

Malaysia's Migrant Labor Ban Draws Flack

By NDT Bureau • August 14, 2020



Business groups and policy experts are warning that a snap decision by the Malaysian government to limit migrant workers to just a few industries in a bid to put laid-off locals back to work could backfire.

The country's virus-induced lockdown knocked more than 300,000 people out of work between February and May, pitching the unemployment rate up to 5.3%. Though the rate dipped slightly in June, unemployment is still higher than it's been in decades.

To get more Malaysians back on the job, Human Resources Deputy Minister Awang Hashim told Parliament late last month that only the construction and agriculture sectors would be allowed to hire new workers from overseas from now on.

"Other sectors will be staffed by local workers. This is the guideline we have set for our policy to reduce the number of foreign workers," he told lawmakers.

Malaysia has leaned heavily on an army of migrant workers to fill many of the so-called 3-D — dirty, dangerous and difficult — jobs most locals don't want, and help turn the country into Southeast Asia's third-largest economy. The ministry puts their number at 2.1 million, although adding illegal migrant workers to the tally may double that figure by some estimates.

Most of them work in sectors left out of the new government decree.

The Malaysian Employers Federation says more than half the 2.1 million migrants in the country legally are employed by the manufacturing and service sectors or as domestic helpers.

It has joined the Small and Medium Enterprises Association and the Federation of Malaysian Manufacturers in panning the government's move, warning it could cripple companies in the sectors left out. They say major businesses were not even consulted ahead of the announcement.

If strictly enforced, “of course I think that would be disastrous to the economy,” MEF executive director Shamsuddin Bardan told VOA.

“For example, in the manufacturing sector about 26% of the workforce [is] actually foreign workers. And we cannot just at one go say, look, you are without this 26% of the workforce. Then you are going to be left stranded.”

Shamsuddin said locals don’t want those jobs, and not only because of the typically rock-bottom wages.

“The public looks down on these kinds of jobs in the sense that it doesn’t have ... any social status at all. And of course in that kind of situation it’s not so much [about] the wages anyway; people just don’t want to be in those kinds of positions.”

Better educated local manpower

Laurence Todd, research director at the Institute for Democracy and Economic Affairs, a local think tank, said no one will end up filling some of those jobs if companies decide they’re better off scaling down or automating more of their operations than raising wages high enough to lure more locals. Companies that can’t afford to do any of that could go under.

“Fundamentally there’s a mismatch in the sense that these jobs are overwhelmingly low-skilled jobs and the Malaysian labor market is now characterized by better and better educated workers,” Todd said.

Because they’re better educated, they’re chasing better-paid jobs. That means very few of them are competing for work with migrants. Todd said the evidence shows that migrant workers actually create job opportunities for locals in higher-skilled positions.

The World Bank agrees.

“In contrast maybe to the sometimes popular perception, we do not find any solid evidence that there has been any ... widespread negative impact of migration on, say, the employment or wage prospects of Malaysians,” said Achim Schmillen, a labor economist with the bank’s country team.

“On the contrary, overall we do find that for most Malaysians the impacts have actually been positive.”

As an example, he said filling low-level construction jobs locals don’t want with migrants who do creates demand for more supervisors and engineers, jobs more likely to go to Malaysians. The same can hold true for other industries too.

Achim warned that the new rules could exacerbate labor shortages in the midst of the government’s efforts to recover from the pandemic.

“There is at least a danger that any policy that’s too restrictive would actually not foster the employment prospects of Malaysians but might actually do the opposite,” he said.

‘Bridge’ employment

Todd said some Malaysians put out of work by the lockdown might turn to the jobs newly barred to foreigners as a “bridge” to help them through the crises. He was doubtful, though, they would be many, and believed most who did would soon leave for better-paid jobs as the economy rebounds.

He warned too that myopic thinking could distract dangerously from the more important work of building the digital infrastructure and fostering the market competition that will create more of the jobs Malaysians want and are best at.

Todd said the government may be using Malaysia’s mostly closed borders during the pandemic to speed up its longstanding goal of weaning the country off migrant labor.

However, the new rules, which caught much of the business community off-guard, also follow a sharp shift in public sentiment during the lockdown against migrants as potential virus vectors and an added strain on the economy.

“Ultimately I don’t think this is in the interest of Malaysians,” Todd said of the new rules.

“So if it is a political strategy, I think it’s not a very good one in the long term,” he said.

The Human Resources Ministry refused VOA’s request for an interview.

Credit : Voice of America (VOA)