

Increase in foreign worker levy will hit plantation sector badly

Robin Augustin | February 5, 2016

Malaysian Employers Federation says it is already hard to attract foreign labour, especially with Indonesia also offering better pay.



PETALING JAYA: The increase in foreign workers' levy will worsen the labour supply situation in the country, aside from taking a toll on employers, said Malaysian Employers Federation executive director Shamsudin Baradan.

Speaking to FMT, Shamsudin said industries like the plantation industry were already facing supply problems as workers from Indonesia found Malaysia a less attractive place to work as Indonesia was also developing and wages there were almost the same as Malaysia.

"Fewer and fewer Indonesian workers are coming here.

"So, there is a problem with supply. The increase in levy will make it even harder and costlier to get foreign labour.

"The question is, are locals prepared to do the jobs the foreign workers are doing?"

Shamsudin said wages were not the issue as industries like the plantation and construction sector paid good wages but locals still stayed away due to the stigma attached to the industry.

He also said that the timing of the increase could not have come at the worst time due to the weak economy and depreciated ringgit.

He explained that while the current levy policy required foreign employees to pay the levy, in reality, most employers paid for the levy as they felt obligated as it was the practice until 2013.

Shamsudin also said that, eventually, under the Trans-Pacific Partnership Agreement (TPPA), employers will have to pay the levy, which is why many businesses were against such a steep increase.

However, he reckoned it was unlikely that the increase in levy will lead to price increases as consumers were highly price-sensitive in the current economic climate.

The foreign workers levy was introduced by the Government in 1992 because of the expenses incurred by the Government in providing general facilities, such as clinics, roads and other public facilities, also enjoyed by the rest of Malaysian citizens.

On Sunday, Deputy Prime Minister Ahmad Zahid Hamidi announced the increase in the levy, beginning Feb 1, which would see Putrajaya gaining around RM2.6 billion in revenue.