

The need for a clear long-term Foreign Labour Policy

The government's recent proposal to allow foreign workers, currently restricted to sectors such as palm oil plantations, construction, restaurants and domestic help, to work on farms and in small-and medium-scale industries, has contributed further to the controversial debate over the large presence of migrant workers in the country. Understandably, this proposal did not go down well with a large portion of the population, already discontented over the extension of yet another amnesty that allows illegal foreign workers to leave unpunished. The public fears that this, and the government's stop-go policy, could open the floodgate for the arrival of even more unskilled and semi-skilled into Malaysia. In addition, allowing all sectors of the economy to hire foreign workers, as some unions and associations feared, could affect the bargaining power and job opportunities for local workers. Companies, wanting to save costs, might prefer to hire foreign workers at the expense of the locals.

Malaysia already has too high a foreign labour population, with the problem compounded by the fact that about 65 to 70 per cent of them are from just one source. There are an estimated one million legal foreign workers in the country. Add another one million illegal workers (with many having left during the amnesty likely to return as legal workers), the pool of foreign workers represents a staggering 20 per cent of total labour force, far higher than what the system could handle. Worse, the pool is notoriously skewed towards the unskilled and semi-skilled. Skilled workers accounted for a misery 3 per cent of the total, surely not a percentage that could help Malaysia prepare to face the challenges from an increasingly competitive global economy.

Malaysia's problem with foreign labour could also be linked to its somewhat poor regulatory and enforcement track record. In the nineties, bans on foreign workers have been imposed occasionally and on an ad-hoc basis, when problems with foreign workers arose or in response to the fluctuation in business cycles, only to be quickly revoked

following appeals from employers. With such policy frequent policy changes, it is, therefore, hardly surprising that an estimated 400,000 illegal workers have decided to stay put despite the extended amnesty.

To be sure, foreign labour, by lowering the cost of doing business, has contributed positively to Malaysia's economic growth. Willing to tolerate low pay and tough working conditions, they have filled the gaps in sectors where there are acute shortages of labour and in jobs that Malaysians no longer want. This would involve the 3-D jobs (dirty, dangerous and difficult), particularly in construction and plantations. They have also kept inflation low by suppressing wage increases.

But their large presence does carry adverse security and social consequences. Problems ranged from minor complaints over the congregation of foreign workers in public places around the city on weekends and on public holidays, and the additional burdens on public services and amenities, to the undisputed link between rising crime rate and their large presence. Since their influx, Malaysians have been forced to fortify their houses and gated housing estates have become increasingly popular. Some eradicated diseases have also been re-introduced in Malaysia by migrant workers. Clan conflicts, fights between workers of different nationality, the setting up of immigrant community enclaves and riots have also upset Malaysians. The Hualon factory incident where 500 odd Indonesians rioted in the Nilai Industrial Estate after the police detained 16 of them for alleged drug abuse, is a clearly a consequence of a single community becoming too large.

Also, times have changed. The Malaysian economy is now at a stage where it needs to restructure in order to broaden the base for sustainable expansion. It needs to move away from labour intensive to higher value-added processes. Based on the experience of other countries, there is convincing evidence that the high dependence on cheap foreign labour could hinder or retard such restructuring process in addition to lowering the level of national labour productivity.

The government's reasoning that some companies could close down because of the lack of workers is somewhat weak. In this era of globalisation, companies could overcome this problem by moving up the value-added chain or invest in labour saving production processes, such as automation and mechanisation. In addition, they could outsource part of the activities or relocate labour intensive production processes to lower cost economies.

Migrant workers will, no doubt, continue to feature strongly in the Malaysian economy for some time. In this respect, Malaysia needs a clear and comprehensive long-term foreign labour policy, setting out the short-medium- and long-term targets and strategies that would be consistent with its restructuring goals of shifting towards high tech and skill industries. And more importantly, regulations need to be strictly enforced. With a clear long-term road map and advance warning, labour intensive firms could then plan ahead and adjust, to remain competitive.

Within the overall objective of gradually reducing the country's dependence on foreign workers, policies should be aimed at re-aligning the huge imbalances between unskilled/semi-skilled, and skilled workers. It would also require moving away from over-sourcing workers from an individual country, which could hurt bilateral relation when problem arises. Security reasons aside, the current slowness in administrative approvals to legalise the undocumented foreign workers in Indonesia, which is clearly hurting the construction and plantation sectors, also clearly underlines the need to vary the sources of labour recruitment. To minimise job competition, policies should ensure that companies hire foreign workers not because there are cheaper but because they could not source workers locally.

On the other hand, continually allowing uncontrolled access to low-cost, unskilled foreign workers could act as a disincentive for firms to upgrade, thereby impeding the restructuring process. In the long-term, the failure to change could retard economic progress, keep the country uncompetitive and condemn the economy to a low growth trajectory.

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