

The impact of foreign labor on malaysian society



The inflow of migrant labor to Malaysia is definitely not a new and recent phenomenon. Even prior to the independence of Malaysia, this movement of labor into the country to seek for employment opportunities or better living standard has already been occurring. It started during the colonial rule when the British colony imported Chinese and Indian workers to work in tin mining, plantation, business and construction of infrastructure development (Parmer). Peninsular Malaysia, which was then known as Malaya, had been the focus of migration from surrounding island areas in search of employment due to its strategic location and abundance in natural resources. The Indian and Chinese foreign workers formed a large part of the workforce and later took up citizenship upon the country's independence.

This inflow of foreign labors that have economic interests in Malaysia since then has continued to increase up till the present day. However, it does not restrict to only Indian and Chinese immigrants, rather Malaysia as a rapid growing hub has managed to attract both high and low-skilled workers from all different regions of the world. Employment opportunities and relatively higher salary as well as other benefits compared to the same occupation in their country of origin become the pull factors for them to cross over the Malaysian border. It is reported by the country's Home Ministry and Immigration Department that as of 2010, Malaysia has approximately 1.9 million foreign workers in various sectors such as manufacturing, construction, plantation, domestic helps, services and with the rest in agriculture (Sani). Some of the largest contributing countries are Indonesia (60%), Bangladesh (17.4%) and Myanmar (7.8%). While the conservative critics identify foreign workers as a great threat to the Malaysian society, the

liberals however rationalize their existence with a positive argument that the nation requires them for the country's national infrastructure development. In order to come to an informed conclusion whether or not foreign workers have negative impact on Malaysian society, various factors have to be taken into account.

From an economic point of view, the inflow of foreign labors into the country encourages positive economic growth. Malaysia's rapid economic growth and industrialization process over the decades has indeed increased the demand for various skilled labors which then brought about a chronic shortage of low-skilled labor and high-skilled intellectual capital. As reported by the Malaysian Insider, the country's local workforce is definitely insufficient to support local industries despite the federal government's ambitious plans to make the nation a fully high-income economy under the New Economic Model (Chua). It is undeniable that Malaysia faces tremendous shortage of human capital. Due to the labor and brain shortage, employing foreign workers is considered to be the most viable solution for Malaysia to remain competitive in the world market. Importation of low-skilled foreign labors fills up vacancies mainly in the manufacturing, construction, agriculture and service sectors (Tan). Although these jobs are physically demanding and labor intensive thereby often shunned off by most locals, these sectors are important as they are the main contributors to the nation's Gross Domestic Product (GDP). Furthermore, as a matter of fact, foreign workers have also served as additional skilled labor force in meeting the extra demand in national development programs and infrastructure projects such as the construction of Kuala Lumpur International Airport (KLIA) and Petronas Twin

Towers (KLCC). Besides low-skilled work force, Malaysia also greatly depends on foreign professionals in the tertiary sectors to propel its competitiveness. Malaysia has adopted greater openness in hiring skilled expatriates, especially information technology (IT) professionals, lecturers, accountants and engineers. The biggest change is in the Multimedia Super Corridor (MSC) project in which there are no limits on employing IT professionals (Lydgate and Mertens). It is realized that Malaysian society still lacks high technological skills among its local human capital; hence there is a dire need to outsource foreign professionals to assist the transition of Malaysia from its tertiary industry to quaternary industry, in line with the country's aspiration to become a developed nation by 2020. In addition, the existence of foreign workers creates a competitive labor market and thus allows Invisible Hand to be effectively put to work. Generally speaking, the foreign workers' biggest contribution to the Malaysian economy is by supplying a cheaper labor force and therefore keeping manufacturing commodities low as foreign workers normally demand much lower pay of wages. As a result, with lower production costs business profits are raised and this certainly attracts more foreign investors to the country. In turn, these foreign investments will also benefit Malaysian society as more employment opportunities are created. Citing the recent announcement by Western Digital of its US\$1.2bil (RM4bil) investment in the country, Malaysia's Prime Minister, Dato' Seri Najib said the investment was expected to create 10,000 employment opportunities, of which 1,000 were for Masters holders and 100 for PhD holders respectively ("Move"). In this context, foreign workers have played significant roles in energizing the local work force and sustaining Malaysia's rapid economic growth. Apart from improving Malaysia's competitive advantage in the global

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economy market, the continued presence of foreign workers has also helped to improve its local society's social well-being and living standards. The government had to adopt a liberal attitude in allowing foreign domestic helps to join household activities because of the recent attitudinal changes of educated housewives who are now joining professional services on par with men. This is due to the fact that Malaysia's rapid growth and the increasing competition it has brought have led to the proliferation of double-income households, where both spouses have to work, and work long hours, just to make ends meet (" We"). With a relatively low average monthly salary of RM450-RM600, an urban household can easily employ a domestic maid to take care of household chores and young children at home while both parents are out working to support the family. In fact, it is cheaper to employ foreign domestic help than sending kids to nurseries or childcare centers. These foreign domestic helps have become even more helpful as many local firms still remain reluctant to take on the responsibility of providing conducive and suitable working conditions for working moms such as childcare support at workplace. With the inflow of foreign domestic helps mainly from Indonesia and Philippines, it allows double-income households and more comfortable living lifestyles for the Malaysian society. Furthermore, the import of foreign professionals undeniably helps to develop local human resource. The participation of foreign lecturers from well-developed countries such as UK, US, Canada and Australia in Malaysia's private education system is seen to benefit the local society. It is found that the transnational education as a human resource development program has succeeded in nurturing local students and increasing Malaysian society's access to affordable education. In addition, it also increases the nation's

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ability to produce skilled manpower that is capable of utilizing technology and this is regarded as important if the country is to move towards becoming an industrialized society by 2020. It is acknowledged that foreign workers have improved Malaysian society's well-being and living standard as a whole.

However many are of the opinion that the influx of foreign workers has impacted the nation's economy negatively. Despite the fact that lower wages of foreign workers directly translate into higher business profits, some argue that this lowers the wage structure or equilibrium wage rate offered in the labor market. The overwhelming presence of foreign workers in the local industry has indeed undermined the wage structure of the economy since many of them are willing to accept relatively lower wages as compared to Malaysian workers. According to the statistics provided by the Construction Industry Development Board, a local construction worker generally receives a pay 40% higher than his foreign counterpart. In addition, hiring migrant workers relieves a number of legal requirements and other employee benefits on the employers such as pension funds, medical and social benefits. Hence this threatens the local labor market and eventually reduces bargaining power of the locals as business owners may tend to hire cheap foreign workforce to keep their production costs low. Furthermore, many employers prefer to recruit foreign workers considering their efficiency and work capability. Therefore the presence of foreign workers is often viewed as a threat to the local workforce and has not been well received by many of the Malaysian locals. Apart from increased competition with the locals, the tremendous influx of foreign workers into the country has also resulted in the

outflow of money from Malaysia's economy. A study has found out that foreign workers on average send as much as 80% of their pay back to their respective home countries on a steady basis. These leakages are seen as detrimental to Malaysia's economy as they reduce the money supply in the circular flow of income of the local economy. It will slow down the country's economy eventually as there is less consumer spending to stimulate the local industries.

Another concern over foreign workers is linked to the notion that the Malaysian society may be over dependant on foreign workers, resulting in over foreignization of the local economy. This situation is especially evident in urban households in which working parents rely too much on domestic maids, to the extent where the upbringing of their children is entirely left to the discretion of these helpers. Young kids are not raised under proper parental guidance and care. In most cases, these children even share closer relationships with their live-in maids than their own parents. This certainly defeats the original purpose of households hiring domestic maids to improve the social well-being of a family or society. Double income households may bring improvements in the standards of living and material aspects of life; however the soundness of a society also greatly depends on the upbringing of its future generation. This certainly will not be achieved by the Malaysian society if they were to continue allowing barely-educated foreign maids to attend to their kids' intellectual, social and emotional needs. The social implication raised by this increased reliance on foreign workers will leave a negative impact on the future of the Malaysian society and its nation.

After evaluating these arguments, the conclusion seems inescapable that although the arrival of foreign workers in the country has resulted in serious implications on the Malaysian society, the importation of migrant workers is deemed necessary for Malaysia to keep up with its sustainable economic development. Beyond all doubts, Malaysia would not be where it stands today without the contribution from these foreign workers. Nonetheless, the inflow of foreign labors to Malaysia has raised many pertinent issues and implication but their contribution to the country's development should be acknowledged and given due recognition.

Word Count: 1771 Words