

**DRIVERS OF PRODUCTIVITY AMONG OIL PALM  
PLANTATION WORKERS IN SABAH**

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**A dissertation submitted in partial fulfillment of  
the requirements for the degree of Masters of  
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UNIVERSITI MALAYSIA SABAH

**BORANG PENGESAHAN STATUS TESIS**

**JUDUL : PENILAIAN KEBERKESANAN PENGURANGAN  
KEMISKINAN DI KALANGAN PESERTA AMANAH IKTIAR  
MALAYSIA DI DAERAH KOTA KINABALU, PANTAI BARAT SABAH.**

**IJAZAH : SARJANA EKONOMI (PERANCANGAN DAN  
PEMBANGUNAN)**

**SESI PENGAJIAN : 2004 – 2007**

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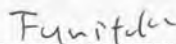


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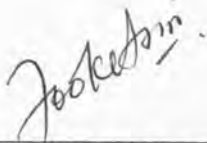
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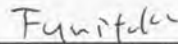
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## DECLARATION

The materials in the dissertation are original except for quotations excerpts, summaries and references, which have been duly acknowledged.

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## ABSTRACT

The purpose of this study was aimed to investigate factors that affect labor productivity in the oil palm industry in Sabah. Four category of factors were put into investigation, whereby, from the feedback of data of 200 respondents that served as plantation management personnel in the oil palm industry revealed that economic factors were the most important determinant on influencing labor productivity in oil palm plantation, next in importance was the organizational factor, followed by socio-psychological factor and physical factor. All the first three variables were proven to possess significant relationships with labor productivity, however, physical factor had non-significant relationship with labor productivity.



## ABSTRAK

### ***Faktor-Faktor Menberi Kesan Kepada Pekerja-pekerja Di Ladang Kelapa Sawit Di Sabah***

*Kajian ini bertujuan untuk mengenalpasti faktor faktor yang akan memberi kesan terhadap produktiviti pekerja dalam industri kelapa sawit di Sabah. Terdapat empat kategori yang diambil kira dalam kajian ini berdasarkan maklum balas daripada borang soal selidik yang diedarkan. Semua 200 orang terlibat sebagai "respondent" yang terdiri daripada kakitangan pengurusan perladangan. Hasil daripada kajian ini menunjukkan bahawa faktor ekonomi adalah faktor yang paling penting yang mempengaruhi produktiviti pekerja dalam peladangan kelapa sawit, di ikuti oleh faktor organisasi, sosio-psikologikal dan fizikal. Tiga faktor yang pertama telah memberi kesan yang signifikan dengan produktiviti pekerja dalam ujian kajian yang dibuat tetapi sebaliknya berlalu pada faktor fizikal.*



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# CHAPTER 1

## INTRODUCTION

### 1.1 Overview

Malaysia were close to the status of becoming a prosperous nation, whereby the symptom of prosperous life style was become obvious as less and less of its people want to take up jobs in the three “D” category, but leaving these to immigrant workers instead. In that regard, the tendency of labor shortage was growing, and would eventually become a scare resource in labor intensive industries in the country. Such threats to industrialists, however, inspired the author into the study of labor productivity in the oil palm industry in Sabah.

Sabah were a former British colony located in the northern part of Borneo Island, better known as “North Borneo” globally and having a total geographical land area of 72,500 Square Kilometers. Declared independent in 1963 and joined to form the Federation of Malaysia then. The economy of Sabah as of today were still relied on agricultural activities, where its ideal logistic location that were not vulnerable to some of the major natural disasters in the region, had made the place to earn the nickname as “The Land Below the Wind”. Whereby, suitable weather conditions and the available of huge land area had made the land to become the natural place for excellent agricultural developments ever since.

Since independence, the State had gone through some tremendous economic and political changes. For instance, the income per capita at one time ranked 2<sup>nd</sup> within the Federation that was just behind Selangor. But in 2000 it had become among the poorest state in Malaysia, with 16% level of poverty that were



three time below the national average, unemployment rate at 5.6% compare to the national average of 3.1%. The setbacks were not due to incompetent governance whereby it was noted that the GDP had increased substantially during the period, but it was just that the economic growth was out of match with the rapid growth in population, for example, at the time of independence in 1963 it was estimated at 300,000 people, but jumped to 2.5 million people in 2005. The speedy increases was due to mass migration of young people from neighboring countries, attracted by better earnings and more job opportunities especially in the construction and agriculture sectors.

Although plantation sector in Sabah had created a lot of job opportunity for the people but the employment structure was not gone in favor of its own people. For example, in the casual labor job category which represented the largest number of workforce in the industry were almost completely taken up by immigrants. Local folks preferred jobs that were light and easy as those in the clerical, supervisory and managerial category. But, before the arrival of immigrant workers in 1970, most of these jobs were used to be taken up by locals, when immigrants arrived, the labor market structure was changed ever since. The reason was that immigrants could accept jobs at lower pay but still could offer an equivalent productivity, whereas locals were choosy. The alternative option available to businesses in hiring of immigrant workers had led to mass migrations, which resulted the nation to face an uphill battle against social disorders caused by too many illegal immigrant workers. Finally, the government came out with some drastic actions to solve the problems, which include mass deportation programs, restriction measures includes the application for foreign worker quota before recruitment, imposition of high levy and restriction of worker employment period to five years. These policies although good to the nation in



certain extent, but the negative effects were affecting the competitiveness of the industry that were heavily relied on foreign workers to work in the field operation.

In response to the problem, the study of labor productivity was one of the solutions in reviving the competitiveness of the industry, for example, to optimize the uses of labor resource through the implementation of effective policies that made congruent with factors that affected labor productivity would definitely help and reduce the impacts of labor shortage from escalating.

## **1.2 Problem Statement**

In the recent years, the government had gone through some tremendous political pressure in solving the presence of large number of illegal immigrants in the country, the obvious reason was these people, apart from providing cheap workforce to the plantation and construction sectors, but these people were causing serious social and security problems to the host country, for example; the rises of crimes, destruction of natural environments, deterioration of water and air pollution. Immigrants came to seek employment as casual laborer were normally poor, they built a lot of illegal quarters for temporary homes which had not fulfilled the basis housing requirements, no sewage systems and resulted in causing the whole surrounding areas in a mess.

In conjunction with the government drastic actions to solve problems through mass deportation, a serious shortage of laborers to work in industries were resulted, where the country had experienced an adverse economic performance, as was indicated that the government is concern with lack of foreign and local workers in the market had led to serious job delay in various industries and lead to losses suffered by different sectors to hundred million of Ringgits (New Straits Times, 13 April 2005).

The present regulations were restrictive to the employment of foreign plantation workers, it was costly, while those who were currently in the employment were being limited to renew their work pass not more than five years. Thus, the emphases of labor skill through proper selection, training and development as a mean of increasing productivity is becoming less effective, but the event had triggered-off instead a stifle competition among industries for labor resource that further destabilized the situation.

Although unemployment rate was high in Sabah, but few of local youths could take up three "D" job category in plantation because it was something to do with a structural unemployment where people were not flexible in job changes but rather prefer to be unemployed. Thus, the problem of labor shortage would remain unless there was a long term strategy in training and attractive incentives offered to the local people to work in plantation, otherwise a change of government policy towards the recruitment of foreign workers would help. But, nevertheless planters should know how to take their own initiatives in solving problems faced by them first, probably through the various methods of raising of labor productivity, and which this study here were all about to find out.

### **1.3. Objective of Study**

Basically, the study involves in the identification and confirmation of factors that the researcher had hypothesized impacts over labor productivity in oil palm plantation, whereby in each category of factor there are a number of component items, which the researcher tried to find out the level of importance of each item over labor productivity as well as the relationship between in each group of factor with labor productivity.

In response to changing business environment, planters should had reached their own conclusions in adapting some appropriate labor management policies in pursue for higher labor productivity in order to counter labor shortage, whereby in every effective policy there must have set in accordance with new requirements in both internally and externally, or else things won't work. In achieving a higher productivity, the industry would mean to enjoy a marginally higher labor productivity over cost invested, resulted in less worker intake, shortening the life of production cycle and also improving the product quality. By increasing wages without inflationary pressure would help to improve the purchasing capacities of both workers and their employers. Besides, less worker intakes in the industry would help the government efforts in slowing down the inflow of immigrants.

Since there is a huge human resource involved in this industry, a simple improvement in the uses of the resource would be significant in the overall industry performance. As it was told by Pfeffer J., (1994) that firms have increasing recognized the importance of human capital as the factor to achieve competitive advantage. Therefore, the main objective of this study is summarized as follow :

- a. Identification and confirmation of factors that have impacts on labor productivity in the oil palm plantation of Sabah.
- b. Evaluate the importance of each component items in each categorical factor on labor productivity.
- c. Evaluation the significance of relationship between each categorical factor with labor productivity.

#### **1.4. Significant of Study**

In exploiting to the level of significance of each variable done in study, it is expected that the plantation sector in Sabah, not only limited to the oil palm industry, but other major plantations likes cocoa, coffee, and rubber in the country could use the findings to :

- a. Acknowledgement of important factors on labour productivity were useful in future strategy on raising of labor productivity.
- b. Provide some useful inputs to HRM in the oil palm industry in future.
- c. A guideline for future research on this topic.
- d. Improved labor productivity led to better work ethics and eventually formed a positive aspect of work culture in the industry.

#### **1.5. Key Variables**

There were many factors that had the impact over labor productivity. However, the framework set by Kazaz A. & Ulubevli S., (2007) for the study of labor productivity in the construction industry in Turkey had revealed the growing importance in two factors – the economic and socio-psychological factors. While the importance of organizational and physical factors were not being mentioned, all other factors in previous studies were included in this study, whereby the key variables were classified into four different categories. In each category there were a number component items, some of which were briefly introduced as follows :



### 1.5.1 Productivity

Labor productivity in the oil palm plantation was the output of this study, it was measured from work done out of hard labor jobs in relation to the labor time spent. In economic term labor productivity is expressed in Dollars per job per labor hour. But in subjective measurements, answers expressed in Likert Scale could also be used in research study.

### 1.5.2 Economic Factors

All variables that involved in monetary transactions that can affect the wellbeing of workers are referred as economic factor, in previous study this factor consisted of the following component items (Kazaz A. & et, al., 2007).

- **Timeliness of Remuneration.**

Timeliness mean wage due to workers were paid on time, no delay and advance wage either, this is important in the sense that workers especially in the low rank group were paid less, live at end meet more of the time. Therefore, timeliness of wage payment should help in the early settlement of debts and purchase of necessity goods.

- **Amount of Remuneration**

Amount of wage payable was determined by the method of wage calculation, which means it was relied on the various wage policies applied in different organizations. In each method used, it can pose different impacts over labor productivity. Three of the methods mentioned by Kazaz



& et. al. (2006) in wage calculation were Piece-Work Rate, Performance Appraisal Systems and Time-Based Payment System.

- **Social Insurance**

Insurance cover against work accidents in the oil palm plantation is essential, especially in the “3 D” job category which mean “Dangerous, Dirty and Demanding”. A reliable insurance cover policy should improve worker confidence and job commitment over time.

- **Job Security**

The element of job security includes Law protections against unfair dismissal, unfair redundancy policy and other employment policy that emphasizes on worker perspectives.

### 1.5.3 Organizational Factors

All items that related to organizational policies and practices are under this category, different management practices have different impacts on labor productivity. It could be work design, policy, leadership style, managerial responsiveness and camp/site layout. Some of the items are :

- **Managerial Responsiveness.**

The time taken in response to workers' requests, voices, complaints and claims would determine the level of managerial responsiveness in each case. Which would eventually lead to the type of worker perception towards their employers, such a development had an absolute effect on labor productivity. ( Bryson A. & et, 2006).





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