
Exploring the Impact of Foreign Labor on Local Employee Performance in Garment Companies to Support Economic Growth

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Abstract:

This study aims to explore the effect of foreign labor on the performance of local employees in garments companies through a literature review approach. In recent years, many garments companies have integrated foreign labor to improve efficiency and global competitiveness. However, the impact of foreign labor on local employee performance remains a controversial topic. By analyzing various relevant literatures, this study identifies the factors that influence the relationship between foreign labor and local employee performance, both directly and indirectly. The review shows that foreign labor can improve technical skills and introduce new technologies that have the potential to increase productivity. However, this can also lead to competition in the workplace which leads to a decrease in the morale and motivation of local employees. In addition, cultural influences and social dynamics in the work environment are important aspects in the relationship between foreign labor and local employees. This research provides a deeper understanding of the interaction between the two workforce groups and its implications for local employee performance. The findings are expected to provide recommendations for human resource managers in designing more effective policies in managing workforce diversity in garments companies.

Keywords: Foreign Workers; Local Employee Performance; Garment Companies

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1. Introduction

Garments companies in Semarang Regency, Central Java, are experiencing rapid growth, which has resulted in significant employment opportunities, making these companies labor-intensive and contributing to reducing urbanization. As a result, the local population's economic conditions are improving, which is expected to lead to increased welfare. Many of these garment companies are export-oriented, particularly to the US and Europe, which requires a highly skilled and competent

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workforce to produce export-quality products. However, the existing workforce needs additional training and competency testing to enhance their skills and meet the required standards. In such an environment, foreign labor is also needed, particularly at the managerial level and above, to fill positions where specialized expertise is required.

Previous studies on the use of foreign labor suggest that it can have positive effects, particularly in terms of knowledge and skill transfer to local employees (Luo, 2020; Pyun & Sun, 2022). On the other hand, the use of foreign labor can sometimes negatively impact local employees by reducing their motivation and self-confidence (Wahono & Kaharudin, 2024; Winasis & Riyanto, 2020). In Indonesia, foreign workers, especially at the managerial level, are often compensated with better salaries and benefits compared to local employees, creating dissatisfaction among the latter (Setiawan et al., 2024). These issues highlight a gap in understanding the complex dynamics between foreign workers and local employees, specifically regarding how foreign labor influences the performance and motivation of local employees in the garment sector.

Research on the interaction between foreign and local workers in developing countries, particularly in the garment sector, remains limited, and there is a lack of studies exploring the specific impacts on employee performance and motivation in export-oriented companies. This study aims to fill this gap by analyzing the influence of foreign workers on the performance of local employees in garments companies in Semarang Regency, Central Java. Specifically, it seeks to identify the factors affecting the interaction between foreign and local workers and how these factors impact productivity, work motivation, and overall employee performance.

The novelty of this study lies in its focus on the garment industry in Semarang Regency, an important region for Indonesia's garment export sector, and in its exploration of the specific effects of foreign labor at different organizational levels. By considering both the positive and negative aspects of foreign labor in this context, the study will provide valuable insights into the complex relationships within the workforce, particularly in terms of knowledge transfer, employee motivation, and performance.

The objectives of this study are to: (1) examine the impact of foreign workers on the performance of local employees in garment companies; (2) identify factors influencing the interaction between foreign and local workers; and (3) provide recommendations to improve the performance and motivation of local employees in light of these interactions.

2. Theoretical Background

Foreign workers are an important element in global labor dynamics, especially in the context of an increasingly integrated economy. The presence of foreign labor is often seen as a response to specific needs for skills and expertise that local labor

may not possess. The use of foreign labor can increase productivity and innovation through the transfer of knowledge and new technologies brought by the foreign workers (Cen et al., 2020). Foreign labor can also pose challenges to local labor, especially in terms of job competition and wage declines, especially for low-skilled workers (Dustmann et al., 2013).

Appropriate and strict regulation of the influx of foreign workers can minimize the negative impact on local employees, while still benefiting from more skilled and experienced foreign workers (BORJAS, 2019). Flexible immigration and employment department policies can help countries accept the foreign workers needed without compromising the stability of the local labor market (Peri, 2016). Foreign workers can be classified as temporary workers. Temporary workers, as described by (Hawthorne, 2018) are usually for jobs that use short-term work visas. countries that have strong bilateral or regional relations, have free movement of labor between their member countries (Kerr et al., 2016).

Employee performance is the level of individual achievement in carrying out the tasks applied by the organization. Employee performance is the result of work measured against the standards set by the organization (Armstrong, 2012). Employee performance includes not only the results of the work performed, but also the processes and behaviors that are relevant to the achievement of organizational goals. Employee performance is behavior that is relevant to organizational goals and can be measured and evaluated based on contributions to organizational results (Davidescu et al., 2020). Performance is not only influenced by individual abilities, but also by other factors such as motivation, support from superiors and work environment conditions.

The concept of employee performance can be divided into two main components, namely task performance and contextual performance. Task performance focuses on the achievement of core tasks that are part of the formal job description, while contextual performance includes behaviors that support the social environment and the organization as a whole, such as proactive work attitude, teamwork and personal initiative (Lu et al., 2023). Both components are important to ensure that employees not only complete their tasks but also contribute positively to the culture and long-term goals of the organization.

Garments companies are an important sector in the global economy characterized by rapid market dynamics and intense competition. Demand for garments products is influenced by changing model trends and consumer preferences, which often change over time. According to (Nenni et al., 2013), “the fashion industry is highly dynamic with demand driven by rapid changes in customer preferences and global economic conditions”. On the other hand, (Hadiwijaya & Yustini, 2023) notes that effective market segmentation allows fashion companies to target various consumer segments more efficiently, providing a competitive advantage in an increasingly competitive market.

Business strategies in garments companies are heavily influenced by technological advancements and innovations. Technologies such as automation and artificial intelligence play a key role in improving production efficiency and product customization, thus enabling companies to meet rapidly changing market demands. (Ahmmed, 2023) states that “technological advancements such as automation and ai are revolutionizing the garments industry by enhancing production efficiency and product customization”. In addition, effective supply chain and logistics management is also an important factor, as it affects production costs and the timely delivery of products to the market (Triyanti et al., 2023). (Chowdhury et al., 2023) explains that “the garments industry faces significant environmental challenges, including waste management and pollution, which necessitate sustainable practices”. Meanwhile, (Qi, 2024). points out that trends such as sustainable fashion and digital transformation offer new opportunities for growth in the sector.

The hypothesis in this study is that the use of foreign labor affects the performance of local employees of garment companies in Semarang Regency. Testing of this hypothesis is done by means of questionnaires and interviews with local employees of garments companies in Semarang Regency, Central Java.

3. Methodology

This study employs a literature review methodology, focusing on analyzing existing scholarly works to explore the influence of foreign labor on the performance of local employees in garment companies in Semarang Regency, Central Java. A literature review allows for a comprehensive synthesis of previous studies, providing valuable insights into the complex dynamics of workforce integration in the garment industry. The study identifies key factors affecting local employee performance, including knowledge transfer, cultural dynamics, and communication challenges, as well as the implications of these factors on organizational productivity and employee motivation.

The data sources for this research are derived from primary and secondary literature. Primary sources include peer-reviewed journal articles, books, and empirical studies focusing on foreign labor and local employee performance. Secondary sources encompass government reports, industrial publications, and policy documents related to workforce management in the garment sector. The literature search was conducted using academic databases such as Scopus, Springer, and Google Scholar, employing keywords like "foreign labor," "local employee performance," "garment industry," "knowledge transfer," and "cultural conflict." Studies published within the last decade and relevant to the context of garment companies were prioritized for inclusion, ensuring a focus on contemporary findings and theories.

The data collection process followed a systematic approach, emphasizing the selection of high-quality and relevant studies. Inclusion criteria focused on empirical studies and theoretical frameworks related to foreign labor and employee performance. Exclusion criteria eliminated studies that lacked empirical data, were duplicated, or were irrelevant to the garment sector or geographic focus. The research process involved identifying recurring themes such as the positive impact of foreign labor on technical skills and

productivity, as well as the potential negative effects, including reduced motivation among local employees due to cultural and communicative challenges.

The analysis method employed a qualitative-descriptive approach, synthesizing findings into coherent themes. Thematic analysis was used to categorize the impact of foreign labor into two primary dimensions: the transfer of knowledge and skills and the challenges arising from cultural and communication barriers. For instance, studies highlighted how foreign labor contributes to innovation and efficiency through the introduction of advanced technologies. However, cultural differences and communication gaps were identified as barriers to effective collaboration, often leading to conflicts and dissatisfaction among local employees. The analysis was guided by (Angraini et al., 2023). framework on employee performance, which emphasizes task and contextual performance, and Hofstede's (2020) theories on cultural interaction in organizational settings.

To ensure the validity and reliability of the analysis, triangulation was conducted by comparing findings from various sources. A narrative synthesis approach was used to interpret data, allowing for a holistic understanding of the interactions between foreign labor and local employees. The study also utilized Mendeley for reference management, ensuring accurate citation and organization of literature. The findings contribute to understanding the dual impact of foreign labor, providing actionable insights for human resource managers in designing policies that balance productivity with employee welfare.

This literature review provides a structured methodology to explore how foreign labor influences local employee performance. By identifying critical factors such as knowledge transfer, cultural dynamics, and communication barriers, the study offers a nuanced perspective on workforce integration in garment companies. The methodology underscores the importance of managing these dynamics effectively to maximize organizational benefits while minimizing potential conflicts.

4. Empirical Findings/Result

The influence of foreign labor on local performance in garments companies in Semarang Regency can be seen from various aspects. First, the presence of foreign workers can bring new knowledge and skills that can improve employee performance in the company. Foreign workers in garments companies have better experience and training than local employees, so they must transfer knowledge and skills to local employees through collaboration in the company's work.

The positive influence is not felt by all local employees, because there are some local employees who are not comfortable with the presence of foreign workers, causing dissatisfaction with the company's policies and making a decrease in work motivation for local employees. This means that although there is an increase in productivity, the psychological impact on local employees needs to be considered by company management.

The interaction between foreign workers and local employees in the garments company also affects overall performance. Cooperation between foreign workers and local

employees causes them to learn from each other and share experiences. The company must be able to create a comfortable working environment that supports collaboration and communication between foreign workers and local employees at the garments company.

The interaction between foreign workers and local employees in garments companies is influenced by several factors, including work culture. Different work cultures between foreign workers and local employees can affect the way they collaborate and work together in the production process. These cultural differences can lead to misunderstandings and conflicts, which in turn can affect overall team performance (Hajrullahu et al., 2021).

Another factor is communication skills. Indonesian language skills for foreign workers are sometimes lacking. They are often more proficient in English or the national language of the country they come from. This can create a communication distance that hinders the exchange of information and in collaborating or cooperating in the company, so that this becomes an obstacle in organizational activities in achieving the company's vision and mission.

Company policy in maintaining and implementing Pancasila Industrial relations plays a very important role. Companies that have good sop and implementation of integration between foreign workers and local employees tend to have better employee performance as well. Companies need to design policies and socialize them that support positive interactions between foreign workers and local employees.

The impact of the use of foreign labor on the productivity of local employees is very significant. This increase is due to the application and use of technology and more advanced ways of working brought by the foreign workers. Local employees involved in this process have to adapt more quickly and improve their skills, which has a positive impact on their productivity.

The negative impact of foreign labor also needs to be considered. Local employees feel uncomfortable by the presence of foreign workers, and may experience a decrease in work motivation and productivity. Company management must take proactive measures to deal with issues related to the discomfort of local employees.

The long-term impact of using foreign workers also needs to be analyzed in depth. If the company does not manage these interactions well, there may be an increase in turnover among local employees. Therefore, companies must focus on productivity as well as the welfare and development of local employees in order to optimize the overall performance of the company.

5. Discussion

This study reveals that the presence of foreign workers in garment companies in Semarang Regency has a significant influence on the performance of local employees. While foreign labor can bring advantages in terms of knowledge and skills transfer, it also has negative consequences, such as dissatisfaction and jealousy among local employees. These mixed outcomes underscore the need for careful

management of the interaction between foreign and local workers in order to optimize the benefits while minimizing the challenges.

The results of this study emphasize that companies must focus more on the welfare of their local employees. By fostering a comfortable and fair working environment, companies can boost the motivation and performance of local workers, which will ultimately contribute to the long-term sustainability and success of the organization. This aligns with previous studies that suggest a positive relationship between work flexibility, job satisfaction, and overall employee performance (Davidescu et al., 2020; Armstrong, 2012). Furthermore, ensuring that local employees are not marginalized in terms of benefits and opportunities compared to their foreign counterparts is essential to maintaining their job satisfaction and motivation, which can improve overall team performance (Anggraini et al., 2023; Setiawan et al., 2024).

The findings of this study are consistent with prior research that highlights the dual impact of foreign labor. Previous studies have indicated that while foreign workers contribute positively to innovation and skill development within firms (Pyun & Sun, 2022; Cen et al., 2020), their presence can also lead to resentment or demotivation among local employees, especially when there are perceived inequalities in compensation and benefits (Wahono & Kaharudin, 2024; Winasis & Riyanto, 2020). This tension between the positive and negative impacts suggests that companies should develop policies that facilitate better integration and cooperation between foreign and local workers.

To address these challenges, it is recommended that companies implement programs such as discussion group forums (FGD) to raise awareness about the importance of collaboration and mutual respect between foreign and local employees. These forums can serve as platforms for open communication, helping to alleviate misunderstandings and build stronger working relationships (Hajrullahu et al., 2021; Hadiwijaya & Yustini, 2023). Moreover, future research should examine the long-term effects of foreign labor on local employee performance and job satisfaction to gain deeper insights into how these dynamics evolve over time (Luo, 2020; Borjas, 2019).

In conclusion, while foreign workers bring valuable skills and knowledge to garment companies, their presence must be carefully managed to ensure that the local workforce remains motivated, satisfied, and integrated into the company's growth and development. This study provides a foundation for further research into the broader implications of foreign labor in the context of emerging markets and labor-intensive industries.

6. Conclusions

Based on the literature review of this study, it is concluded that the presence of foreign workers in garment companies in Semarang Regency has a significant influence on the performance of local employees. Foreign workers play a role in

improving the skills and knowledge of local employees through the transfer of expertise, which has a positive impact on the overall productivity of the company. However, the presence of foreign workers also poses several challenges, such as potential cultural conflicts, communication barriers, and dissatisfaction among local employees who feel threatened by the presence of foreign workers. While foreign workers can make a positive contribution to improving performance, companies need to manage interactions between foreign and local employees wisely to create a harmonious and supportive work environment. This approach can reduce negative impacts, such as demotivation of local employees, while maximizing the benefits of foreign workers.

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