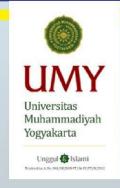


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Agribusiness Development for Human Welfare



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PROCEEDING INTERNATIONAL CONFERENCE

AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE

"Small and Medium-sized Enterprises Competitiveness"



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EDITOR FOREWORD

The economic integrations by ASEAN certainly have given a major influence on Small and Medium-sized Enterprises (SMEs). Beside economic integration in the form of free trade area (FTA) that has been going on since the early 2000s, economic integration in the form of ASEAN Economic Community (AEC) has been ongoing since the beginning of 2016. Through this integration, SMEs have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market.

In order to explore ideas, concept, and innovations related to the competitiveness of SMEs, International Conference on Agribusiness Development for Human Welfare (ADHW 2016) was held in Yogyakarta on May 14, 2016. The conference organized by Department of Agribusiness Universitas Muhammadiyah Yogyakarta, in collaboration with Department of Agribusiness and Information System Universiti Putra Malaysia, Department of Agro-Industrial Technology Kasetsart University, Department of Agriculture Socio-Economics Universitas Gadjah Mada, Department of Agriculture Socio-Economics of Universitas Brawijaya, Indonesian Society of Agriculture Economics, Agribusiness Association of Indonesia. Hopefully proceedings of ADHW 2016 provide stimulus for increasing competitiveness of SMEs in ASEAN, especially in Indonesia.

Furthermore, we are grateful to Allah, the Sustainer of all word, who always makes it easy for our affairs. We would like to acknowledge with thanks to all the institution and individual who joined with resources and efforts in organizing the conference that resulted in the papers which are published in this proceeding. Special thanks to all authors and discussants who contributed with their intellectual capital and responded to our call papers. Thanks and acknowledgment are also due to all reviewers of the conference who helped in evaluating submitted papers; and to the members of the Organization Committee, who ensured smooth execution of the event.

May 30, 2016

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PREFACE

Assalaamualaikum, Warahmatullaahi., Wabarakaatuh.

Dear Honorable Governor of Yogyakarta Special Province

Dear respectable Prof. Dr. Zainal Abidin Mohamed

Dear respectable Asist. Prof. Pornthipa Ongkunaruk

Dear respectable Rector of UMY Prof. Dr. Bambang Cipto, MA.

Dear all invited Guests, Speakers, and Participants of International seminar of ADHW 2016.

Alhamdulillah, all praise be to the Almighty God, so that we can be gathering here today at Muhammadiyah University of Yogyakarta in order to attend the Conference on Agribusiness Development for Human Welfare (ADHW) 2016.

Ladies and Gentlemen,

On behalf of the committee, I would like to say welcome to this International Conference on ADHW 2016 and thank you for attending our invitation.

Especially, we are grateful to invited speakers, Prof. Zainal Abidin Mohamed and Asist. Prof. Pornthipa Ongkunaruk, for their willingness to share information and thoughts in this conference. As a bit report, that this conference has been attended by 85 speakers coming from five countries.

This conference entitled "Small and Medium-sized Enterprise Competitiveness". ASEAN Economic Community is the largest economic integration that is going to be implemented at the beginning of 2016 (December 31, 2015). Through this integration, SMEs will have opportunity to expand access to markets, technology, and capital. But at the same time SMEs are required to improve their competitiveness in order to survive in the market. We expect that this seminar is capable of producing thoughts building SMEs within ASEAN, especially Indonesia, to face the free trade.

This event can be done by support and efforts from all sides. Therefore, I would like to say thank you to all committee members having worked hard to conduct this event. We, as the organizer commitee, do apologize when there is a shortage in conducting this event.

Wassalamualaikum, Warahmatullaahi., Wabarakaatuh.

Chairman

International Conference on ADHW 2016

Dr. Aris Slamet Widodo, SP., MSc.



WORDS OF WELCOME

Assalamu'alaikum warahmatullahi wabarakatuh

Alhamdulillah, all praise be to Allah SWT, who has given us His blessings so that this International Seminar of Agribusiness Development for Human Welfare (ADHW) 2016 entitled "Small and Medium-sized Enterprises Competitiveness" can be conducted. This International Conference is held in cooperation among Agribusiness Study Program of Muhammadiyah University of Yogyakarta with Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), and Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB).

Countries of ASEAN members like Indonesia, Malaysia, and Thailand have more than 90% Small and Medium-sized Enterprises (SMEs). In general, SMEs play important role in economic developments such as in terms of employment, added value, improve foreign exchange, and economic growth. For Indonesia, the role of SMEs is limited to employment and added value, while the foreign exchange from SMEs is still low. According to the General Director of SMEs of Industrial Ministry, in 2013 the total SMEs being able to pass through export market is just under 5 percent. For that required many breakthrough and innovation so that the role of SMEs becomes real economic development, especially in Indonesia, and generally in ASEAN countries.

On behalf of Agribusiness Department of Universitas Muhammadiyah Yogyakarta, we would like to express our gratitude Putra University of Malaysia (UPM), Kasetsart University (KU), Association of Indonesian Agricultural Economy (PERHEPI), Agribusiness Association of Indonesia (AAI), Universitas Gadjah Mada (UGM) and Universitas Brawijaya (UB) for all supports, sponsors, and all committee members having worked so hard that this International Conference can be conducted.

Hopefully, these sinergies coming from various parties can provide contribution for developing SMEs in Indonesia and other ASEAN countries as well.

Wassalamu'alaikum warhmatullahi wabarakatuh

Head of Agribusiness Department Universitas Muhammadiyah Yogyakarta

Ir. Eni Istivanti, MP.





Gubernur

Daerah Istimewa Yogyakarta

Sambutan KONFERENSI INTERNASIONAL "AGRIBUSINESS DEVELOPMENT FOR HUMAN WELFARE" Yogyakarta, 14 Mei 2016

Assalamu'alaikum Wr. Wb.

Salam sejahtera untuk kita semua.

Yang Saya hormati:

- Rektor Universitas Muhammadiyah Yogyakarta;
- Para Narasumber;
- Hadirin dan Para Peserta yang berbahagia,

Puji dan syukur marilah kita panjatkan kehadirat Allah SWT karena hanya atas limpahan rahmat serta karunia-Nya, kita dapat hadir pada kesempatan acara **Konferensi Internasional "***Agribusiness Development For Human Welfare*" ini dalam keadaan sehat wal'afiat.

Pada kesempatan kali ini, secara ringkas Saya akan menyampaikan mengenai industri kecil menengah nasional yang menjadi tema pada pembukaan Seminar Internasional "Agribusiness Development For Human Welfare" ini.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Berdasarkan data BPS, pertumbuhan industri pengolahan nonmigas pada tahun 2015 secara kumulatif sebesar 5,04%; lebih tinggi dari pertumbuhan ekonomi (PDB) pada periode yang sama sebesar 4,79%. Pada periode Januari-Desember 2015, nilai ekspor produk industri pengolahan nonmigas mencapai USD 106,63 Milyar, dan nilai impor mencapai USD 108,95 milyar, sehingga neraca perdagangan insdustri pengolahan nonmigas pada periode yang sama sebesar USD 2,32 milyar (nerasa defisit).

Usaha pemerintah untuk memperkecil defisit di atas, salah satunya dengan cara memberdayakan Industri Kecil dan Menengah (IKM) yang merupakan bagian penting dalam perkembangan industri nasional. Sampai saat ini, Insutri Kecil dan Menengah



telah berkontribusi sebesar 34,82% terhadap pertumbuhan industri pengolahan nonmigas secara keseluruhan.

Angka ini dapat tercapai karena dukungan lebih kurang 3,6 juta unit usaha, yang merupakan 90 persen dari total unit usaha insutri nasional. Jumlah unit usaha tersebut telah mampu menyerap tenaga kerja sebesar 8,7 juta orang, yang tentunya berdampak pada meningkatnya ekonomi nasional serta mengurangi kemiskinan.

Industri Kecil dan Menengah (IKM) memiliki peran yang strategis dalam perekonomian nasional. Hal ini sejalan dengan Visi Pemerintah dalam Rencana Pembangunan Nasional Jangka Menengah (RPJMN) 2015-2019 yaitu "Terwujudnya Indonesia yang berdaulat, mandiri, dan berkepribadian berlandaskan gotong royong".

Untuk lebih meningkatkan peran tersebut, Penumbuhan dan Pengembangan Industri Kecil dan Menengah diarahkan untuk memiliki tujuan jangka menengah guna mewujudkan industri kecil dan industri menengah yang berdaya saing, berperan signifikan dalam penguatan struktur industri nasional, pengentasan kemiskinan dan perluasan kesempatan kerja, serta menghasilkan barang dan/atau jasa Industri untuk keperluan ekspor.

Hadirin dan Saudara-saudara sekalian,

Awal tahun ini, kita telah memasuki era Masyarakat Ekonomi ASEAN (MEA). Dengan demikan, perekonomian nasional akan langsung bersaing dengan para pelaku pasar di kawasan ASEAN. Produk dan jasa termasuk investasi negara-negara anggota telas bebas memasuki pasar di kawasan ASEAN.

Dalam rangka menghadapi hal tersebut, Pemerintah mengambil langkahlangkah strategis berupa peningkatan daya saing industri dan mendorong investasi di sektor industri; di mana peningkatan daya saing industri itu sendiri dilakukan melalui penguatan struktur industri dengan melengkapi struktur industri yang masih kosong serta menyiapkan strategi ofensif dan defensif dalam akses pasar.

Pemerintah telah melakukan Penguatan Sektor IKM dengan strategi ofensif dan defensifnya melalui beberapa program pelaksanaan, diantaranya antara lain: Penumbuhan Wirausaha Baru; Pengembangan IKM melalui Pengembangan Produk IKM serta Peningkatan Kemampuan Sentra dan UPT; Pemberian Bantuan Mesin dan Peralatan Produksi; Perluasan Akses Pasar melalui Promosi dan Pameran; Fasilitasi Pendaftaran Hak Kekayaan Intelektual; Fasilitasi Sertifikasi Mutu Produk dan Kemasan; serta Fasilitasi Pembiayaan melalui Skema Kredit Usaha Rakyat (KUR).

Saya berharap agar berbagai program-program pemerintah tersebut dapat didukung secara sinergis oleh seluruh komponen masyarakat. Untuk itu, Saya berpesan kepada Saudara-saudara sekalian agar semua program pemerintah dalam bidang



Industri, khususnya dalam program pemberdayaan Industri Kecil dan Menengah, didukung dengan sepenuh hati, agar dapat lebih bermanfaat bagi masyarakat dalam rangka pengembangan industri kecil menengah.

Hadirin dan Saudara-saudara sekalian yang Saya hormati,

Demikian beberapa hal yang dapat Saya sampaikan. Akhirnya dengan memohon ridho Allah Subhanahu Wata'ala, seraya mengucap "Bismilahirrahmanirrahim", Konferensi Internasional "Agribusiness Development For Human Welfare" dengan ini secara resmi Saya nyatakan dibuka. Semoga Allah SWT memberikan petunjuk, bimbingan, perlindungan dan kemudahan dalam setiap langkah dan upaya kita. Amien.

Sekian dan terima kasih.

Wassalamu'alaikum Wr. Wb.

Yogyakarta, 14 Mei 2016

DAERAHISTIMEWA YOGYAKARTA

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FOREIGN LABOR RECRUITMENT IN OIL PALM PLANTATION IN MALAYSIA

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ABSTRACT

As oil palm plantation in Malaysia is progressively expanding, more labors are therefore needed. There are huge dependencies on foreign labors in the upstream sector mainly the fruit harvesters and field workers. This is to cater the labor shortage and there are about 77% of oil palm plantation workers are foreign labor, normally work in production stage. This study aims to investigate the factors and reasons for hiring foreign labor in the oil palm plantation sector. The survey was carried out by distributing the questionnaires to the plantation managers. The results show that 85% of employers recruit foreign labors because they are willing to work hard. Able to perform different task efficiently and work experience is the main criteria for the selection and recruitment. Labor from Indonesia is the most preferred due to high resilience, skills and work hard. The advantages of hiring foreign labors are they have a wide experience and willing work in remote locations. However, hiring foreign labor also brought some the negative impacts such as over-dependence on foreign labor and the outflow of remittance from this country. As a recommendation, the government should review the current policy on the recruitment of foreign labor and limit the immigration of them and provide more career development for local workers. The government is recommended to provide sufficient research funds for developing suitable and efficient technologies especially FFB harvester to replace or reduce the requirement of human labors.

Keywords: foreign labor, oil palm plantation, shortage

INTRODUCTION

Oil palm plantation sector is a laborintensive industry and since Malaysia is aggressively expanding its oil palm plantation, thus it gives rise to the huge labor requirement in this sector. The plantation sector uses a lot of manual labor to the job in the upstream activities, especially for fruit harvester and collectors. However, the job in the plantation sector is not getting much attention and interest among local workers, lead to a labor shortage in this industry.

To sustain the oil palm industry, foreign workers were gradually brought in. For over three decades, Malaysia has relied heavily on the use of foreign workers either legally or otherwise (Abdul Hamid, Singh, Wan Yusof, Md Yusof and Mustafa, 2011). In Malaysia, foreign

labors have monopolized the majority of employment in the plantation sector, where most of them are initially unskilled workers. According to the Ministry of Plantation and Industrial Commodity (2014), there are about 77 percent of foreign labors employed in the oil palm plantation in 2013. Whereas along the work done by Ramli, Azman and Ayat (2011), the proportion of foreign actors to local is two foreign workers to one local. This situation shows that the majority of labors in oil palm plantation has been dominated by foreign labors. Based on data provided by the Department of Immigration, Malaysia (2014), there are about 353, 081 foreign labors registered to work in plantation sector and a part of this, 73.7 per cent is Indonesian. The rest came from Bangladesh, India, Nepal and others countries. The distribution of

foreign labor in plantation sector not only high in the large plantation company which is about 98.6% out of total labor, but in small and medium size of plantation companies also, more than half (68%) of labors recruited are foreign labors (Ximena Del Carpio, Ozden, Testaverde, Marouani, Nilsson and Wagner, 2015).

It is undeniable that oil palm plantation sector provides more job opportunities for millions of people especially in rural area. However, most of the locals refuse to get involved in the plantation sector due to several reasons studied in this research. The plantation sector is labeled as a 3D's sector, literally means dirty, dangerous and difficult, thus make locals refuse to get involved and work in this sector. Thus, the working environment also makes a plantation job less attractive for local despite it provides many opportunities (Daud, 2006). Besides that, local people unwilling to have similar wages as what is received by foreign labors and they perceived better job opportunities in other sectors (Abdul Hamid, Singh, Md. Yusof, and M. Abdullah, 2011). Due to these attributes, it has been reported that there is less participation of local people in the plantation sector and Malaysia start to depend on foreign labor (Lee, 2011; Abdul Rahman, Wang, Wood and Shu, 2012).

On the other side, the employers also have to tackle labor shortage issues since insufficient workers may affect the chain of production and cause a huge loss and adversely affect the whole industry. To overcome the labor shortage problem, employers started to look for foreign labors. The employers prefer to hire foreign labors because they are disciplined, low wage and willing to work long hours (Abdul Hamid et al, 2011). In the 2010, it was found that the ratio of local to foreign labor in this sector was 1: 2 (Ramli, Azman and Ayat, 2011). Indonesian is the most preferred because of the cultural, language and religion are quite similar to Malaysian's making communication more effective (Abdul Hamid, Singh and Jamadi, 2013). Besides that, in recruitment of foreign labor, employers criteria have set and

characteristics of the labor to ensure the labor are suited to work in the plantation and can perform the task given. As study done by Wan Hassan, Dollah and Herviani (2015) in oil palm plantation in Sabah, indicates that Indonesian labors are preferred because they have the required skills for harvesting and pruning jobs, and have wide experience to works in plantation. These make Indonesian especially from Bugis ethnics is the main group of foreign labor recruited in oil palm plantation in Sabah. Meanwhile, some of the other reasons for employment of foreign labor as compared to local are due to the wages factor and attitude of foreign labor to work in long hours. This makes the foreign workforce most preferred by employers many (Marhani, Adnan, Baharuddin and Hassan, 2012).

In addition, the foreign labors hired in Malaysia have brought some positive and negative impacts. It is known that foreign labor helps to solve the labor shortage confronting the plantation sector (Hassan, 2009). Also, the attitude of foreign labor such as work hard, willing to work overtime and satisfied with basic amenities provided by employers are the main reasons why they are being preferred by employers. On the other hand, foreign labors can bring negative consequences like social problem; start to demand higher wage when they have an experience; suppress local wages (Ismail, Bachtiar, Osman and Mohd. Noor, 2003); the outflow of remittance; and decreasing in productivity (Marhani et al, 2012).

This study aims to investigate factors and reasons for hiring foreign labors in the oil palm plantation sector. Parallel to this aim, the specific objectives of this study are (i) to investigate the motivations for hiring foreign labor, (ii) to identify the criteria for foreign labor recruitment and selection, (iii) to identify the sourcing country preferred by the employers, and (iv) to determine the advantages and disadvantages of hiring foreign labors.



METHOD

This study has been carried out in the selected oil palm plantations in Malaysia, which covered five states including Johor, Negeri Sembilan, Perak and Terengganu. A stratified random sampling was applied to select the respondents. A total of 40 plantation managers or assistant managers were selected as the respondents. A set of questionnaire has been distributed and several interviews have been conducted with the respondents to gather all required data and information. The data from the completed questionnaires were then analyzed using descriptive statistics.

RESULT AND DISCUSSIONRespondents' and Plantation Profile

Figure 1 represents the respondents by company. It shows that the

respondents are from five plantation companies namely Kulim Plantation, RISDA Plantation, TH Plantation, Tradewinds Plantation and Boustead Plantation. All of these companies are among the major oil palm producer in Malaysia.

Table 1 shows the distribution of the palm plantation estate the oil companies in this study. The plantation is scattered located and not concentrated in one state only, depending on the type of the plantation itself. Since there are limitation to conduct the survey in term of the remote location, willingness of the manager to participate in the survey and cooperation from the plantation to give information about the estate, thus a small sample size were obtained from this survey

Respondents' profile

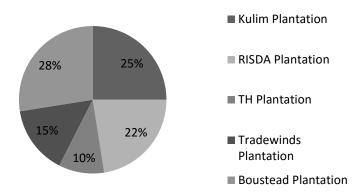


Figure 1. Respondents by Company

Table 1. Distribution of Farm by State

Table 1: Bletilbation of Farm by Ctate					
	Kulim	RISDA	TH Plantation	Tradewinds	Boustead
	Plantation	Plantation	In Flantation	Plantation	Plantation
Pulau Pinang					
Perak					
Negeri Sembilan					
Terengganu					
Johor					

Source: Survey data (2015)

Farm Characteristics

As indicated in the Figure 2, the size of the farm varies ranging from 906 Ha until 3919 Ha. The majority of the plantations (13 plantations) size range 1501 – 2000 Ha. A small number of the plantation has size less than 1000 Ha and

surprising there are several plantations have size more than 3001 Ha. Basically, the large plantation size is the merge of two farms, the action taken by the management of the plantation due to cater the labor shortage.

Size of the plantation

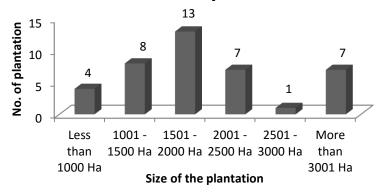


Figure 2: Size of The Plantation

Foreign labor recruited

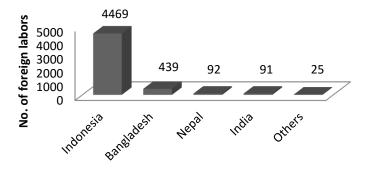


Figure 3: Foreign Labor Recruited By Country Of Origin

Foreign Labors Recruited

The distribution of foreign labors recruited by the plantation companies indicated in Figure 3. As shown, majority of plantation companies recruited labors from Indonesia. Less number of labors from the other country origin recruited even they are still preferred by the employer. Besides Indonesia, Bangladesh, Nepal and India, there are a number of labors recruited from Myanmar and Thailand to work in this sector.

Motivations for Hiring Foreign Labors

Figure 4 shows the motivations for hiring foreign labors among the respondents. The results indicate that

85% of the respondents indicated that foreign labor is willing to work hard as the motivation for hiring them; indicated that foreign labors are more flexible in terms of working hour and tasks given. Besides that, the attitude of the foreign labor and low absenteeism also are the motivator for the employer to hire foreign labor. The finding in this study corroborates the study done by Abdul Hamid et. al (2011) where work attitude of foreign labor which are not choosy in carrying out the tasks and discipline are the reasons they are preferred by the employers.



Criteria in Foreign Labor Selection and Recruitment

Before a labors is recruited in any one company or organization, the management basically has placed some criteria and qualifications that they look for in the candidate to ensure they can perform the job. Figure 5 reveals the criteria that the plantation managers

looked for and preferred to recruit foreign labor in their plantations. The two preferred criteria among the plantation managers are the work capability of the labor to perform the jobs, and working experience. These two criteria are important for the plantation workers because those have experience and skills can perform better and contribute to higher productivity.

Motivations for hiring foreign labors

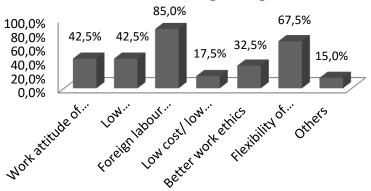


Figure 4. Motivations for Hiring Foreign Labor among the Plantation Managers



Figure 5. Criteria in Foreign Labor Recruitment and Selection

Most Preferred Sourcing Country and Reason to Recruit Them

The Department of Immigration, Malaysia gave a guideline which sourcing country that the employer can recruit foreign labors. It's also depended on which sector they are being engaged. For the plantation sector, employers can recruit foreign labor from seven sourcing

countries. As presented in Figure 6, all of the plantation managers preferred to recruit labors from Indonesia. A small number of them preferred to recruit foreign labor from Bangladesh, India and Nepal. According to the managers, Indonesian labors were most preferred because they were more resilience, work hard and always work for extra hour to earn high income (see Figure 7). Most of them are also tough to work in the plantation and have the skills required especially for harvesting job.

Advantages and Disadvantages of Hiring Foreign Labor

It is an undeniable hiring foreign labor will bring some positive and negative impacts, not only for the sector they are being engaged, but also to the host country. Results from this study, as shown in Figure 8 show the advantages of hiring foreign labor. The majority of the

respondents (62.5%) agreed that foreign labor has a wide experience in the plantation work. Besides that, foreign labor also can and willing to work at remote locations because most of the plantation located in the rural area, and foreign labors are more disciplined as compared to local labor. It can be seen that most of them are working hard to earn more income to send back to their families. However, hiring foreign labor also bring some negative consequences.

Sourcing country that most preferred to recruit workers

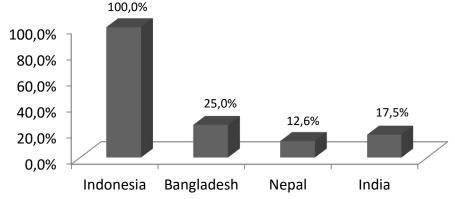


Figure 6. Sourcing Country Preferred by the Employer

Reasons why hire them

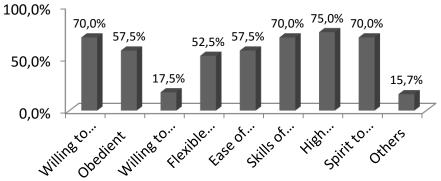


Figure 7. Reasons for Hiring Foreign Labor from Preferred Sourcing Country

Figure 9 depicts the negative impacts induced by the foreign labor. It is clearly shown that 72.5% of the respondents said that hiring foreign labor lead to over-dependence on them. It is because the unwanted job and jobs that is left by local labors has been fulfilled by foreign labors,

leading the foreign labor to dominate the labor market and consequently we are abundance of them. In addition, high outflow of remittance and existence of illegal foreign labor also are the negative impacts induced by foreign labor.

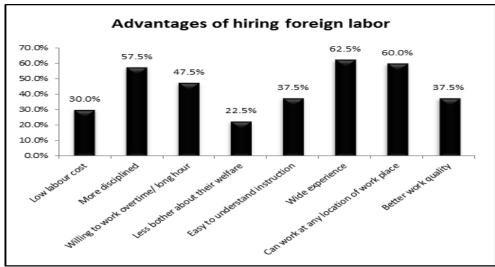


Figure 8: Advantages of Hiring Foreign Labor

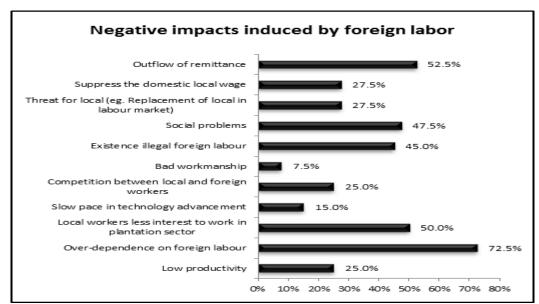


Figure 9: Negative Impacts Induced by Foreign Labor

CONCLUSIONS

As a conclusion, there are various factors considered to recruit foreign labors. A manager as a leader in that particular plantation, must be selective and choose the right labor to perform the job because it will affect the company profit and productivity in the future. Some of the reasons for hiring foreign labors are they are working hard and can perform different task efficiently. The criteria for foreign labor selection are having a wide experience and have a skill to perform the work in the plantation. Most of the manager preferred to hire Indonesian foreign labor because they are hard

working, high resilience and disciplined. The advantages of hiring foreign labor are they have a wide experience and can work on a remote location. On the other hand, the disadvantages of hiring them are overdependence on them and high remittance outflow.

As a recommendation, the government should review the current policy on the recruitment of foreign labor, limit the immigration of them and provide more opportunity in career development for

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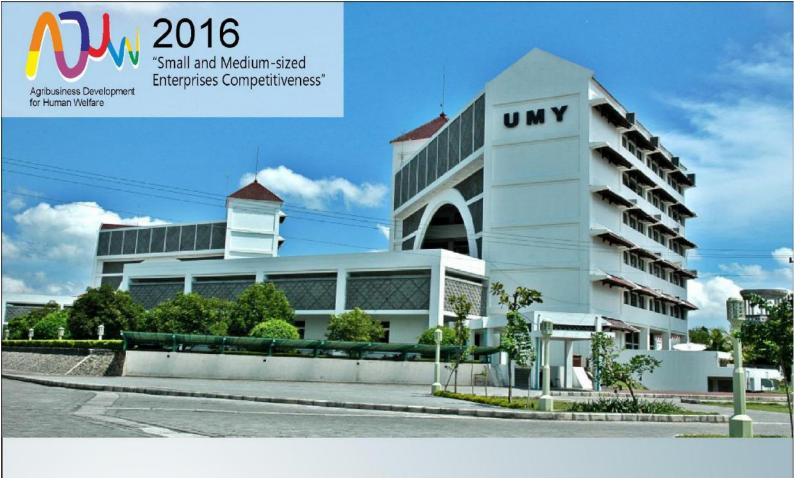
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Discussion from Parallel Session

PAPER TITLE	Foreign Labor Recruitment in Oil Palm Plantation in Malaysia		
AUTHOR	Marlia Musa, Amin Mahir Abdullah, Mohd. Mansor Ismail		
DISCUSSION	DISCUSSION		
QUESTION	 Is it the legal or illegal labor? Because actually the illegal labor is the most favourite in Malaysia What is the AEC effect on foreign labor movement? 		
ANSWER	 The labor is legal ones in this study The labors will be free but the government should control the foreign labor to anticipate domination of foreign labor 		
SUGGESTION			



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