Analysis of Non-Citizen Employment in Malaysia's Labour Market

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Abstract

Purpose: This article will discuss the employment of non-citizens or foreign workers in Malaysia's labour market. It examines the employment of domestic and foreign employees in Malaysia's labour market between 2000 and 2022. The second objective is to compare the number of domestic and foreign workers by industry, employment status, and occupation for the years 2018 and 2022.

Design/methodology/approach: The employment of non-citizen employees in Malaysia's labour market during a 22-year period is examined using a descriptive research methodology. The statistics in this article are based on time series data and a labour force survey report from the Department of Statistics Malaysia. The explanation and discussion of the analysis are sourced from newspapers, journals, and reports.

Findings: The percentage of employed foreign workers in Malaysia began to rise in 2010 and showed a slight decrease starting in 2019. The sectors that are focused on are agriculture, manufacturing, and services. Besides, the percentage of foreign workers is high among low-skill workers. This situation illustrates that there is still a high level of dependence on foreign workers, even though it has been targeted to be reduced since the 8th Malaysian Plan.

Research limitations/implications: The data utilised in this study is solely derived from secondary sources. The qualitative analysis of studies can provide insights into the reasons behind the lack of substantial progress in reducing reliance on foreign employees.

Practical implications: This finding is important as it will contribute a lot to knowledge and literature. The analysis could also serve as the basis for a deeper study of foreign workers in Malaysia.

Originality/value: The information in this article supports the statistics that show the dependence on foreign workers in the labour market in Malaysia. The discussion in this article is important as a starting point for more detailed research related to foreign workers.

Keywords: non-citizen, employment, labour market

1.0   Introduction

Labour is one of the most important factors in the production process, which will ultimately determine the success of economic activities. The organization's productivity and profitability are determined by the quality and quantity of its workforce. Therefore, ensuring an adequate number of workers is important in ensuring that the production process runs smoothly and as intended. However, not all demands on labour by employers can be met. The problem of labour shortages, either in terms of quantity or quality that meets organisational needs, is one of the reasons why employers choose to use the services of foreign workers. In accordance with the objective of the study, this article consists of descriptive research that describes the

characteristics of the studied population (Sekaran and Bougie, 2016). Prior to conducting a study to acquire primary data, it is crucial to evaluate the data trend. This descriptive research design study is important in providing answers to the questions "what," "when," "how," and "where" before you can understand "why," something happens.

The primary aim of this research is to examine the employment of non-citizens or foreign workers within the labour market of Malaysia. This study examines the utilisation of both domestic and foreign workers within the labour market of Malaysia from 2000 to 2022. The second objective of this study is to carry out a comparative analysis of the quantity of domestic and international workers across various industries, job statuses, and occupations. Many foreign workers in Malaysia come from underdeveloped and developing nations, seeking improved life opportunities abroad (Wahab, 2020). Foreign or migrant workers can be both documented migrant workers with a valid passport and working pass, as well as those who are considered undocumented foreign workers without a valid passport and/or working pass. However, the data presented in this article is based on the number of migrant workers who are registered and legally employed.

2.0   Literature Review

A migrant for employment or a migrant worker can be defined as "A person who migrates from one country to another with a view to being employed otherwise than on his own account and includes any person regularly admitted as a migrant for employment." (International Labour Organization (ILO), 2023). Parallel to that, the Malaysian Law defines foreign workers as non-citizen employees (Employment Act 1955 [Act 265], 1955). The Economic Theory of International Migration describes some of the factors that led to workers moving to other locations. This movement of labour not only affects their own but also affects the newly occupied country (Borjas, 1989). From a positive point of view, the entry of foreign labour helps accelerate the process of economic development in our country. Foreign labour is urgently needed to fill the shortage of labour, especially in the agriculture sector. In addition, the supply of foreign labour meets demand in the 3D sector (dirty, hazardous, and difficult) due to the difficulty of employers getting workers from among local workers (Ajis et al., 2014).

However, the entry of foreign workers into the country also has a negative impact, especially on the people of the country itself (Kassim, 2014). Competition to get jobs with the local population, population growth and settlement within the boundary, and the increase of criminal activities caused by foreigners are among the negative effects that arise (Hamzah and Daud, 2016). For decades, the labour market in Malaysia was dependent on foreign workers, which caused the flow of money out (Mohamad and Hashim, 2021). Besides, there are also foreign socio-cultural influences that impact the culture of local communities.

In the historical context, the process of entry of foreign workers from China and India took place in the 19th century, when the British Empire brought in Chinese and Indian workers to work in some sectors due to a shortage of labour supply from local people. This is due to the development of an industrial revolution in Britain, where they needed raw materials such as rubber and tin. Besides, the entry of foreign communities into the Malay Land involved not only Chinese and Indians but also Indonesians from Kalimantan, Java, Sumatra, Sulawesi, Riau, and other Indonesian islands.

Various measures had been considered after independence to overcome the manpower problem. In the First Malaysian Plan (1966-1970), Sabah encountered a low level of human resources where the government encouraged the emigration of labourers with needed skills from Malaya (Prime Minister Office, 1966). This has increased the growth rate of workers in Sabah. Apart from local migration, there is also migration from the Philippines, which accounts for the high growth rate of workers after 1970. Most of the migration from the Philippines is due to the inflow of refugees and foreign workers (Prime Minister Office, 1981; Kassim, 2014).

Initially, the 8th Malaysia Plan (2001-2005) period began with a persistent labour shortage problem, after experiencing five consecutive years of full employment. In the wake of continued labour constraints, firms, especially in the manufacturing sector, resorted to the recruitment of foreign workers. The ratio of foreign workers to labour force worsened from 1:10 in 1995 to 1:8 in 1997 but improved to 1:13 in 2000 (Prime Minister Office, 2001). Although the labour market softened in the middle of the plan period, certain firms within the agriculture, construction, and manufacturing sectors continued to face labour constraints. However, this 8th Malaysia Plan, stated the government's desire to optimise the use of local labour and further reduce dependence on foreign labour.

During the COVID-19 pandemic, the government restricted incoming foreign workers to control the spread of the virus. The minister of Human Resources, Datuk Seri M Saravanan said that the decision on this matter had to examine and consider various aspects related to safety, health, the needs of the economic sector, and the unemployment rate in the country (BERNAMA, 2021). When the country begins to recover from COVID-19, Malaysia's economic recovery will be boosted by the lifting of the ban on hiring foreign workers (Tarrence and Junaid, 2022). Malaysia will let employers hire foreign labour from 15 countries to make sure the employer can afford and needs it without the constraints of any preconditions or quotas. With this understanding, it is estimated that the country's Gross Domestic Product (GDP) will increase by 1 percent if we can speed up the hiring of foreign workers to meet the needs of relevant sectors (R. Loheswar, 2023).

In the 11th Malaysia Plan (2016-2020) it is stated that the management of foreign workers would be improved, by strengthening the role of a one-stop centre (OSC) and by increasing cooperation between the Immigration Department of Malaysia and local authorities to ensure effective enforcement. The OSC will be responsible for identifying sector-specific needs for foreign labour, verifying and approving applications for hiring foreign workers, monitoring and addressing any concerns regarding the welfare of foreign labourer's, and ensuring that foreign labour is employed in approved sectors and businesses (Prime Minister Office, 2016). However, to what extent has Malaysia successfully attained its objective of diminishing its reliance on foreign labour? Only statistical data can establish how many foreign workers are still needed in the labour market in Malaysia.

3.0   Research Methodology

For foreign labour and local labour data for the period 2000 - 2022, the data source is the time series data, Department of Statistics Malaysia (DOSM). The discussion of this article began in 2000, the last year that Malaysia was in the 7th Malaysia Plan, (1996-2000). In 2021, the year of the millennium, Malaysia is in the 8th Malaysia Plan (2001-2005). Thus, the data on employed foreign labour for this article is compared to the total employed labour analysed for the period from 2000 to 2022.

The years 2018 and 2022 were selected to see if there were any changes in numbers and patterns in employed citizens and non-citizens before COVID-19 (for the data of 2018) and post-COVID-19 (for the data of 2022). However, to compare these data, data from DOSM must be extracted and assembled, to be suitable for presentation according to the discussions. The review of each piece of data discussed in the finding section is based on critical thinking supported by information obtained from journals, reports, and mass media.

4.0   Finding

The findings for this article are divided into four topics. For Finding 1, a comparison of the employed Malaysian and the employed non-Malaysian was made from 2000-2022. The source of data obtained directly is time series data, Department of Statistics Malaysia (DOSM, 2023b). For Finding 2 to Finding 4, comparisons are made for 2018 (DOSM, 2019) and 2022 (DOSM, 2023a) only. Data is not obtained directly from the Labor Force Survey Report, it has been extracted and rearranged to obtain information, as shown in each figure shown in this article.

4.1   Finding 1: Malaysia's dependence on foreign workers is decreasing in quantity and percentage.

In 2000, the number of employed persons in Malaysia was 9.27 million, 8.34 million (90.0%) were citizen workers, and 0.93 million (10.0%) were non-citizens. Along with the increase in the population through birth and migration, the number of workers has increased from year to year, as shown in Figure 1. Over the past 22 years, the number of employed persons in Malaysia has increased by 84%, to 15.39 million people. Of this number, 13.61 million (88.4%) were Malaysian citizens, while 1.78 million (11.6%) were not citizens.

Based on the 8th Malaysia Plan (2001-2005), the government aims for Malaysia to reduce its dependence on foreign workers (Prime Minister Office, 2001). Compared to 2000, when the number of foreign workers was 10% of the total employed population, this rate has fallen below 10% between 2001 and 2004. It had risen to 10.1% in 2005 before returning to below 10% between 2006 and 2009.
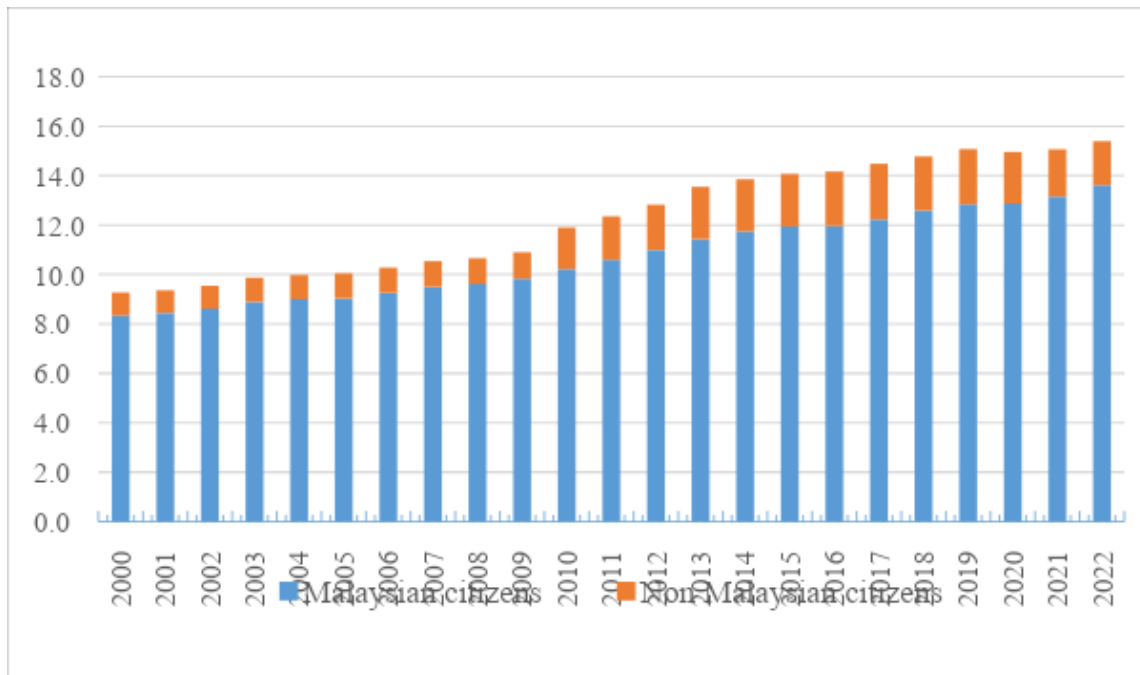
Sources: Time series data 2000-2022, Department of Statistics, Malaysia
Figure 1: Numbers of employed persons, Malaysia, 2000–2022

However, there was an increase of 616.5 thousand (4.36%) foreign workers in Malaysia in 2010. According to Figure 2, for the period 2010–2019, the percentage of foreign workers was seen to exceed 10% and generally exceeded from year to year. During this period, the lowest percentages were in 2015 (15.12%) and the highest in 2013 (15.65%).
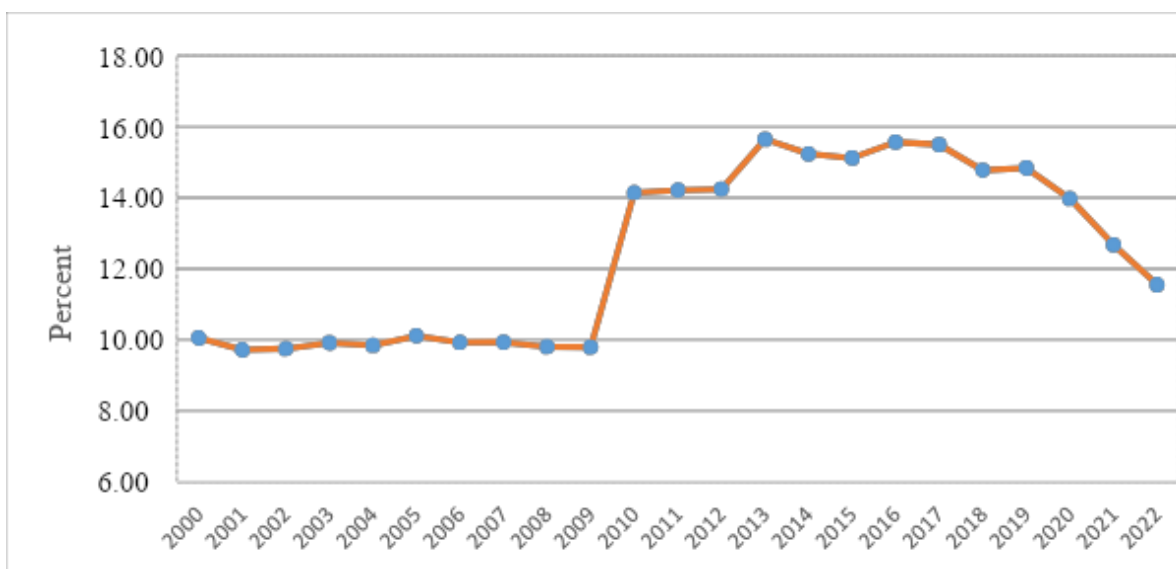

Sources: Time series data 2000 - 2022, Department of Statistics, Malaysia
Figure 2: Percentage of non-citizens in total employed person in Malaysia, 2000 - 2022

The percentage of employed by non-Malaysian citizens was found declined for the year 2020 (13.89%), as there were restrictions on the entry of foreign workers because of the COVID-19 pandemic. During that time, the government not only needed to provide vaccinations to infected foreign workers, but the spread of COVID-19 among foreign workers was quick. This is due to the inadequacy of distance and space in the housing or accommodation of foreign employees (Mohd Mizan, 2020). All new entry by foreign employees was blocked, along with restrictions on movement at the time.

In 2021 and 2022, employment of foreign workers is still declining (12.68% and 11.55%, respectively), because entry barriers are still in place for certain sub-sectors (BERNAMA, 2021). During this time, the media reported on employers who were unable to operate effectively due to labour shortages.

4.2 Finding 2: Foreign workers are concentrated in the services, agriculture, and manufacturing sectors.

Figure 3 demonstrates that the sectors of services, agriculture, and manufacturing are those that employ the greatest numbers of foreign workers for the years 2018 and 2022. For the service sector, the percentage of employed foreign workers was found reduced from 39.5% (2018) to 38.7% (2022). The decrease also applied to the manufacturing and construction sectors. However, the agricultural sector, which also involves forestry and fishing, has shown an increase from 22.6% (2018) to 28.1% (2022). The 0.1% increase also applies to the mining and quarrying sectors.
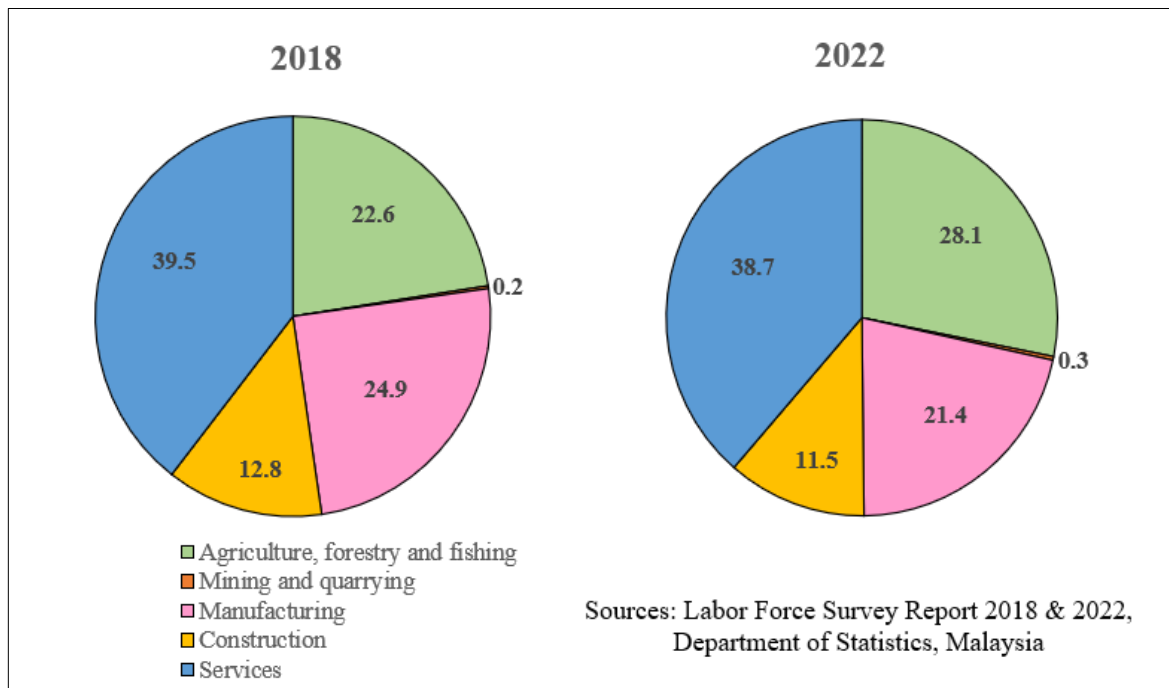
Figure 3: Percentage of employed person by sector, Malaysia, 2018 & 2022

4.3 Finding 3: There is a shortage of workers among the local people in the sector of agriculture, forestry and fishing.

Next, Figure 4 shows a comparison of the number of local workers and non-Malaysia workers. It was found that the agriculture, forestry, and fishing sectors involved more foreign workers than local workers. In fact, the percentage of foreign workers in the sector has increased from 31.4% (2018) to 32.5% (2022). The press reports also explained that there was a high labour shortage in the agricultural sector (BERNAMA, 2020, 2023).
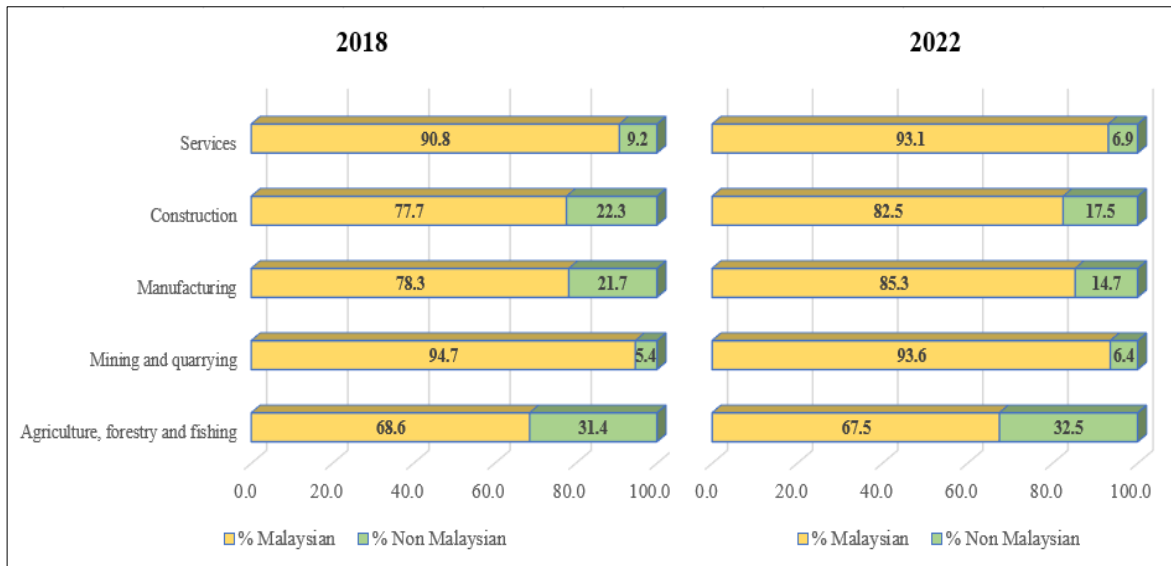
Sources: Labor Force Survey Report 2018 & 2022, Department of Statistics, Malaysia
Figure 4: Comparison employed person between local and foreign worker by Sector, Malaysia, 2018 & 2022

The service sector, which involves many segments of activities such as electricity, gas, water, wholesale, hotel, transportation, education, health, and financial institutions, has the biggest number of employed persons in Malaysia, which was 9.36 million in 2018 and 10.0 million in 2022. For that reason, although Figure 3 shows that the non-citizen in the service sector involves the most workers than for both periods, Figure 4 data shows that foreign workers' percentage was only 9.2% in 2018 and 6.9% in 2022.

The number of domestic workers in manufacturing increased by 78.3% to 85.3%, while the construction sector increased from 77.7% to 82.5%. Employed foreign workers in the services and mining and quarrying sectors were below 10% for both periods.

4.4   Finding 4: The percentage of non-Malaysians working in the category of managers and professionals is rising.
Statistics show an increase in employed foreign workers in 2018 and 2022, in the categories of occupations such as managers, professionals, and clerical support workers. This means that there is a decrease in the percentage of Malaysians, from 2018 to 2022, who work in the occupation. For other categories of occupations, the data showed a decrease in percentages from 2018 to 2022, as shown in Figure 5.

For both periods, the highest percentage of foreign workers were low skilled workers in elementary occupations, with 831.0 thousand people (2018) and 825.3 thousand (2022). The

second and third highest percent were workers from the occupations plant and machine operators and assemblers and service and sales workers. These figures reflect these non-Malaysian workers, which shows they play an important role in supporting the Malaysian economy (Ang, Murugasu and Chai, 2018).

Occupation	2018		2022	
	% Malaysian	% Non-Malaysian	% Malaysian	% Non-Malaysian
Total ('000)	**85.2**	**14.8**	**88.4**	**11.6**
Managers	96.0	4.0	94.7	5.3
Professionals	97.5	2.5	96.7	3.3
Technicians and associate professionals	96.7	3.3	97.4	2.6
Clerical support workers	98.6	1.4	97.6	2.4
Service and sales workers	87.2	12.8	88.8	11.2
Skilled agricultural, forestry, livestock and fishery workers	91.7	8.3	93.3	6.7
Craft and related trades workers	83.8	16.2	91.9	8.1
Plant and machine operators and assemblers	74.9	25.1	88.4	11.6
Elementary occupations	54.6	45.4	55.3	44.7

Sources: Labor Force Survey Report 2018 & 2022, Department of Statistics, Malaysia
Figure 5: Percentage of employed person by occupation, Malaysia, 2018 & 2022

5.0   Discussion

Time series data on employed labour in Malaysia showed the participation of foreign workers was less than 10% of the total employed person from 2001 to 2009. Despite the government's objective to decrease reliance on foreign employees, achieving this goal poses significant challenges (Ang, Murugasu and Chai, 2018). From 2010 to 2019, the percentage of employed foreign workers in Malaysia continued to increase and decrease only slightly. In the last three years (2020-2022), this rate has begun to decline, but is believed to be in line with the restrictions to address the spread of COVID-19.

Although comparing the data from 2018 to 2022 is not the most accurate picture, with minimal differences, the situation before and after COVID-19 can still be observed from Figure 2 to Figure 5. For 2018 and 2022, the services, agriculture, and manufacturing sectors still involve a high number of foreign labours, which exceeds 20%. The number of local workers in the agricultural sector does not exceed 70% of the total of those working in this sector. Among the reasons are lower wage rates, a working environment that is not a choice for the younger generation, limited use of technology, low productivity, and internal migration abroad. In that way, it is believed, without the use of foreign labour in the production of the agricultural sector, employers would be short of labour, and this would jeopardise the efficiency of production.

In Asia Pacific, Malaysia is one of the nations with the highest migrant-to-population ratios. These foreign workers come from neighbouring countries, predominantly Indonesia, Bangladesh, Myanmar, Nepal, and the Philippines. However, the majority of migrants in Malaysia have low levels of education and end up working in low-skilled jobs.

A high dependence on them, if left unabated, will weaken the case for automation, suppress overall wages, and deter the adoption of productivity-enhancing efforts. It will also hinder the creation of high-skilled jobs and adversely shape Malaysia's reputation as a low-skilled, labour-intensive investment destination. The combination of these variables creates a situation in which Malaysia is constrained by low wages and low productivity (Ang, Murugasu and Chai, 2018). While, a high-productivity, high-income workforce is a requirement for developing into a developed country.

Besides, the presence of substantial populations of illegal workers in Malaysia causes socio-economic burdens. Negative implications in the local community encompass various challenges, including job competition, disturbance of settlement patterns in peripheral areas, and criminal activities caused by foreigners.

6.0   Conclusion

Malaysia is a major destination for migrants from Southeast Asia, South Asia, as well as some from the Middle East and African countries, due to its strategic location, developed economy, and workforce needs. The statistics discussed in this article are based on the number of registered foreign workers. While, according to the International Organization for Migration, unofficial estimates of undocumented or irregular migrants range from 1.2 to 3.5 million, thus making Malaysia one of the largest migrant-receiving countries in Southeast Asia (International Organization for Migration, 2023).

As discussed, Malaysia's efforts to reign in its dependence on foreign workers began in the early 2000s with the 8th Malaysia Plan. However, not much success was shown during that period. Since the implementation of the 11th Malaysia Plan, there has been more clarity and a renewed commitment to finding a solution. Thus, based on the analysis of non-citizen employment in Malaysia's labour market, it can be concluded that the government's efforts to reduce dependence on foreign workers still need to be strengthened. In order to combat the problem of the unauthorised entry of foreign employees, monitoring must be conducted with greater rigor.

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