

Indian migrant workers in Malaysia – part 2

AMARJIT KAUR, GUEST CONTRIBUTOR - 21 FEB, 2013



A second labour reserve comprised Chinese workers. Chinese migration overseas could best be described as being conducted under both a personal recruitment system and a mixture of recruitment arrangements directed by Chinese business interests. The recruitment method included a kinship-based migration network in China and the credit-ticket network in Malaya. The kinship-based migration network involved recruiter-couriers who recruited migrants from their own villages/regions, and relatives or friends from the

migrants' hometown normally guaranteed the passage and travel expenses. The credit-ticket system, which most migrants relied upon, necessitated the passage and travel expenses being paid by labour brokers, captains of junks or labour agencies. The system exemplified the '*coolie*' trade that supplied the greater part of Chinese labour migrants. This trade was controlled by Chinese and foreign agencies in the Chinese treaty ports. The migrants normally entered into verbal or written contracts for the repayment of their debt in the form of labour service. There was no recognised "establishment body" and the influence of secret societies was ubiquitous. Labourers were free men and often changed employment and job location depending on market conditions.

Parmer argues that the system of contracted workers on the rubber plantation was a Chinese innovation. This system allowed European planters to manage Chinese workers through Chinese labour contractors. Planters paid the contractors on the basis of specific work contracts on plantations. The contractors then paid the workers their wages and supplied housing and other supplies, including food. Javanese workers comprised another labour reserve since planters were concerned about being unable to maintain a continuous and unlimited supply of workers, following the abolition of Indian indentured labour in 1910. The Javanese were recruited as indentured workers until the early 1930s. The Dutch colonial government in Indonesia regulated their employment while Dutch recruiting firms handled the recruitment procedures. They formed the smallest proportion of rubber plantation workers on Western plantations.

All three groups worked under different employment conditions on the one plantation and had dissimilar pay scales and labour protections. According to Bauer European planters made use of south Indian labour as the permanent core of European plantation labour forces, in a ratio of about 10.2 Indians

compared to 2.7 Chinese, per 100 planted acres. Whereas Indians were housed in permanent lines (compound housing) in the central section of the plantation, Chinese contract workers lived outside the plantations in their own *kongsi* accommodation (communal housing) or in separate huts. Javanese also lived in compound housing but they had greater opportunities for interaction with Malays due to language and religious connections. The entire process of labour market functioning and organisation in the plantation sector was effectively regulated through legislation, recruitment systems and immigration policies that served to protect the interests of Western firms and maintain workforce fragmentation. The colonial administration was also able to repatriate unemployed Indian workers during depressed economic conditions while Chinese workers' mobility was restricted through immigration policies, since they were considered aliens.

The Indians were the most marginalised of workers. They resided in closed plantation societies in frontier zones and the plantation symbolised the boundary of their existence. The isolation of plantations and colonial vagrancy laws also prevented them from leaving the plantation. In any case, the Indian workers' low caste backgrounds and inability to speak either Malay or English intensified their isolation and vulnerability. They were trapped in an unending cycle of dependency and poverty on the plantation. According to one writer, the provision of housing and other amenities by planters had a built-in mechanism for social control. Labourers living in estate housing were not charged rent (which was included in the wage calculation). Consequently if they were dismissed, they faced eviction. They were thus effectively tied to the estates and the low-wage structure inherent in the plantation system. Crucially, the plantation system infantilised the Indians since they became dependent on their plantation masters for provision of services such as housing, crèches, and

plots for growing vegetables or raising livestock and had problems making the transition to urban surroundings when they were evicted from the plantations.

Oil Palm Plantations and Migrant Labour

In the aftermath of the 1969 racial riots, the national government instituted a new policy known as the New Economic Policy, which incorporated poverty reduction and income redistribution programs based on affirmative action policies on behalf of the Malays. The state's economic goals prioritised a centralised approach to national development and economic diversification. The main concern was to raise the standard of living of Malays and hence a rural development strategy became critical in development planning. The rural development strategy and land reforms thus correlated with the opening up of large areas of land for commercial crop production to raise the incomes of the rural poor and landless Malay peasants. The reforms incorporated block new planting schemes under the Rubber Industry Smallholders' Development Authority and the Federal Land Development Authority (FELDA). The rubber industry thus underwent a major replanting and operational reorganisation phase. FELDA, on the other hand, was tasked with diversification of crops and led the move into oil palm production. Concurrently, between 1957 and 1960 over 300 rubber plantations with a land area of about 230,000 acres were converted into smallholdings. This figure rose to about 324,000 acres in 1967. The fragmentation of plantations had severe repercussions for the Indian plantation workers and most of them returned to India. Subsequently attempts were made to form plantation workers' cooperatives to purchase rubber estates for them but these involved small numbers of Indians.

Since colonialism had also bred resentment of foreign Asians in Malaya, the national government instigated new legislation in 1957 that effectively closed access to the labour market for them. "Foreign" Asians or "aliens" (Chinese and Indians who were not granted citizenship) were forced to leave or were repatriated, despite their earlier connections and residence in the country. The Malay-dominated government's *Immigration Act 1959* was primarily intended to control the movement of non-citizens into the country. Next, after the creation of Malaysia (1963), the government passed the *Employment Restriction Act 1968*, which was intended primarily to restrict the quantity and manipulate the 'quality' of migrants to ensure that only skilled non-citizens were permitted entry into the country. The government also made it compulsory for non-citizens to apply for work permits for about 2,000 employment categories. These included the plantation industry, railways and municipal services, all of which were dominated by Indians. The Indians' work permits were non-renewable and consequently 60,000 Indians left for India. Although they were eligible for citizenship, they were unable to acquire citizenship, and their reasons for wanting it to secure employment were not acceptable to the Malays.

The new exclusionist policies also discriminated against Indians' economic and political rights, turning them into "orphans of empire". Importantly there was a shift in citizenship classification categories in the country. From an earlier racial categorisation, Indians became non-citizen aliens and were transformed into "stateless" and illegal migrants. The new Malaysian state hence became a closed labour market and citizenship conferred both the right to reside and work in the country. The share of Indian workers in agriculture (i.e. plantations for the Indians) declined, falling from 12.8 per cent in 1950 to 9.7 per cent in 1970. Most of the Malayan citizen-Indians then either continued to work on rubber plantations or were absorbed within the oil palm sector.

But the demand for a less-skilled hired workforce had not diminished in Malaysia. The government subsequently modified its labour migration policy and this change signalled a second period in the history of plantation structures and associated labour regimes. Indonesia, Thailand and subsequently Bangladesh became the preferred labour providers for the plantation sector and the workers were hired under guest worker schemes. Employers also subcontracted all responsibilities to labour contractors. This second period of foreign labour recruitment for the plantation sector is best observed through the lens of business cycles and structural changes in the Malaysian economy. During an initial phase the government surreptitiously allowed local contractors/intermediaries to recruit Indonesian workers from the Indonesian squatter settlements in Kuala Lumpur and the Klang Valley. Subsequently both regular and irregular migrants formed the nucleus of less-skilled foreign workers in the oil palm plantations during this period. In the 1980s an offshore recruitment program was started, consistent with the launch of a consortium of labour recruiting agencies in Indonesia, known as the *pengusaha pengerah tenaga kerja* Indonesia (PPTKI) in 1981. This consortium was established by the Indonesian Manpower Supply Association to organise and manage Indonesians migrants' mobility overseas.

The Malaysian government's intention was to keep the workers coming through legal channels and it then established a *Committee for the Recruitment of Foreign Workers* in 1982 to ensure the Indonesians were employed in the designated sectors. This was also done to appease Malaysians generally, the Malaysian Trades Union Congress, representing Malaysian workers, and opposition leaders. Afterwards, Malaysia instigated labour accords with labour-sending countries. The government's role was largely confined to official immigration procedures and formalisation of recruitment regulations while employers and private recruiting agencies handled

recruitment tasks. Consequently, migration industries evolved in both countries to handle the trade in migrant workers under explicit conditions. Contract migrant workers were categorised as semi-skilled or unskilled workers (who earned less than \$2,500 per month). They were given visit passes for temporary employment in Malaysia and the passes were used to regulate their admittance, place of residence and employment type. They were not allowed to bring their dependents with them. The government's plan was to ensure that the workers' employment remained temporary and encourage employers to introduce labour-saving technology on plantations. Another major policy change impacted on the remaining Indian plantation workers' employment conditions. In the 1980s, rubber and oil palm planters extended the contract system to Indian workers, although Indians were employed directly by them. One researcher has surmised that since the "ties" between the *kangani* (the field supervisor) and Indian workers had been removed following passing of the 1955 Employment Act, planters extended the contract system to their Indian workers in order to have greater control over them.

Against the backdrop of continuing irregular migration and depressed economic conditions the government then suspended foreign labour recruitment in 1986. Then, in 1989 the government introduced another policy amendment, i.e. declaration of an amnesty for the irregular workers, followed by a legalisation program for these (mainly Indonesian) workers in the oil palm plantation sector. The government's regularisation program subsequently became a recurring characteristic of Malaysian foreign labour policy and a long-term policy instrument for labour force growth. In implementing this strategy of offering amnesty and an opportunity to become regularised, Malaysia followed closely behind the United States, Europe and Thailand. Furthermore, the policy also contributes to a larger legal labour pool that has consequences both for domestic and international investment. Simultaneously, the government

introduced a levy or tax to reduce planters' reliance on foreign workers and encouraged them to upgrade their operations. This annual levy (or tax) on migrant workers was stipulated in the 1991/2 national budget and the levy differed according to the sector and migrants' skill categories (general, semi-skilled and unskilled). Although the levy was imposed on employers, in fact levy payments could legally be passed on to workers from 1992 -2009. In 2009 employers became responsible for payment of the levy but this ruling has recently (2013) been rescinded, with the implementation of a minimum wage, so as not to "burden" employers. One reason could be that "2013 is an election year and strange things happen in election years".

Nevertheless, the harsh working conditions and remoteness of plantations, coupled with a non-existent social life and the contract labour environment, resulted in workers absconding and also deterred employee stability on plantations. Compared to other sectors, the government has been "fairly generous" as regards plantation workers' contract periods. The contracts have been extended from 3 years in 1984 to 5 years in 1994 and 7 years in 1998. In 2002 the figure dropped to 6 years and employers were allowed to recruit workers from 9 countries. The government also enacted new legislation, the Workers Minimum Housing Standards and Amenities Act 1990. This legislation prescribed minimum standards of housing and provision of nurseries for workers and their dependents. Additionally, employers were required to allocate land for cultivation and grazing and provide medical and social services. Nevertheless, the legislation was initially applicable to Peninsular Malaysia only and covered plantations that were more than 20 hectares.

Thus the oil palm plantation complex has been beset with acute problems under the national government's (mis)management of the plantation system. The contractor system has also led to allegations of forced labour in the oil

palm industry by the United States Department of Labour and the Malaysian government has had to pass new legislation on working conditions (See Malaysia's response to allegations of forced labour in the Oil Palm and Textile Industries, 2012). Planters also dislike having to rely excessively on one particular ethnic group and the guest worker program since the oil palm industry is seen as "the pillar of rural economy and provides job opportunities for more than 1.5 million people in the sector.

Overall, the government's policy of undue reliance on cheap foreign labour and the plight of the dispossessed marginalised communities in the country have clearly contributed to this dismal situation. Perhaps the new minimum wage in the plantation sector (as of 2013) may draw in some of the earlier marginalised Indians but it will certainly require more accommodation on the part of the state to make it work.

This is Part 2 which concludes the two part series revisiting the history of Indian migrant workers in then Malaya, now citizens of Malaysia and exploring the possible reasons for the continued backwardness of a significant number of them. Amarjit Kaur, is Professor of Economic History at the University of New England. Her research interests include Southeast Asian Labour history, Indian labour migration and the Indian diaspora, and governance of international labour migration in Southeast Asia. Part 1 is available [HERE](#).
