

CHAPTER 1

RESEARCH BACKGROUND

1.1 Introduction.

People from all around the world have many reasons to leave their home country like for studying, working or living which they adapt to a different experience about culture, try to live with the new way of life, to meet new people and to understand new language which eventually take time, effort and might experience with the culture shock. The hiring of overseas workers is one option in an international company may exercise to reduce the labor shortage situation in the country destination or the case of the local cannot provide the qualified employees to the company.

Thus, this study will explore the motivation and the challenge of the overseas Indonesian workers currently employed in the mining companies in Laos. Therefore, this chapter will describe the background of the research as well as the problem statement, to have an insight on issues concerning the research topic. Further, it will clarify the purpose of this research, the question that obtains from the problem. It will also discuss some definition of the term that is used in this study.

1.2 Research Background.

Now a day, an increasingly interconnected world, modern transportation has made it easier, cheaper and faster for people to move in search of jobs,

opportunity, education, and quality of life. While the conflict, poverty, inequality, and a lack of sustainable livelihoods force people to leave their homes to seek a better future for themselves and their families abroad. This movement takes time and effort which may result in culture shock. Working abroad has been a popular choice for many people in recent years. As in 2015, there were 244 million international migrants globally (3.3% of the world's population), an increase from an estimated 155 million people in 2000 (2.8%) of the world's population (UNDESA, 2015). International labor migration has become an increasingly significant event and has contributed crucially in influencing the most developing countries (Rubinskaya, 2018).

Laos is a landlocked country in Southeast Asia, bordered by Myanmar and China to the northwest, Vietnam to the east, Cambodia to the south and Thailand to the west with a total area of 236,800 square kilometers. The forested landscape consists mostly of rugged mountains with some plains and plateaus. The Mekong River is a large part of the western boundary with Thailand, whereas the mountains of the Annamite Chain form most of the eastern border with Vietnam. However, Laos has developed a lot in the last decade, with economic growth rates average 7.5% per year from 2010-2017 (The ASEAN Secretariat, 2018). To overcome poor infrastructure, human resources, and productivity, the government of Laos has enthusiastically promoted foreign direct investment (FDI) to overcome the categorized as a less developed country by 2020. Investment in Laos has various comparative advantages. Firstly, the political and socio-economic situation is stable to provide confidence for investors. As in Laos, there

have not been severe problems related to religious, political, or ethnic disputes and there is no minority conflict. Secondly, Laos has many natural resources, which are essential factors in promoting FDI in developing countries. Laos is endowed with natural resources including land, water, forests, and minerals (variety of mineral resources such as copper, coal, gold, and iron) most of which have not been exploited. These are the most important factors to attract large amounts of foreign investment in mining, hydropower, and agricultural land concession. As can be seen in table 1, from 2005-2010 the mining sector attracted the largest value of FDI application, followed by electricity generation, services, and agriculture. During 2011–2015 from table 1, the top values of approved FDI are in electricity generation, followed by mining, and agriculture.

From 2014, Lao PDR's major exports are mining products, which represent almost half of exports, and electricity, which are also the two major economic sectors attracting FDI (Table 1). Laos imports mostly intermediate products, raw materials, and capital goods. These figures confirm that economic growth and trade are driven by the exploitation of natural resources while manufacturing products are mostly imported.

Table1: Approved Foreign and Domestic Investment Projects by Sector

Period: 01/Jan/2005 to 31/Dec/2010			
No	Sector	Unit	Value of Investment (US\$)
1	Mining	118	3.104.436.453
2	Electricity Generation	14	2.951.680.841
3	Service	394	1.887.473.103
4	Agriculture	681	1.731.858.246
5	Industry & Handicraft	575	1.258.741.958
6	Hotel& Restaurant	297	486.960.674
7	Construction	73	357.654.735
8	Wood Industry	146	210.985.927
9	Trading	150	174.931.256
10	Banking	14	139.780.347
11	Telecom	4	88.204.998
12	Consultancies	101	50.053.627
13	Education	54	21.801.288
14	Garment	32	21.544.549
15	Public Health	8	13.679.606
Period: 01/Jan/2011 to 31/Dec/2015			
No	Sector	Unit	Value of Investment (US\$)
1	Electricity Generation	30	3.097.276.318
2	Mining	164	2.539.077.288
3	Agriculture	149	1.047.668.465
4	Industry & Handicraft	92	613.774.881
5	Service	83	426.161.357
6	Construction	20	356.931.823
7	Hotel & Restaurant	45	186.785.120
8	Banking	5	140.483.275
9	Trading	41	58.394.608
10	Public Health	3	49.689.000
11	Telecom	2	45.620.000
12	Wood Industry	9	19.055.723
13	Garment	5	9.165.000
14	Consultancies	17	7.264.000
15	Education	3	2.011.142

Source: Ministry of Planning and Investment (2017).

Table2: Lao PDR's main exports and imports, 2014

Export	Total	Import	Total
Mining products	48,3	Intermediate products and raw materials	43,3
Electricity	21,4	Capitals goods	29,6
Garments	7,6	Durable goods	18,6
Agriculture and forestry Products	8,6	Electricity	1,8
Other	14,1	Other	6,7
Total	100	Total	100

Source: EIU, 2015

Gold mining is one of the key potential areas of natural resources that boost a country's economy through the attraction of direct foreign investment (Hilson & Banchirigah, 2009). "Gold is the main products that have the largest contributor to the economy, accounting for about 38% of total merchandise and 95% of total mineral export as well as about 80% of all mineral revenue" (Garvin et al., 2009).

The mining sector in Laos mostly incorporated by the junior companies from Australia, China, and Canada¹. The most significant mining projects are PhuBia Mining Ltd (90% owned by Pan Aust Ltd. and 10% by the government) and Lane Xang Minerals Ltd (90% owned by MMG Ltd. and 10% by the government). Both PanAust Ltd and MMG Ltd are Chinese-owned but Australian-operated companies OECD (2016).

Otherwise, Laos also has comparative disadvantages as geographic constraints. As the landlocked country with 85% is the mountain, and there is no seaport. Besides, the number of population and the domestic market is so small.

¹ Mining companies are often broken down into two categories: juniors and majors. The former is mining companies of a limited size and mostly involved in exploration activities. The latter are usually larger and involve more activities along the chain, including building and running mines.

Moreover, inadequate infrastructure: the ratio of roads to the whole area of the country is low; the rail network is not well developed as well as the health service. As there is no seaport, goods have to pass through Thailand or Vietnam, which creates cost burdens for business. Moreover, Laos is facing a shortage of skilled workers and needs to bring in foreign labor to supply the market. The government estimated 500,000 laborers would be needed by 2015 as the country looks to strong economic growth. However, the country could supply only about 55,000 workers a year; the shortage was serious in skilled areas (Vientiane Times, 2013). At the same time, unemployment and poverty, a complicated regulatory environment, and regional inequality are all push factors driving international migration, Badan Nasional Penempatan dan Perlindungan Tenaga Kerja Indonesia (BNP2TKI, 2016) found that more than 9 million Indonesians, both documented and undocumented were working abroad as migrant workers, a number that is equivalent to almost 7 percent of Indonesia's total labor force. In the East Asia region, only China and the Philippines have more migrants working overseas than Indonesia (World Bank, 2017). Overseas Indonesian worker also has a significant contribution to the welfare of their families (living in Indonesia) as well as to the Indonesian economy, as in 2016, they sent more than IDR 118 trillion (approx. USD \$9 billion) back to Indonesia in remittances and were equal to about 30 percent of Indonesia's total foreign direct investment as well as bring the skills that they have learned abroad to find better jobs on their return to Indonesia. (World Bank, 2017). According to the report from KBRI Vientiane, currently, the total number of Indonesian workers in Laos is 216 persons and almost contributed

to work in the Mining Company. If compare with the last six years from 2013 to 2018, the number of Indonesian workers in the country has decreased average 16, 7% per year, especially in the mining sector (Table 3).

Table 3: The Number of Indonesians citizen in Laos

No	Year	Total number	Workers			
			Mining	Hotel/ Tourism	Nurse	Others
1	2013	266	139	6	2	29
2	2014	287	151	6	2	26
3	2015	248	114	4	2	11
4	2016	261	113	4	4	16
5	2017	236	76	3	3	39
6	2018	216	65	3	2	60

Source: KBRI VTE, 2018

Consequently, culture (national culture, local culture) will also influence the organization, as well as the employees in the organization. Regard to this, understanding of the local culture and local environment can give an advantage to people to develop intercultural knowledge and skills, which at present has become the most critical for a productive and successful life in this global world challenge. An unfamiliar cultural environment provides new stimuli for which appropriate responses have never learned. Differences in expectations, language, religion, food, eating style, ways of life, the concept of personal space, etc. are often stress-producing because they may seem neither understandable nor ethically “correct” (Pinto et al., 2017). The adaptation to a new overseas setting usually began with a period of excitement, followed by disillusionment and then a state of culture shock.

However, this shock is a stress reaction when salient physiological and physical rewards are generally uncertain and difficult to control or predict. Thus, an overseas worker remains anxious, confused and sometimes apathetic or angry until he or she has had time to develop a new set of behavioral assumptions that help in understanding and predicting the social behavior of local people (Levine, 2014). Regardless, all overseas workers have to deal with psychological strain, a sense of loss, rejection, confusion, surprise, anxiety, and feelings of impotence (Jeffreys et al., 2018). The possibilities responses to culture shock can be resistance: the rejection of the new culture and a dominant defense of one's own traditions, (2) assimilation: the complete rejection of one's own values in order to embrace those of the new culture, and (3) acculturation: learning to live with the new culture while remaining rooted in the traditions of one's own (Belford, 2017).

Culture shock can be displayed in obvious symptoms, for instance, preoccupation with cleanliness of drinking water, food and surroundings; excessive concern over minor issues; fear of being cheated, robbed or injured; dependence on the residence duration of their own nationality; depression; a feeling of helplessness; anger over delays and other minor frustrations; and a reluctance to learn the host country's language (Istrate, 2018).

In spite of that, overseas workers in the mining companies in Laos comes from various origin country like Indonesia, Thailand, Cambodia, Philippine, Malaysia, Papua New Guinea, Australia, India, New Zealand, United States of America, and other countries from Europe and Africa as well as local employees that come from different areas and ethnic background (Lao Loum, Hmong and Khmu) that

have different culture, language and might have different ideas and ideologies. This has led to diversity and multiculturalism inside and between enterprises.

Lee (2007) illustrated that factors affecting off-migration include job satisfaction, family support, educational orientation, social organization, factors adaptation between culture and multiculturalism. Therefore, in order to have effective management of overseas workers from different countries, modern enterprises need to have a diverse and multicultural international perspective. However, it is necessary to understand cultural values, concepts, demographic characteristics, social structures, and decision-making habits of different countries and regions.

This issue needs more attention than it presently gets. Indonesian workers come to Laos for the primary purpose to get employed. Most of their time is spent at the offices with long working hours approximately 8-12 hours without weekend for 28 days on duty and 14 days off duty. After working hours, they spent most of their time in the apartment, or dormitory that was provided by the company. Hence, managing their daily life has become a significant problem for Indonesian workers.

Moreover, the company has various sites and locations. Sometimes the staffs are required to travel to site for work. With that if during the rainy season the access to the road is difficult due to landslide and falling debris and road flood. If the Indonesian workers live in an overcrowded area with differences and are not provided a quiet and comfortable environment for living, they can get depression and other issues. For instance, after work, there are some workers who stay only

in their dormitory and some always hang out with the local people in the restaurant as well as the house of a local worker.

Nevertheless, the overseas worker goes to join the special celebration that arranged by the local staffs like new year, wedding, welcoming newborn baby, etc. Welcome drink will be served to the guest (mainly is alcohol and depend on what kind of celebration that they arrange) and sometimes the main food that they served almost is the unique dishes from their local area example raw food, fermentation food. Despite that, there are some foreign workers also have the food allergies according to unfamiliar food referred to different demographic might have the difference health physical (Guru et al., 2012). Example from another case also illustrated that an inadequate qualified health care service also can bring the challenge and problem to the overseas worker (Bener, 2017).

Occupational accidents and diseases also have a direct impact to the life of workers not only for themselves but also effect on the productivity and profitability of the firm and ultimately on the welfare of their entire societies, for instance, during January 2016 and November 2017 there were 2 cases reported on health issue focus by overseas worker. Both were a serious case of stroke and dengue fever. With that, it affects the lives of both individuals and also disturbs the company schedules that were in the plan in time. Dealing with these kinds of case is not easy, and it can bring the challenge to overseas workers in general as well as the overseas Indonesian workers in particular who are currently working and living in Laos. Therefore, the study on the motivation and the challenges toward the culture shock experience (local culture and national culture).

Cultural shock generally occurs due to cultural myopia lack experience and unsolved cultural issues (Osland & Bird, 2000). Overall, the fundamental issue of overseas workers is the adaptation to work or live in different countries and different cultural environments.

In addition, from my personal experience from both countries, I found that Laos and Indonesia have a different lifestyle and society through the local and the quality of infrastructure. However, I still suspected as for why the people from Indonesia as a developed country choose to go to the least developed country like Laos that have limited/poor infrastructure (especially health service and public transport). Moreover, some of them have been working in Laos for more than 5 years. Prior to this, there is not much research conducted to examine the motivation and the challenges of Indonesian workers who come to Laos (other than the neighbor country like Vietnam, Cambodia, Thailand, and China). In my study, I will only focus on the legal Indonesian workers who get the legal stay and working permit based on the regulation of foreign labor. This research study will design to explore the motivation and the challenge of Indonesian workers in the mining companies in Laos.

1.3 Statement of Problem.

Having multicultural work-forces is not unusual in any international organization but become a necessary part of organizations. The organization should pay more attention to familiarizing policy to motivate their employees to work effectively because motivation is affected by many internal and external factors. One of them is a national culture. Culture is the collective programming

of the mind that distinguishes the members of one group or category of people from others (Hofstede & Minkov, 2010), every person carries within their patterns of thinking, feeling and potential actions that were learned throughout the person's lifetime.

Economic development process and wage difference is the main reason for the people move to another country for maximizing their income as well as to fulfill the ratio of labor-capital in the destination country (Farivar et al., 2019). However, it is not limited by these reasons, the decision to move or choose the country destination also affected by the age, gender, behavior as well as the financial costs such as travel cost, period of employment/ unemployment in the destination country as well as decision to leave family and friends (Mihăilă, 2019). The findings from other research also defined that the push factors such as natural disasters, civil wars, conflict, etc. have forced the infinite numbers of people to move from their home country to other countries to pursue better living conditions and better job (De Haas, 2010).

Likewise, finding from (Larsen et al., 2005) illustrated that the motivation factor of the overseas nurse for migrating are contrasted with their experiences of frequently being stereotyped as economic migrants who come from developing countries to gain financial benefits.

Similarly, finding from (Zhao et al., 2017) show that the most appropriate motivation methods are different for employees under different cultural backgrounds in international companies come from four aspects which are the

significance of work, hierarchy of needs, dichotomy of internal and external factors as well as the reward and punishment mechanism.

However, there are uncertain theory to explain the motivation reason of overseas worker to choose the destination country example, why some region has a large number of overseas workers than others, and why the overseas workers from the developing country make the decision to work in the least developed countries.

1.4 Research Questions.

Within the research purpose of this study and based on the research background, the research questions are formulated as below:

- a. What are the factors that motivated the Indonesian workers to work in Laos?
- b. What are the challenges faced by the Indonesian workers during their work in Laos with regard to the differences in culture?
- c. How did the Indonesian workers adjust to cross-cultural differences in Laos?

1.5 Research Purposes.

The purpose of this research is to explore the motivations of the Indonesian workers in the mining companies, as well as examine the element make them motivated to work in Laos. Along with the motivation, the researcher also examines the challenges factor toward the culture shock experience and how do they adjust to cross-cultural differences in Laos.

1.6 Research Contributions.

This research will help the employer get to know about the relationship of the motivation and the challenges toward the culture shock experience of the overseas workers who have been working in Laos, especially the Indonesian workers.

The findings of this research will be useful for students who undergo Human Resource Management courses and may contribute to future researchers who are interested in conducting a study in the field of motivation and challenges toward the culture shock experience of Indonesian workers in Laos.

Through this study, the employer will get to know about some aspects of culture that effect to the motivations and the challenge for the overseas workers, especially Indonesian workers in Laos.

Moreover, the result from this research also will be the guideline for the employers as well as the government to improve the policy for the foreign worker to be more effective in the future.

1.7 Assumptions, Limitations, and Delimitations.

a. Assumptions.

Assumptions enable researchers to identify factors considered accurate without verification (Snir, 2014). First, the interesting issue was investigated. Second, selected methodology, data collection method, data analysis procedure, participants, interpretation of the result (Dusick, 2015). The Qualitative method would capture the data needed to address the research questions. Then the using of an open-ended question was an efficient and effective method for collecting data

from the participants. Use open-ended questions allow participants to respond to questions from a direct and personal approach (DiCicco and Crabtree 2006).

Consequently, the interpretation of the results depended on two primary Assumptions. First, the participant's willingness to participate in the research was critical; the assumption was they were honest in responding to the questions posed to them, and their participation was non-biased (Dusick, 2011). The second assumption in the area of interpretation was that the results of the study were meaningful and relevant to potential stakeholders (Dusick, 2011).

b. Limitations.

Limitations of the study are potential weaknesses of the study (Locke et al., 2013). First, The limitations of this study are the different perceptions between the employees. Secondly, the different workplace might make a difference in their perception, because knowing this study focus on the employee from different companies. One other limitation also is about the way to collect the information Interview is the main tools used but through social media such as Skype, Facebook, and the others. First, the interview method might make a lack of representativeness because they are time-consuming, and it is difficult to get a large enough sample to be representative of large populations. Secondly, there are few ethical problems, assuming that informed consent is that the researcher is getting more is gained and confidentially ensured. Although the fact which the person really is or does offer the potential for depth data, more in-depth data, more of an insight into which the person really offer the potential for the information to do more harm to the respondent if it gets in to the wrong hands but

this, in turn, depends on the topics discussed and exact content of the interviews. Forced answer technique was used for the data collection to reduce nonresponse item and to improve data quality that may lead to random or untruthful responses (Albaum et al., 2011).

c. Delimitations.

Delimitations are the characteristics of the research under the researcher's control that define the boundaries and limit the scope of the study (Anthonisz and Perry, 2015). The delimitation was that participants only included Indonesian employees working in two mining companies in Laos. Therefore, results presented in this study may not apply to other categories of workers in the mining industry, or to employees in mining industries outside Laos.

1.8 Definition of Term.

1. Overseas Workers - those who work in a foreign country without initially intending to settle there and without the benefits of citizenship in the host country.
2. Overseas Indonesian Workers- persons who are Indonesian citizens working in another country.
3. Gross Domestic Product (GDP) - the market value of all final goods and services within a country in a given year.
4. Wages - Payment for labor or services to a worker, especially remuneration on an hourly, daily or weekly basis or by the piece.
5. Employment - a contract between two parties and one are the employer, and the other are the employee.

6. Labor shortage - economic conditions in which there are insufficiently qualified employees to fill the marketplace demand for employment at any price.
7. Unemployment rate - the number of people unemployed as a percentage of the number of people, either employed or unemployed.
8. Push factor - a feature or event that pushes a person away from or encourages a person to leave his or her current residence parental home, city, state or country of origin, organization or religion.
9. Pull factor - a feature or event that attracts a person to move to another area include things like more or better services in that area more reliable food services, having a higher quality of life, higher income, peacetime, better behavior among the people, better climate, better chances of finding courtship, immediate distance from family problems, economic stability and so on.
10. Migrant workers - a person who moves from place to place to get work.

1.9 Summary.

Chapter 1 began with the overall, this chapter discussed the introduction of this study has been conducted. It included the background of the study; explain economic preview and performance throughout the years. Besides, this paper also consists of a problem statement that discusses problem arises in the Mining industry. Followed by research questions, the purpose of the study, as well as the scope of study in order for the researcher, understands this research paper, following by limitations of the study that restrain me from furthering the

investigation of this study. Last but not least is the definition of terms that help readers to understand some of the words that have used in this research. Hence, other chapters that are related to this study will be discussed in the next chapters.

