

# Issues of Human Resource in Malaysian Palm Oil Industry

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## Abstract

The sustainability of industries is a crucial goal for many sectors in Malaysia, including the palm oil industry. Numerous industries, particularly the palm oil industry, aim to achieve sustainable businesses through efficient and effective human resource management practices. However, it can be observed that there are several issues of human resource that have acted as barriers to achieving sustainability in this industry. Among the primary issues are hazardous work conditions, labor shortages, migrant workers, low wages, human rights concerns, inadequate training and agricultural skills, and the exploitation of child labor. Discussions about these issues are essential to provide current insights to the public and all parties involved directly or indirectly in the industry. Therefore, appropriate measures should be taken by all stakeholders with a sense of responsibility to address these concerns. It is hoped that by addressing these issues, the Malaysian palm oil industry can move closer to achieving industrial sustainability, especially in the realm of social sustainability, and indirectly contribute to the nation's economy.

**Keywords:** Human resource, palm oil, Malaysia, sustainability.

## Introduction

The COVID-19 pandemic has had a significant impact on the global economy, and Malaysia is no exception. One of the sectors affected is agriculture, including the palm oil industry. This is due to several factors, one of which is a labor shortage. Additionally, the COVID-19 pandemic has disrupted supply chains, transportation, and exports. This has made it difficult for palm oil

products to be sold internationally, leading to lower prices in the global market. In efforts to address labor shortages and other negative economic effects resulting from the COVID-19 pandemic, the government and the palm oil industry in Malaysia have undertaken various initiatives, including increasing the use of technology and innovation, launching campaigns to attract local workers, and strengthening supply chains and transportation to mitigate the losses caused by the pandemic's impact.

The palm oil production industry is crucial as it supports the livelihoods of several communities, the government's Gross Domestic Product (GDP), and the achievement of several Sustainable Development Goals (SDGs), such as no poverty, zero hunger, decent work, and economic growth (Ayompe et al., 2021). The agricultural sector in Malaysia, particularly the palm oil industry, is a major exporter and supplier after Indonesia, contributing significantly to the country's GDP (Harun & Laksito, 2022). The palm oil industry is a vital sector in Malaysia, contributing around 1.4% of the country's GDP and providing employment to millions of people, including thousands of foreign workers.

The Malaysian Palm Oil Board (MPOB) is a government agency that responsible for promoting and developing the Malaysian palm oil industry. However, despite the significant contribution of this sector to the national economy, there is a shortage of both local and foreign labor, which making it challenging for the country to meet the increasing of global demand.

## Literature Review

### Issues of Human Resource in Malaysian Palm Oil Industry

The high global demand for palm oil has driven rapid growth in the palm oil cultivation sector in Malaysia. However, the Malaysian palm oil industry has faced criticism from various parties due to human resource issues. Figure 1 below lists some of the key issues in the Malaysian palm oil industry:



Figure. 1 Issues of Human Resource in the Malaysian Palm Oil Industry

### **Hazardous working conditions**

Palm oil workers are often exposed to high safety hazards and risks, such as workplace accidents and illnesses. They are also experienced forced labor (Muhamad et al., 2021), especially in the form of contracts that force them to work without proper limits on working hours and without fair wages. For example, palm oil workers face high risks of dangers and workplace accidents, such as being hit by falling oil palm trees, tractor accidents, and exposure to toxic chemicals. Additionally, palm oil workers are vulnerable to diseases, including wounds, skin infections, and respiratory illnesses. Most of them work in unsafe conditions with minimal supervision and inadequate safety training.

The Malaysian government has implemented stricter laws to ensure the safety of palm oil workers and to establish safer working conditions. The Occupational Safety and Health Act 1994 (Act 514) is a law aimed at ensuring the safety and health of workers in the workplace, including the palm oil industry. This act regulates requirements for safe and healthy working conditions, workplace safety training, and the protection of workers from hazards and workplace accidents.

### **Labor shortages**

In 2021, the ongoing COVID-19 pandemic continued, and the uncertain pandemic situation led to many foreign workers returning to their home countries. This shortage of labor significantly affected the agricultural sector, including the palm oil industry (Pahmi et al., 2022), which requires a large and skilled workforce for various activities from planting to harvesting palm fruits.

The labor shortage resulted in reduced production and income for palm oil producers in Malaysia (Pahmi et al., 2022). Additionally, operational costs increased as palm oil producers had to offer higher wages to attract available workers, reducing profits and causing a RM20 billion loss. According to the Malaysian Palm Oil Board (MPOB) report in 2021, the palm oil sector in Malaysia faced a foreign labor shortage of over 25% of the required workforce. It's estimated that around 80% of the workers in this sector are foreign laborers, and this shortage severely impacted the productivity and efficiency of plantations.

Furthermore, there is also a shortage of local workers in the palm oil planting sector. According to data from the Malaysian Labor Department, in 2020, only about 9% of the total workforce in the palm oil sector were local workers. This is due to the perception that palm oil work is seen as strenuous and unattractive. The labor shortage has had a significant impact on palm oil planting productivity in Malaysia. According to the MPOB report in 2021, the productivity per worker in the Malaysian palm oil sector is lower compared to other countries like Indonesia and Thailand. This issue is compounded by the fact that mature plantations require more labor to maintain productivity and plant quality.

To address the labor shortage, the Malaysian government has aimed to enhance training and skills among local workers and improve working conditions and facilities on the plantations. However, these efforts need further enhancement to reduce dependency on foreign labor and increase the productivity of the palm oil sector in Malaysia. One of the focuses of MPOB is to reduce the reliance on foreign labor in the sector and increase the involvement of local workers. Therefore, MPOB has implemented several human resource management strategies to attract interest among local workforces.

One of the strategies implemented by MPOB is through the establishment of training and development centres. MPOB has founded several training centres throughout the country that offer training and courses for prospective workers in the palm oil sector. These training centres

aim to enhance the skills and knowledge of prospective workers in areas such as plantation management, palm oil processing and storage, and machinery maintenance. Furthermore, MPOB also organizes agri-commodity sector career carnivals and career prospect expos in the agriculture sector to attract the interest of local workforce. These career carnivals allow prospective workers to engage with industry stakeholders and obtain information about career opportunities available in this sector. The career prospect expos also bring career opportunities in the agricultural sector to the youth and potential graduates.

### **Migrant labors**

The majority of palm oil workers in Malaysia are migrant laborers who come from countries such as Indonesia, Bangladesh, Nepal, Myanmar, and others. Many of them do not receive sufficient legal protection and are often exploited by their employers. A lot of them arrive with hopes of seeking a better livelihood, but often end up facing exploitation by their employers. Some of the issues faced by migrant workers include unclear employment contracts, wage deductions, and poor working conditions. Moreover, many of them lack valid documentation and do not receive adequate legal protection.

The Immigration Policy of 2017 is an official document that governs immigration procedures for foreign workers in Malaysia, including migrant workers in the palm oil industry. This policy outlines the requirements and procedures for obtaining work permits, including necessary documents, and provides protection against the exploitation of foreign workers.

### **Low wages**

Palm oil workers in Malaysia often receive low wages that are frequently insufficient to meet their basic needs. Some of the issues faced by palm oil workers include long working hours and the use of contract systems that prevent them from receiving stable wages. The Malaysian government has implemented higher minimum wages for palm oil workers, but still wage remains a major concern for them.

The Minimum Wages Order 1948 (Act 446) is a law that sets the minimum wage for workers in Malaysia, including those in the palm oil industry. This Act establishes the minimum wage standards that must be provided to workers, as well as requirements for fair employment contracts and regulation of working hours.

### **Human rights**

Several human rights groups have criticized the palm oil industry in Malaysia for violating human rights (Naidu & Moorthy, 2021), especially the rights to land and labor. A significant amount of land and forests in Malaysia have been converted into palm oil plantations, negatively impacting indigenous communities and the environment. Furthermore, many palm oil workers are subjected to working conditions that do not meet internationally recognized labor standards, including the right to join labor unions and work in safe and healthy conditions. This has been a major concern for numerous human rights organizations, and they have urged the Malaysian government to take better actions in upholding human rights in the palm oil industry.

The UN Universal Declaration of Human Rights is an official document that outlines the fundamental rights inherent to all individuals, including the right to land, the right to work in safe and healthy conditions, and the right to join labor unions. This declaration provides a legal foundation for recognizing human rights in the palm oil industry in Malaysia and around the world.

### **Inadequate training and agricultural skills**

Workers who are lacking knowledge and skills in palm oil agriculture may not be able to deliver good results (Tambi et al., 2022). The government needs to provide skill training and seminars to farmers so that they become more proficient in the palm oil agricultural sector. This not only needs to be extended to farmers but also to the younger generation so that they become more exposed to the benefits of palm oil. For instance, farmers need to be exposed to knowledge about palm oil seed genetics and be able to actively engage in research and development (R&D) so that they can yield higher quality crops (Harun & Laksito, 2022).

### **Exploitation of child labor**

Unfortunately, the palm oil cultivation sector in Malaysia has also been criticized for being involved in issues of forced labor and child labor (Enh et al., 2022; Muhamad et al., 2021). Here are some relevant data and information regarding this issue:

1. According to the International Labour Organization (ILO) report, approximately 152 million children worldwide are involved in child labor.
2. In Malaysia, an estimated 60,000 children are believed to be engaged in work within the palm oil cultivation sector.
3. In 2020, Human Rights Watch reported incidents of forced labor in the palm oil sector in Malaysia. Forced laborers are typically compelled to work in inhumane conditions and are not fairly compensated.
4. According to Amnesty International's report in 2016, foreign workers in the palm oil sector in Malaysia often work in conditions of coercion and inhumanity, such as working in extremely hot conditions, enduring long hours without sufficient breaks, and being unfairly paid.
5. In 2019, the Malaysian government announced plans to tighten regulations to ensure that the palm oil cultivation sector is free from forced labor and child labor. This plan includes stricter supervision and inspections of palm oil plantations, as well as efforts to raise awareness about labor issues in the sector.
6. Several major companies involved in palm oil production, such as Nestle and Unilever, have taken steps to ensure that their palm oil production does not involve forced labor and child labor.

To ensure the sustainability of the palm oil cultivation sector in Malaysia, it is crucial for both the government and companies to ensure that workers in this sector operate under good conditions and are not involved in forced labor or child labor. It is also important to ensure that the sector does not harm the environment and the rights of indigenous people living around palm oil plantations. Various steps have been taken to address human rights issues, including forced labor, through the implementation of the Malaysian Sustainable Palm Oil (MSPO) Certification, which came into effect on January 1, 2021.

The Malaysian Sustainable Palm Oil (MSPO) Certification program is an initiative aimed at ensuring that the palm oil plantation industry in Malaysia operates in a sustainable and ethical manner, promoting environmental sustainability and social well-being for communities around palm oil plantations. MSPO was established in 2013 as a government initiative, and in 2018, it became mandatory for all palm oil planters in Malaysia.

The enforcement of the MSPO on January 1, 2021, brought several significant features aimed at enhancing the effectiveness of the program in addressing human rights issues, including forced labor, in the palm oil plantation sector in Malaysia. Some of these features include:

1. Tightening audit assessments and monitoring regarding social issues, including the eradication of forced labor and child labor.
2. Promoting collaboration between palm oil plantation management and stakeholders such as local communities, government, and NGOs.
3. Expanding compliance to broader criteria, including worker safety and health, protection of workers' rights, and other issues related to social sustainability.
4. Enhancing reporting and tracking mechanisms to safeguard human resources, including assessments of freedom of speech, human rights, and the freedom to associate.

Through this program, the Malaysian palm oil plantation industry will be monitored more closely and will be awarded the MSPO certification when they fulfil all the criteria and requirements set by this program. Adherence to the MSPO program can help to ensure that palm oil plantations in Malaysia are conducted in a more ethical manner and comply with high standards of social, environmental, and economic sustainability.

### **Conclusion**

The palm oil industry in Malaysia, like industries worldwide, has been affected by the COVID-19 pandemic. The Malaysian government has made efforts to address human resource issues in the palm oil industry, including implementing stricter laws and regulations to protect palm oil workers. However, there is still much to be done to ensure that the palm oil industry in Malaysia operates fairly and sustainably for all parties involved and that these issues are handled responsibly.

In addition, in addressing the impact of this pandemic, players in the palm oil industry need to adhere to standard operating procedures of post-pandemic and improve worker facilities. Furthermore, digitization needs to be implemented to minimize human resource usage in the country's palm oil industry. First and foremost, players in the palm oil industry need to adhere to standard operating procedures of post-pandemic that established by health authorities. These procedures include some measures such as maintaining social distancing, wearing face masks, increasing sanitation, and taking body temperature measurements. Palm oil industry players also need to provide appropriate facilities for workers, such as handwashing stations and personal protective equipment, to ensure worker safety and health.

Next, players in the palm oil industry need to improve worker facilities. This includes providing comfortable and clean worker dormitories, as well as offering training and health and safety courses for workers. Additionally, players in the palm oil industry need to consider the social and psychological needs of workers in coping with this ongoing COVID-19 pandemic. Lastly, digitization needs to be implemented in the palm oil industry to minimize human resource usage. This includes using technology to reduce costs and increase productivity, such as the use of automatic palm fruit collectors and digital farm management systems. With digitization, high-risk jobs can be reduced, and operational efficiency in palm oil plantations can be improved.

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