

► Research Brief

October 2020

Migration cost survey among Indonesian plantation workers in Malaysia

Background

Labour migration is an essential part of Malaysia's plantation sector. Migrant workers are important contributors to the economic and social wellbeing of both Malaysia and their countries of origin. Workers' countries of origin receive benefits in terms of remittance flows as well as skills and experiences of returning migrants. Based on official statistics from the Malaysian Immigration Department, there were two million migrant workers registered under Visitor's Pass (Temporary Employment) or VP (TE) in 2019. A recent study by the World Bank estimates there were a further 1.23–1.46 million irregular migrant workers as of 2017 who would have come under the purview of the VP (TE) scheme.¹ When not well managed, migration can lead to exploitation and abuses, including forced labour, debt bondage, or violence. High migration fees and costs, in particular increase a migrant's dependence on and indebtedness to recruitment agents and employers. Migration experience and outcomes can further differ between genders, from the decision-making process to mechanisms leading to migration, degree of protection against abuse, and earned incomes.² In Malaysia's labour-intensive plantation sector, labour migration meets demand for workers and helps rejuvenate the workforce. According to Immigration Department data from 2019, for the plantation sector

employed 240,721 male migrant workers and 32,358 female migrant workers.

The Sustainable Development Goals (SDG) aim to address the high levels of migration costs and fees that migrant workers are paying globally. In 2015 States agreed to work towards well-managed migration, measured in part by a lowered proportion of recruitment costs per monthly income. SDG indicator 10.7.1 is: "Recruitment cost borne by an employee as a proportion of monthly income earned in country of destination."

Charging recruitment fees and related costs to workers is prohibited in international law, in the Migration for Employment Convention (Revised), 1949 (No. 97) (Art. 7(2) and Art. 4 of Annex I and Annex II); the Maritime Labour Convention, 2006 (Regulation 1.4(1) and Standard A1.4(5)); the Private Employment Agencies Convention, 1997 (No. 181), (Art. 7); and the Employment Service Convention, 1948 (No. 88) (Art. 1).

The International Labour Organization (ILO) commissioned a quantitative migration cost survey among Indonesian plantation workers in Malaysia with data collection from November 2018 to April 2019.³ The survey gathered data on migrant workers' profiles, financing of migration costs, migration cost components, remittance practices, working conditions, recruitment processes, as well as wages earned and incomes before

¹ The World Bank, 2019. Malaysia: Estimating the Number of Foreign Workers.

² ILO and UN Women, 2017.

³ ILO engaged PE Research to conduct this study.

Migration cost survey among Indonesian plantation workers in Malaysia

coming to Malaysia. The study shed light on what factors influence migration costs. This survey was guided by the ILO’s 2019 General Principles and Operational Guidelines for Fair Recruitment and Definition of Recruitment Fees and Related Costs and builds on previous KNOMAD studies.^{4,5}

Findings of this study are indicative and cannot be generalized to the entire migrant population for the plantation sector in Malaysia. A mix of quota sampling, convenience sampling and snowballing methods were used. Probabilistic sampling techniques were not employed due to difficulties in accessing a representative sampling frame and the circumstances of the migrant population who are not easily accessed. Sampling was based on sector (plantation worker), nationality (Indonesian), age (18-50 years old) and length of stay for the current migration to Malaysia (five years and less). Workers’ legal status was not a sampling criterion, and thus both documented and undocumented workers were included in the sample.

The characteristics of the migrant plantation workers

The nature of plantation work is reflected in the worker profile. Of the 391 plantation workers surveyed in plantations in Pahang, Johor, Selangor and Perak, all were male. The age distribution of respondents seems to suggest an employer preference for younger workers,

possibly a reflection of the physically taxing, laborious work for which they are employed. About 43 per cent of respondents were in their twenties, 36 per cent were in their thirties and 18 per cent were in their forties. 83 per cent of the respondents had arrived in Malaysia between 2016 and 2018. Half of them had overseas work experience, and most of them had two or more years of experience. During the survey, 71 per cent were working as harvesters, and 26 per cent were working in the following job categories: picker, pruner, loader, driver, weeder, general worker, and grader.

The prospects of higher earnings in Malaysia motivated migration. Before migration, 86 per cent of respondents had jobs back home. The rest, 14 per cent, were unemployed before coming to Malaysia. The majority of respondents worked in elementary occupations (68 per cent) prior to working in Malaysia, with 45 per cent of them being farmers, including harvesters and plantation labourers. The majority, then, had skills needed for the job they came to. Respondents earned a median monthly wage of 105 United States Dollars (US\$) prior to coming to Malaysia. The promised median monthly wage in Malaysia was US\$ 248, or 136 per cent higher than the workers’ previous monthly wage when employed at home. Of the respondents, 18 per cent earned the same amount of wages as promised, while 60 per cent earned more than promised, and 22 per cent earned less than what was promised. When it came to gross wages earned, the median monthly amount earned

► **Table 1. Comparison of the descriptive statistics for previous income in Indonesia, wages promised, and wages earned per month**

	Income before (US\$) n=307	Wages promised (US\$) n=283	Wages earned*(US\$) n=380
Mean	117	274	342
Median	105	248	347

4 The ILO guidelines specify that recruitment fees include: payments for recruiting services offered by labour recruiters to match offers of and applications for employment; payments made in the case of recruitment of workers with a view to employing them to perform work for a third party; payments made in the case of direct recruitment by the employer; or payments required to recover recruitment fees from workers. Related costs include medical costs, insurance, costs for skills or qualifications testing, equipment, travel and lodging, cost for training and orientation and administrative costs while illegitimate, undisclosed or unreasonable costs cover payments of bribes, tributes, collaterals and bonds, etc.

5 The World Bank-led Global Knowledge Partnership on Migration and Development (KNOMAD) is a platform to synthesize and generate knowledge and policy expertise on migration and development issues. See: ILO: *Recruitment Fees and Related Costs: What Migrant Workers from Cambodia, the Lao People’s Democratic Republic and Myanmar Pay to Work in Thailand*, 2020, ILO: *Worker-Paid Migration Costs in the Vietnam-Malaysia Corridor*, 2018,

of US\$ 347 per month was 40 per cent higher than the promised amount. In total, 96 per cent of respondents earned more in Malaysia than before, with the majority earning between US\$ 200 to US\$ 400 more per month than they had been earning in Indonesia. The difference in wages earned in Malaysia and Indonesia may also reflect the experience and skills which migrant workers acquired in Malaysia.

Migration costs

All plantation worker respondents had paid for their migration costs upfront, often through a mix of using their own savings, borrowing money, or using money advanced from recruiters or employers. The migration cost for plantation workers ranged from US\$ 52 to US\$ 1,627, with the median at US\$ 448. However, excluding outliers, 95 per cent of the sample population quoted an upfront cost between US\$ 93 and US\$ 834. The cost of migration for plantation workers averaged 1.4 months of their monthly wages (mean).

The findings showed that 95 per cent of respondents who had prior experience working abroad and those who were first-timers had a similar range of net total migration costs, although for non-first timers, the minimum cost recorded was US\$ 52 while for the first timers it was US\$ 152. The average net migration cost was highest among fruit pickers at US\$ 568 while the lowest was at US\$ 416 for other plantation jobs aside from

planting-harvesting operations. Only 11 out of all respondents were told they would be reimbursed, of which nine respondents received reimbursements for part of their migration costs that ranged from US\$ 25 to US\$ 42. The other two respondents did not receive the promised reimbursement.

Agents, brokers and recruiters have significant roles in migration processes of plantation workers from Indonesia. Of respondents, 55 per cent found out about the job in Malaysia through agents, brokers, or recruiters, and 98 per cent of the respondents paid an agent or broker to facilitate the process. These included payment costs for visas, passports, medical examinations in Indonesia, work permits and international transportation. Other costs were medical examinations in Malaysia, domestic transportation, health/life insurance, placement fees, exit clearance fees, levies, pre-departure training, contract approvals, skills testing, security clearances and language training.

Of the respondents, ten per cent claimed to have made informal payments (i.e. bribes to fast track processes) either by themselves or through a third party. Among the informal costs the workers paid were money to expedite the passport process (seven per cent) and to obtain falsified documents such as birth certificates, passports, or work permits (four per cent). Another four per cent of respondents mentioned that the informal payments were made for medical check-ups.

► **Table 21. Comparison of net migration costs (US\$) between domestic workers with overseas experience and first timers by nationality when zero migration is excluded**

Excludes zero migration cost respondents	Total		Indonesian		Filipino	
	Non-first timer n=101	First timer n=97	Non-first timer n=36	First timer n=27	Non-first timer n=65	First timer n=70
Mean	413	359	533	570	346	278
Minimum (US\$)	8	21	8	70	17	21
Maximum (US\$)	1 913	2 242	1 681	2 242	1 913	1 261

► **Table 3. Payment items to brokers/agents**

Payment items to brokers/agents	n=3 83	%	Payment items to brokers/agents	n=3 83	%
Visa	382	99%	Levies	142	37%
Passport (new and renewal)	380	98%	Pre-departure training/briefing	137	35%
Medical exam in Indonesia	377	98%	Contract approval from origin government	131	34%
Work permit	376	97%	Skills certificates/testing	107	28%
International transportation	369	96%	Police/security clearance	107	28%
Medical exam in Malaysia	327	85%	Language training	63	16%
Domestic transportation	294	76%	Overseas migrant welfare fund	36	9%
Health/life insurance/social security	248	64%	Do not know/Not sure	1	0.3%
Placement fees	165	43%	Others	51	13%
Exit clearance from origin government	158	41%			

*Multiple answers

► **Table 2. Items that respondents paid for with informal payments**

Items paid for by informal payments	No. of respondents (n)	%
Expedite passport process	29	7%
Medical check-up	16	4%
Falsify official documents-birth certificates, passport, work permit, etc.	15	4%
Expedite visa/work permit	9	2%
Expedite local government process	2	1%
Unofficial border crossing	2	1%
Informal payments/gifts to brokers/recruitment agencies	1	0.3%
Other informal payments to officials to get the process done	1	0.3%
Facilitation fees	1	0.3%
Others	1	0.3%

► **Table 5. Sources of borrowed amount by respondents who took loans**

Source of borrowed amount	No. of respondents (n)	%
Family/relatives	221	73%
Friends	49	16%
Others	12	4%
Agent, broker, or recruiter	8	3%
Banks	7	2%
Money lenders	3	1%
Credit cooperative	2	1%

*Multiple answer question (n=301)

Sources of payment for migration costs

Of migrant plantation worker respondents, 77 per cent borrowed money to come to work in Malaysia mostly from informal sources, while 23 per cent did not take any loans. The minimum amount borrowed was US\$ 7 while the maximum was US\$ 1,281. The most common source of borrowings was family (73 per cent), followed by friends (16 per cent) and others who were mainly neighbours (4 per cent). Only three per cent of respondents borrowed from the recruiter, two per cent went to banks and one per cent each went to lenders and cooperatives to seek such funds.

Only three respondents or one per cent of the sample population reported receiving advanced money to come to work in Malaysia. All three received the advanced money from an agent. One respondent received US\$ 75 and paid back the agent/broker US\$ 112 after three months. The other two respondents advanced received US\$ 38 from the agent and repaid in the form of salary deductions that covered this advanced money repayment among other things.

Salary deductions related and non-related to migration costs

A significant proportion of migrant plantation workers experienced salary deductions during employment in

Malaysia. Plantation workers experienced salary deductions not only for migration-related costs, but also for day-to-day costs such as electricity and water bills at worker accommodation, and salary advance. Thus, deduction amounts are not a good indicator of migration costs alone. In fact, the most common salary deductions were made to cover electricity and water bills at their accommodation, rather than migration costs, as reported by 40 per cent of respondents.⁶

24 per cent of the respondents had their salary deducted for agent, broker, or recruiter fees, while 23 per cent experienced deductions for their work permit. This suggests that some workers were not able to completely pay for the migration cost from borrowings prior to arriving in Malaysia and had to pay through salary deductions. Among those who experienced salary deductions, 76 per cent had less than ten per cent of their monthly wages deducted for a fixed period, while 15 per cent had 11 to 20 per cent of their monthly wages deducted. Most respondents had only experienced monthly deductions below US\$ 10. However, four respondents experienced 70 percent salary deductions of their wages for a certain period. Over the employment period, deductions represented less than ten per cent of total wages earned by 85 per cent of respondents with salary deductions. This was followed by five per cent who had salary deductions of 11-20 per cent of their total

⁶ The employer provides accommodation but the workers pay their share of the electricity and water bills used at the accommodation.

► **Table 6. Counts and percentage frequency of main items deducted from salaries (n=202)**

Items that salary was deducted for	%
Electricity and water bills	40%
Fees for agent, broker, or recruiter	24%
Work permit	23%
Salary advance	7%
Passport	6%
Visa	5%

* Respondents allowed to give multiple answers.

wages and four per cent with 21-30 per cent of their wages deducted.

On the matter of union fees, only a few reported deductions for it, suggesting low union participation among plantation workers. Only eight per cent of all workers reported joining a union. Only 23 per cent of respondents claimed to be allowed to join a union, and only 16 per cent reported knowing of a union they could join.

Working conditions

Ten per cent of the respondents reported facing some form of difficult situation while working for their employers in Malaysia. The most common was the withholding of passports or travel documents by the employer as mentioned by six per cent of respondents, followed by the salary not being paid on time (five per cent). The Visitor’s Pass (Temporary Employment) terms specify that changing employers is not allowed, but four

per cent of respondents said this restriction was a difficult situation they face while working in Malaysia.

Workers who work on their rest days do so to earn more income or to shorten the number of hours worked each day. Most plantation worker respondents worked six days a week, but some of the respondents decided to work during their rest day (seventh weekday). In terms of the hours worked per day, half of the respondents worked seven to eight hours a day, about one in four worked nine to ten hours, and the rest (21 per cent) worked for 11-12 hours. Under the Employment Act 1955, the standard work hours applicable to plantation workers is eight hours per day and the excess is considered as overtime work and should be compensated accordingly. The Employment Act of 1955, article (3)(a) states that “For any overtime work carried out in excess of the normal hours of work, the employee shall be paid at a rate not less than one and half times his hourly rate of pay irrespective of the basis on which his rate of pay is fixed.”

► **Table 7. Distribution of plantation worker respondents by hours worked per day**

Hours worked per day	No. of respondents	%
5-6 hours	16	4
7-8 hours	188	48
9-10 hours	100	26
11-12 hours	83	21
13-14 hours	3	1
15-16-hours	1	0
Total	391	100%

Recommendations

- **Government ministries of Malaysia and Indonesia to mainstream migration cost issues in labour laws and policies and bilateral agreements between these two countries:** The findings clearly show that agents, brokers and intermediaries play important roles in the migration process, and workers are highly dependent on them for seeking employment and facilitating migration. Both countries of origin and destination should put in place effective laws and policies that prohibit agents, brokers, and intermediaries from charging recruitment fees. Bilateral agreements should also clearly provide clear commitments of both countries of origin and destination on regulating labour recruiters and agencies.
- **Malaysian and Indonesian labour ministries to provide guidance on definitions of recruitment fees and associated costs:** Building on global comparative research of national laws and policies and other codes on recruitment fees and related costs, an ILO tripartite experts meeting adopted a definition of recruitment fees and related costs in November 2018. Promoting the review and development of laws in line with the ILO definition, including development of implementing rules and regulations, is strongly recommended. Meanwhile, compliance with current laws - that workers pay only what they are legally obligated to pay and that caps are strictly adhered to, is important in the immediate term.
- **The Ministry of Human Resources of Malaysia to strengthen regulations to avoid passing on migration costs to workers:** Exempting employers from a levy for recruiting migrant workers is a welcome move from the Malaysian government but safeguards need to be implemented to ensure that any migration costs are not passed on by recruiters and employers to the workers through, for example, salary deductions. Workers should be informed about the importance of documenting migration costs. Recruiters/agents should be required to issue receipts for payments made by migrant workers, and employers should issue pay slips with a breakdown of deductions included. Digitised payments are encouraged, as it is extremely challenging to monitor payments made to workers in order to ensure that they are not being subjected to illegal deductions.
- **Malaysian and Indonesian governments to improve administrative processes:** Some workers reported paying informal payments to expedite processing of requirements. This can be avoided by making the current administrative processes less bureaucratic, more transparent, efficient, cheaper, and less burdensome.
- **Malaysian government, employers' organizations and trade unions to explain existing labour laws:** The findings reveal practices that indicate violations of the Employment Act and other laws. For example, the Employment Act has a provision on lawful deductions but the government may wish to popularise this law and provide further guidance as to what are the lawful deductions as authorized by law.⁷ The Employment Act Section 24 (8) states that the total deductions shall not exceed 50 per cent of the employee's wages earned in that month. ILO further recommends that employers should provide migrant workers with employment contracts in their own language and individual payslips that have the various headings in the own language including details of any deductions. Both workers and employers should be informed about the labour laws and other relevant legislation and policies related to labour migration. Migrant workers should receive a post-arrival orientation based on a standard curriculum.
- **Enforcement authorities to strengthen enforcement of the Passport Act:** Passport retention is an issue found in this survey. Stronger enforcement of the Passport Act should be done. If workers are found by

⁷ According to the Employment Act of 1955, the following deductions shall not be made except at the request in writing of the employee and with the prior permission in writing of the Director General: (a) deductions in respect of payments into any superannuation scheme, provident fund, employer's welfare scheme or insurance scheme established for the benefit of the employee; (b) deductions in respect of repayments of advances of wages made to an employee under section 22 where interest is levied on the advances and deductions in respect of the payments of the interest so levied; (c) deductions in respect of payments to a third party on behalf of the employee; (d) deductions in respect of payments for the purchase by the employee of any goods of the employer's business offered for sale by the employer; and (e) deductions in respect of the rental for accommodation and the cost of services, food and meals provided by the employer to the employee at the employee's request or under the terms of the employee's contract of service. Available at: https://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=48055

Migration cost survey among Indonesian plantation workers in Malaysia

enforcement agencies not having their passports with them, proper investigation should be done to determine if it was withheld by the employer in violation of the Passport Act. Passport retention is an indicator of forced labour and enforcement agencies should look further for presence of other indicators.

- ▶ **Government should strengthen grievance mechanisms:** The findings from the study indicate

some workers with passports or travel documents withheld by the employer, and salaries not paid on time, among others. The government should also improve its grievance mechanisms to make them accessible to migrant workers on Malaysian plantations. This would require addressing the means and the time (e.g. having a day off and transportation for workers in remote locations) to report violations.

This study was supported by the following projects:

Improving Migration Governance Project: Protecting the rights of migrant domestic workers and plantation workers through improved labour migration governance - Funding is provided by the United States Department of State. This material does not necessarily reflect the views or policies of the United States Department of State, nor does mention of trade names, commercial products, or organizations imply endorsement by the United States Government.

From Protocol to Practice: A Bridge to Global Action on Forced Labour (Bridge) Project - Funding is provided by the United States Department of Labor under cooperative agreement number IL-27592-15-75-K-1. 100 per cent of the total costs of the global Bridge Project are financed by Federal funds, for a total of US\$ 17,395,138. This material does not necessarily reflect the views or policies of the United States Department of Labor, nor does mention of trade names, commercial products, or organizations imply endorsement by the United States Government.