

Lifting of Indonesian worker freeze a big boost

Firms' productivity and profitability seen to increase

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KUALA LUMPUR: The arrival of Indonesian migrant workers is set to boost productivity and profitability of businesses in Malaysia, especially in the plantation, manufacturing, construction and services sectors.

Indonesia lifted its restrictions on the entry of its workers into Malaysia with effect from yesterday.

Centre for Market Education chief executive Carmelo Ferlito said the move will definitely have a positive effect on Malaysia.

"Many sectors are struggling to cope with the economic recovery because of the lack of workers and this is a move that is going to help them.

"Hopefully, it's a start towards a higher degree of liberalisation in the labour market at the regional level," he told *StarBiz*.

Ferlito said businesses cannot survive on a "stop-and-go measure" according to "regional governments nationalistic moods".

CGS-CIMB Research said the resolution on the migrant freeze will allow the resumption of Indonesian worker intake in the next few months to alleviate the current foreign labour shortage issue.

"This will be positive for the plantation, manufacturing, construction and services sectors in Malaysia as it will help boost productivity and profitability of the businesses.

"The recruitment of plantation workers from Indonesia is critical to boost fresh fruit bunch yields, raise crude palm oil output and reduce the cost of production of Malaysian estates," it said.

MIDF Research in a recent report noted the construction industry currently needed about 600,000 foreign workers, in light of the sector ramping up operations with the reopening of

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the economy and as it gears up for upcoming infrastructure contract rollouts, starting with the MRT3 project in the fourth quarter of this year.

"Pre-Covid, the construction sector's number of filled jobs peaked at 1.31 million people in the fourth quarter of 2019.

"This dwindled to 1.22 million people as of the first quarter of 2022, a reduction of 6.8% or 88,600 people, according to the Statistics Department's quarterly employment statistics.

"A shortage of labour causes delay in work progress, which may lead to penalties or liquidated ascertained damages claims. Contractors have no recourse in these situations."

Malaysia University of Science and Technology professor Geoffrey Williams acknowledged the lifting of the migrant worker freeze will benefit local construction projects, adding however that some have been shelved while others are already delayed.

"The end of the freeze on Indonesian workers will be a relief for many companies, but it will take some time to get back to full flows of Indonesian labour in some sectors.

"Also remember that there are still outstanding issues in the arrangements for Bangladeshi workers, so we expect the restrictions to ease but not overnight.

"By the end of the year, we will know if this problem is solved or if it is structural."

Ferlito said companies that were heavily reliant on foreign workers could now avoid closures and preserve jobs.

"However, for these measures to be effective, it needs to remain consistent over time. Firms cannot deal with freezes and openings, as this will only create uncertainty and push them to relocate where labour is available.

"Apart from the construction industry, I can see benefits in the manufacturing, agriculture and food and beverage sectors as well."

Williams noted that foreign workers made a massive contribution to the Malaysian economy.

"Legal foreign workers make up more than 12% of the workforce, while unregistered foreign labour probably twice that number.

"The people who will benefit most will be the employment agents and the government itself, which will see billions of ringgit in income."

Williams is also hopeful that wages, as well as working and living conditions for foreign workers, can be further improved.

"If wages improve in some of the sectors where foreign workers are in most demand, then this might attract Malaysians into this line of work.

"If employers look at automation to raise productivity and improve conditions, then this will be another source of positive spillover."

Williams emphasised that low wages and poor treatment will result in a repeat of foreign labour freeze and more losses.

"The financial consequences are huge, with RM10bil in plantations and RM2bil in auto parts alone.

"Losses across many sectors, as well as spending power and the multiplier of foreign worker spending in the local market are also huge. So we can end these losses, although they cannot be recovered," he said.