

## FOREIGN MANPOWER: AN OVERVIEW

### PROFILE:

As of July 31 2006, there were over 1.8 million foreign workers in Malaysia, coming from 22 countries.

Five countries with the most workers here are Indonesia with 1.2 million, Nepal (199,962), India (130,768), Vietnam (96,892) and Bangladesh (64,156).

The influx of foreign workers into the country can be traced back to the early 1970s, when they were mostly hired in the agriculture sector. By 1990, this sector accounted for 48 per cent of total foreign workers employed.

The country's tight labour market that accompanied rapid industrialisation, has seen most of the foreign workers employed mainly in the manufacturing and construction sectors from the mid-1990s.

Today, the recruitment of foreign workers has shifted to the services sector. As of June 30 this year, 33.3 per cent were employed in manufacturing, 20.2 per cent in plantation, 25.9 per cent in services (including domestic maids) and 15.1 in construction.

In the services sector, about 66.5 per cent of foreign workers were employed as domestic maids, of whom 90 per cent came from Indonesia.

These workers do jobs which are commonly referred to as "dirty, difficult and dangerous" or the 3Ds.

According to the Manpower Department of the Human Resources Ministry, the ratio of job seekers to job vacancies in the agriculture sector is 1 to 86.5.

### POLICY:

Malaysia's policy regarding foreign workers has been ad hoc, responding to the situation at the time.

In the 1990s, bans on foreign workers have been imposed occasionally on ad hoc basis when problems with them arose, or in response to the fluctuation in business cycles. These bans would only be revoked following appeals from employers.

Malaysia has declared several amnesty programmes and implemented regularisation of illegal foreign workers since 1985 with the formulation of the Medan Agreement.

Another regularisation programme, or "Program Pemutihan Pendatang Tanpa Izin" was held in 1989, followed by a similar exercise two years later. It was said that the these measures did not meet the Government's objective to resolve the problem of illegal foreign workers.

Several more amnesty programmes followed after that. The last one was implemented last year, which ended in February 2005.

In May 2006, Malaysia signed a memorandum of understanding (MOU) with Indonesia on the recruitment of Indonesian maids.

The MOU, which saw Indonesia drop its earlier call for a minimum wage for the maids, includes new requirements for employers, maids and employment agencies to better protect Indonesian maids working in Malaysia.

The Government is expected to announce the implementation of the MOU later.

### TARGET:

The Government plans to reduce the current 1.8 million legal foreign workers in Malaysia to below 1.5 million by 2010.

### LEGISLATION:

The welfare and rights of foreign workers in Malaysia are secured through the Employment Act 1955, the Industrial Relations Act 1967, the Trade Union Act 1959 and the Workmen's Compensation Act 1952.

### REVENUE FROM FOREIGN WORKERS:

An annual levy was imposed on foreign workers since 1992 to reduce the economy's over dependence on foreign workers and to safeguard employment opportunities for Malaysians.

Revenue collected including visa fees, increased significantly from RM245.3 million in 1995 to RM1.2 billion in 2003.

# Foreign labour dilemma

While workers from other countries have undoubtedly contributed to Malaysia's economic growth, their ballooning numbers have led to a host of socio-economic problems

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NEARLY 20 per cent of Malaysia's total work force is foreign!

Questions are being asked if such a high percentage and heavy dependence on semi-skilled and unskilled foreign workers is really a good thing.

Latest official figures show that there are over 1.8 million legal foreign workers in various Malaysian sectors. Compare that figure to what it was in the early 1980s when the number was roughly 136,000. The jump in the number of foreign workers in Malaysia came from 2000 onwards as the figure rocketed to 1.1 million.

Analysts widely believe that in addition to the legal workers, there are between 500,000 and 800,000 illegal, or undocumented foreign workers, in the country. Poor enforcement is blamed for this.

Most people blame the ballooning number of foreign workers on the lack of Malaysians wanting to do lowly-paid 3-D (dirty, difficult and dangerous) jobs. Others say that the current, liberal and not-so-discerning foreign-worker policy is causing the numbers to grow.

The Government, however, has declared its plans to reduce the intake of foreign workers by making industries go up the value ladder and opt for mechanisation and automation.

Malaysia aims to reduce the number of foreign workers in the country to 1.5 million by 2010.

According to the 2006/2007 Economic Report, only 250,000 foreign workers will remain in the manufacturing sector and another 200,000 in the construction sector, by 2010.

A Cabinet Committee on Foreign Workers, chaired by Deputy Prime Minister Datuk Seri Najib Razak, is expected to review and improve the present system of hiring workers as well as attract more skilled foreign labour.

The report said that the Government will study ways to reduce the country's dependence on foreign workers by encouraging more labour-saving devices such as construction methods using Industrialised Building System (IBS) and through greater automation and mechanisation.

The Government is expected to implement the measures in a phased and gradual manner so as not to disrupt the growth momentum.

To reduce the reliance on foreign workers in construction, manufacturing and services sectors, the Government has made it mandatory for all employers to advertise their vacancies through the Electronic Labour Exchange (ELX) at the Manpower Department. This way, job opportunities available at these companies will be



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made more visible to local job seekers.

RAM Consultancy chief economist Dr Yeah Kim Leng said the Government's 2010 target is achievable if there is parallel initiative to upscale the industries.

He said the use of IBS in the construction sector needs to be accelerated.

“By upscaling production and creating high-value, high-skill and high-wage jobs, industries can address the problem of unemployed graduates by providing jobs that can accelerate economic growth,” he said.

At the same time, Yeah said there is a need for fiscal and financial support for industries to upgrade their processes as it requires large investment to mechanise and automate.



A welder working on the joints of a steel structure in Kuala Lumpur. Experts agree that Malaysia needs a long-term policy on foreign labour to provide clear road map on the recruitment of foreign workers.

— AFP picture

Efforts to train and upgrade the skills of Malaysian workforce should also continue as it is one of the priorities under the Ninth Malaysia Plan (9MP, 2006-2010).

The Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan said the private sector can help the Government achieve its aim to reduce dependency on foreign workers by building multi-skilled and multi-tasking workforces.

This, accompanied by capital-intensive production processes, would reduce the need for low-skilled workers.

Yeah and Shamsuddin agreed that Malaysia needs a long-term policy on foreign labour to provide a clear road map on the recruitment of foreign workers.

Systematic and organised measures

on foreign labour would ensure that industries do not experience shortfalls in productivity and sales growth, which is likely to happen due to frequent policy changes.

“So far, there is no long-term policy regarding foreign workers, what we have are ad hoc policies based on the situation at the time,” Shamsuddin said.

Most European countries have long-term foreign labour policies, he said, adding that South Korea has amongst the best foreign labour policies.

Shamsuddin observed that foreign worker issues tend to be dealt as security issues, handled by the Home Ministry.

Yeah said although measures to upgrade local industries and accelerate

Revenue from Foreign Workers						
(RM million)	1995	1997	2000	2001	2002	2003
Annual levy	218.6	1,321.8	614.1	637.1	783.9	1,109.4
Visa fees	26.7	51.7	53.5	68.4	84.4	109.4
<b>Total</b>	<b>245.3</b>	<b>1,373.5</b>	<b>667.6</b>	<b>705.5</b>	<b>868.3</b>	<b>1,218.8</b>

Source: Economic Report 2004/2005

has led to various socio-economic implications.

For instance, their presence has put stress on public amenities and services, such as the provision of public services, health and education facilities.

There have also been clan conflicts, fights between workers of different nationalities, numerous murders and the existence of immigrant community enclaves and riots.

It is estimated that the Government has to foot millions of ringgit in medical costs incurred when foreign workers who may be unable, or unwilling to pay, when they seek treatment at government hospitals.

The sheer number of foreign workers is putting a strain on some national health agencies and even on the school system in some areas where foreign worker families reside in large numbers.

Remittances by foreign workers have increased sharply as reflected in the outflow of the current transfers in the

country's balance of payments.

In 2003, the account recorded gross outflow of RM11.2 billion in funds compared to RM7 billion in 1997.

In 2005, foreign workers contributed about RM17.6 billion to the gross domestic product (GDP) and remitted about RM7.6 billion back to their home countries.

Yeah said the value-added created by foreign workers is more than total remittances.

“Our study showed that total remittance is small relative to value-added created by the employment of foreign workers,” he said.

Shamsuddin noted domestic maids contributed to the productivity of Malaysian working parents. “Foreign workers are able to work in areas where Malaysians are not keen to work. For the time being, we still need their presence but in the longer term, their number has to be downsized,” he said.

