



MIER POLICY BRIEF

Migrant Labour in Malaysia: Challenges Amplified by COVID-19

BY MELATI NUNGSARI

The term “migrant worker” is generally used to describe foreign workers who migrate from poorer countries (relative to the host country) to work in jobs categorized as either low or semi-skilled. In Malaysia, we have simply never known how many migrant workers reside within our borders. Estimates for the number of foreign workers range from 2 million to upwards of 5.5 million people, but this number does not consider the true number of undocumented foreigners in Malaysia, which includes stateless persons, trafficked or smuggled individuals, refugees, and asylum-seekers. In this brief, I will discuss the nature of migrant labour in Malaysia, as well as challenges before and during COVID-19 surrounding this issue.

Recent research reports that foreign workers constitute more than a fifth of employment in agriculture, construction, and manufacturing sectors. These numbers are almost surely underestimates – for example, a refugee worker would not be counted in this statistic, as they do not have legal status in this country. My research suggests that it is common to find refugee workers in sectors such as construction. It is argued that the employment of low-wage foreign workers has suppressed wages in these industries, allowing employers to substitute away from local labour to cheaper foreign labour. Furthermore, they state, given the increasing trend in graduate unemployment since 2011, policymakers should be concerned with replacing jobs occupied by foreign workers with local graduates – thus creating an upward pressure on wages. This is a common argument against the usage of foreign labour in Malaysia – that locals compete for these jobs with foreign workers, and that eliminating dependence on foreign labour can solve the labour market surplus for local graduates. In reality, however, this is easier said than done.

In May 2020, traders at the Pudu wet market reported that since they had been prohibited to hire migrant workers due to concerns with a spike in COVID-19 cases there, they were struggling to find local replacements who were interested to work. In mid-December 2020, the Deputy Human Resources Minister, Mr. Awang Hashim, reported that fewer than 10,000 locals had been employed in construction and agriculture sectors to fill over 100,000 vacancies left by foreign workers since the start of the pandemic. Currently, in sectors that heavily depend on foreign labour in this country, local graduates are not perfect substitutes for foreign workers.

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In late 2020, the COVID-19 outbreaks at worker dormitories in Malaysia have highlighted the dismal working and living conditions of workers in large sectors of our economy. The public reacted in horror to photos of overcrowded and unsanitary worker accommodations, but these living and working conditions have long been considered acceptable as an operating standard in the business. Many businesses depend on employing migrant workers (documented or not) at wages and in working conditions far worse than those a local would accept.

In Q3 2020, Malaysia's rebounding growth, up from the previous quarter's abysmal record of -17.1%, was fuelled primarily by the manufacturing sector, but in Q4 and in January 2021 new outbreaks translated to large-scale disruptions of business and production in this sector, thus hampering economic recovery from the pandemic. "Workplace clusters" – i.e., clusters originating in sectors still allowed to operate under the country's MCO 2.0, has since become a leading source of COVID-19 infections. The number of individuals infected from these clusters is immense, and have contributed to the rapid rise in the spread of the pandemic in this country.

Disruptions such as these not only negatively affect the local economy, but also global supply chains. These disruptions also happen precisely due to the nature of business within these sectors – in particular, practices employed to minimize labour costs and maximize profits. It has become increasingly clear that an economy that relies on wage arbitrage between countries and on dependence on low-cost structures is untenable. The issue is that though employers may want to treat migrant workers unjustly – for example, providing subpar living facilities – they may no longer be able to do so in a world with a highly infectious, dangerous virus such as COVID-19, for both ethical reasons as well as business continuity. Thus, an economy that persists and relies heavily on exploitative labour practices is both unsustainable and unethical.

COVID-19 has exposed many problems with how the Malaysian economy treats labour, and has demonstrated how the treatment of labour can have real consequences for economic growth. Now that this has all been laid bare, an opportunity has arisen for policymakers to restructure many of our existing practices to both bolster economic recovery after this pandemic, as well as prepare the economy to be resilient against future pandemics. A big part of this will be incentivizing and enforcing employers to not cut corners when it comes to the hiring and management of labour, i.e. forcing changes to be made towards a higher cost structure. This will also cause migrant workers and locals to increase in substitutability in the sectors mentioned. The impact of this, as well as the impacts of other labour-related issues highlighted by this pandemic, are enormous and far-reaching. It affects how society thinks about schooling, distributing talent, and redistribution of income across different groups. More attention should be paid to how we view labour and how we manage it in this country.