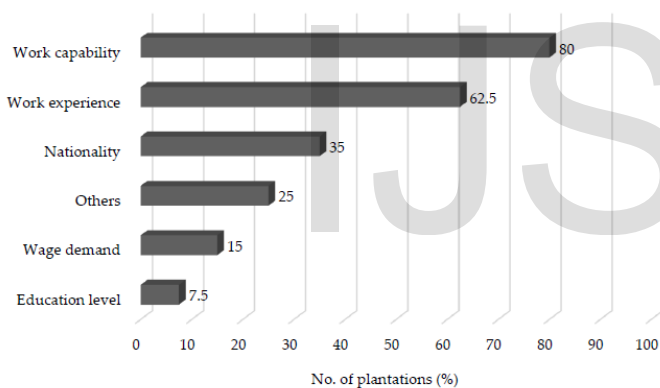


Fig. 1. Criteria of foreign labour selection and recruitment

### 3.3 Preferred Sourcing Country and Reasons to Hire

In the process of foreign labour intake and recruitment, the Department of Immigration, Malaysia provides guidelines about nations which companies are allowed to source workers from depending on the sector needed. As for the plantation sector, employers can recruit workers from eleven sourcing countries. Figure 2 reveals there are only four sourcing countries namely Indonesia, Bangladesh, Nepal and India, are most preferred by the employers to recruit foreign labours. Table 4 presents the distributions by plantations company. As shown in Figure 2 and Table 4, all the plantations prefer to hire labours from Indonesia. Indonesians were the first chosen due to country's proximity and cultural and language similarities with Malaysia [18], [19]. Also, Indonesian labours were the first to be hired when the country first experience labour shortage in 1970s [4], and then followed by recruitment from

other nationalities in 1990s such as India, Pakistan and Bangladesh [20], [4]. A small number (less than 25 percent) of them preferred to recruit labours from Bangladesh, India and Nepal. Reason being, other economic sectors such as manufacturing and service industries employ the majority of labour from these nationalities.

Figure 3 depicts reasons why foreign labours from these nationalities were preferred. About 75 percent of plantation managers identified Indonesian as their preferred labour because they were more resilience to work in the plantations and suited to the nature of plantation work. They were also willing to work extra hours, hardworking and have the required skills (seventy per cent respectively). Foreign labour works hard and always asks for the overtime jobs to get extra income to remit to their family in their home country. The monthly wage may not be sufficient, resulting them to work extra hours by doing overtime work and work during public holidays. Indonesian labours also has the required skills especially for harvesting activity and have experience with plantation work before working on oil palm plantation in Malaysia. 57.7 percent of plantations agreed that foreign labours are obedient to rules and regulations as well as to supervisors in the field. Eases of communication also is another important reason why they are preferred (57.5 percent). Indonesian have a similar spoken language with Malaysia, making contact with other workers and supervisors easier to comprehend. According to Hamidi (2016), employers prefer Indonesian labours because they shortened the training period, compared to labour of other nationalities who are somewhat hesitated to learn Malay. 52.5 percent of plantations believe that Indonesian labours was more flexible and mobile. It means that they have no problems working in remote locations and rural areas. They are also more flexible to carry out different task and play different roles when instructed. For example, general workers are sometimes required to work in the field to carry out weedicide/ pesticide spraying or undertake fertilizing works when the plantation faces a shortage of workers. Meanwhile, 17.5 percent of the employers agree that they preferred Indonesian labours because they are less demanding on wage paid to them and willing to accept the plantation's wage policy. Labours who are assigned jobs other than harvesting will be paid based on daily-rated scheme at RM34.60 per day equivalent to RM900 per month. While for a harvester, their rate is higher because they are paid based on piece-rated plan. The daily rate depends on how much Fresh Fruit Bunch (FFB) harvested in a day and should meet the daily quota determined by the plantation. Another reason for plantation preference to hire these labours is easiness to source or readily available in the labour market. Most of the labours are recommended by their friends and relatives who are already working in plantations in Malaysia.

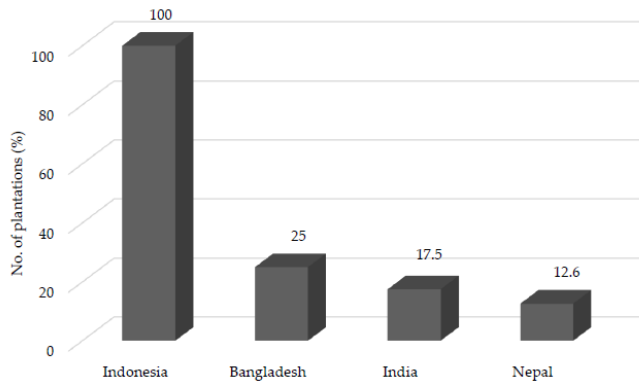


Fig. 2. Sourcing country preferred by employer

Table 4: Distribution of preferred labour sourcing country by plantations' company

	Indonesia	Bangladesh	India	Nepal
Plantation Company A	10	2	1	2
Plantation Company B	7	1	1	3
Plantation Company C	4	1	0	0
Plantation Company D	9	4	3	0
Plantation Company E	10	2	2	0
Total	40	10	7	5

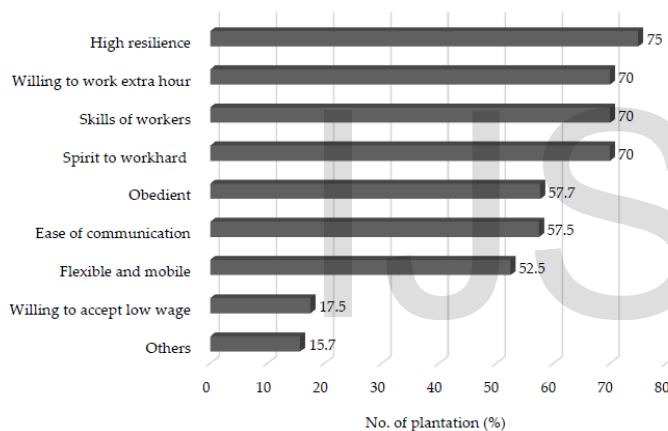


Fig. 3. Reasons of hiring foreign labour

## 4 CONCLUSIONS

According to the study, most of labours hired in oil palm plantation are foreigners who constituted 75.5% from total labour hired. Labour from Indonesian dominated foreign labour market in the industry, accounted for 87.5% to the total foreign labour employed in plantations. Among the criteria of foreign labour selection and recruitment, work capabilities and broad experiences appeared as the main criteria for the employers. The study also shows that all of the plantations prefer to hire labour from Indonesia, and less from other countries of origin. Because they are resilient and willing to work extra hours, this choice prioritizes the Indonesian labour regarding recruitment in the plantation sector. These labours have skills required especially for harvesting and are eager to work hard to earn more. The finding of this study suggests that proper selection and recruitment of foreign labour can help the plantation to hire the best and suitable labour for their plantation. Thus, contributing to high productivity and profitability.

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