PERSPECTIVE

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Counting Migrant Workers in Malaysia: A Needlessly Persisting Conundrum

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EXECUTIVE SUMMARY

- While foreign labour management is a top policy priority in Malaysia, the number of foreign workers in the country is a perennial mystery.

- The official estimate of total foreign workers dropped from 6.7 million in late 2014 to 3.8 million in 2016. However, the Labour Force Survey (LFS) reports that the number of foreign workers, encompassing both documented and undocumented ones, *increased* from 1.8 million in 2013 to 2.2 million in 2016.

- The LFS is the authoritative reference on the Malaysian workforce but undercounts foreign labour. Other sources such as the National Employment Returns usefully report the share of local and foreign workers within establishments.

- Combining the respective strengths of the LFS and the NER, we estimate a *minimum* number of foreign workers of about 3.85 million. Given the clear undercounting in these datasets, the actual total must be significantly higher, possibly around 5.5 million.

- It is imperative, and possible, for the Malaysian government to provide credible estimates of the number of foreign workers. Increasing clarity and veracity in this most basic information will enhance public discourse and policy making.

INTRODUCTION

How many foreign workers are there in Malaysia?

Bank Negara, Malaysia's Central Bank, recently sounded the alarm on the persisting propensity of the economy to generate low-skilled jobs, overwhelmingly filled by foreign workers[1]. However, the most basic piece of information remains clouded in mystery. Counting foreign workers is not easy, given the presence of undocumented workers. At best the overall figure, encompassing documented and undocumented cases, is a rough estimate.

In recent years, the number of documented foreign work permit holders has decreased, based on the simple and straightforward Ministry of Home Affairs registry, from 2.2 million in 2013 to 2.1 million in 2016 and 1.8 million in 2017. The number of undocumented persons, however, has never been robustly computed. Official disclosures put the overall foreign worker population at 6.7 million in 2014, but this fell precipitously – and implausibly – to 3.8 million in 2016. Furthermore, according to the Labour Force Survey (LFS), the number of foreign workers, encompassing documented and undocumented cases, *increased* from 1.8 million in 2013 to 2.2 million in 2016.

This Perspective collates labour market information from available summary reports of national surveys, combining the strengths of these different but complementary sources, to generate tentative estimates of foreign worker numbers in Malaysia, and to demonstrate that the task need not be overly difficult or complicated. A policy matter of this importance requires greater clarity and credibility than is presently the case.

DATA SOURCES

Some basic information on data sources and their key features is helpful at this juncture:[2]

1. The Labour Force Survey (LFS), a household-based survey constantly conducted by the Department of Statistics. The data are obtained through large scale, nationally representative, stratified random sampling, with enumerators knocking on doors. The LFS 2016 sampled 92,619 living quarters. The LFS does not ask about legal status, and thus presumably includes both documented and undocumented workers. Under-sampling of foreign workers in general, and undocumented workers in particular, is a major concern. By design, many are excluded. The LFS only samples private living quarters, thereby excluding hostels, boarding houses, construction sites and workers' dormitories. Non-citizens do respond, but in all likelihood many more who are visited by LFS enumerators do not. This article refers to the annually published *Labour Force Survey Report.*

2. Work permits issued by the Ministry of Home Affairs (MOHA). This data series derives from a registry and thus constitutes a universe, rather than a sample. However, it only captures a specific segment: documented workers.

3. The National Employment Returns (NER), solicited every two years by the Ministry of Human Resources, surveys companies through a stratified sampling method. The eventual dataset depends on the participation of the selected companies. The 2016 NER selected 66,850 establishments, out of which 20,725 returned the questionnaire. The response rate of 31% is respectable, and a significant improvement on the 20% registered in the preceding NER 2013.[3] Reporting of foreign workers is likely to be biased downwards, since companies that hire undocumented workers are likely to refrain from responding, or if responding, to under-report the number of foreign workers. Nonetheless, the NER deserves serious attention as a data source on the profile of employees within companies.

4. Sector-based databases, maintained by industry organisations such as the Malaysian Palm Oil Board and the Construction Industry Development Board, and ad hoc surveys, notably by the Malaysian Employers Federation. These sources provide useful supplementary data and reference material.

5. The Department of Statistics' *Current Population Estimates* reports the number of non-citizens and disaggregate by age group, providing another data reference on the working age population. These estimates are based on the 2010 Population Census – which in principle visits or seeks responses from every living quarter in the country – with change over time due to births, deaths and migration. The data also assuredly undercount undocumented foreign workers.

OFFICIAL ACCOUNTS: WORK PERMITS AND UNDOCUMENTED WORKERS

We start with the simplest and most knowable indicator: foreign work permits.[4] The numbers increased throughout most of the 2000s, then declined over the period 2008-2012 (Figure 1). The nationwide 6P biometric registration/amnesty/repatriation exercise launched in 2011 provided a new baseline of the number of foreign workers in Malaysia. During the 6P exercise, 1.3 million undocumented workers were registered, while 1 million who were in Malaysia formally came forward to add biometric information to their record. From 2013 to 2016, two million was the reiterated baseline figure for documented foreign workers.

Figure 1. Number of foreign work permit holders and employed persons (thousands)
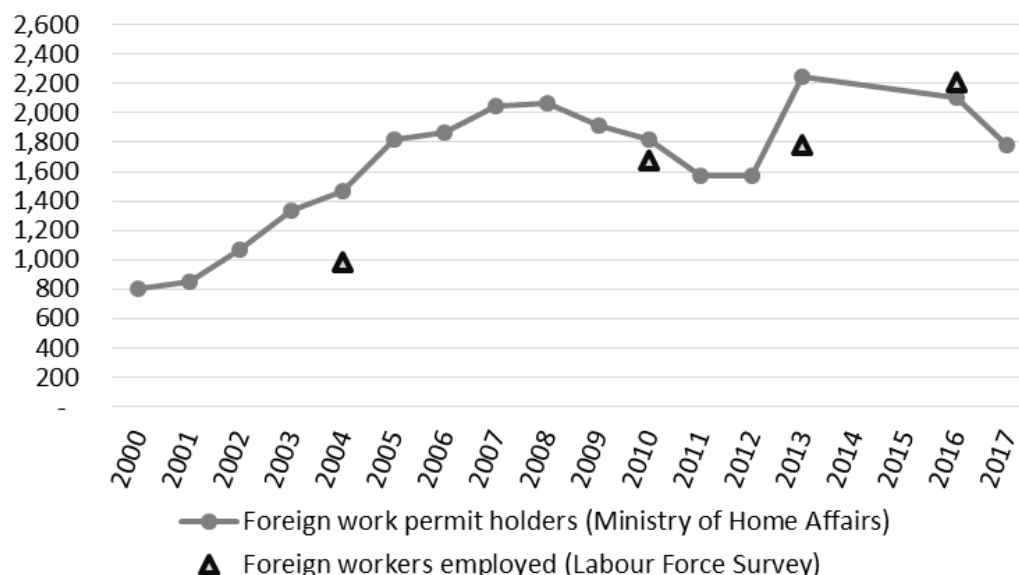
Sources: Work permit holders: 2000-2013 (MEF 2014), 2016 (*The Star*)[5]; Foreign workers employed (Department of Statistics, *Labour Force Survey Report*)
Notes: Work permit figures for 2014 and 2015 are not available

The undocumented worker population in Malaysia is, as anywhere, difficult to ascertain. By definition, these persons are not registered with authorities and thus their entry and exit in the labour market are not recorded. Varying estimates over time mirror the complications in estimating the numbers. In 1997, an estimated 2 million foreign workers were present in Malaysia, of which 40 percent were undocumented (Kaur, 2014).[6]

In late 2014, Minister of Human Resources Richard Riot stated that there were 2.1 million pass holders and 4.6 million undocumented workers, making a total of 6.7 million (69% undocumented).[7] In other words, there were 22 undocumented persons for every 10 documented. The 6.7 million figure, however, has been steeply revised downward. In early 2016, based on a ratio derived from the 6P programme, of 8 undocumented workers for every 10 documented workers, a new official figure of 3.8 million foreign workers (2.1 documented + 1.7 undocumented) was arrived at.[8] Later in 2016, in line with reports that undocumented workers accounted for only 40% of foreign workers, that ratio apparently dropped again to 7 undocumented for every 10 documented, or 7 out of 17 (41%).[9] While the government has not explicitly stated the current scenario, adhering to the 7 per 10 undocumented to documented formula generates a total of 1.78 + 1.25 = 3.03 million foreign workers (about 20% of the total employed population).

Referencing the results of massive registration exercises is questionable, because it is based on undocumented workers' participation, which involves costs (transportation, fees) as well as repercussions on the workers' status (repatriation, short term work permit extension, exposure of their current status). Employers and workers in certain situations will be disinclined to come forward; reports of the latter going into hiding and finding ways to evade authorities corroborate the likelihood that these exercises continually undercount the number of undocumented workers.[10]

Estimates based on the LFS broadly follow the upward trend in the 2000s, but two observations warrant a further remark (Figure 1). First, the LFS consistently undercounts the number of foreign workers. The total number is less than or slightly above the foreign work permits, despite accounting for both documented and undocumented. Second, the LFS registers an *increase* in foreign worker numbers from 2013 to 2016-2017, even while permits decreased. For the first time, the LFS figure also exceeds the number of permits.

The DOS' Current Population Estimates also register growth in foreign workers. The non-citizen working age population, multiplied by the non-citizens' labour force participation rate in the Labour Force Survey, yields 2.15 million foreign workers in 2013 and 2.44 million in 2016.[11] The spatial distribution of foreign workers, by district, corresponds with density of agricultural activity, providing some validation of the data source. Foreign worker presence is conspicuously higher in metropolitan and industrial zones, and in districts with oil palm plantations, as well as food cultivation in Cameron Highlands (Figure 2).

These discrepancies – decrease in foreign work permit versus increase in total foreign workers – *per se* neither confirm nor refute either data source, but they reinforce the importance of getting a firmer handle on the empirical evidence. Trends in documented workers do not necessarily move in tandem with undocumented workers.

TOTAL FOREIGN WORKERS: A TENTATIVE ESTIMATE

Our estimation combines information from a few sources, utilizing what we deem the more reliable component of each dataset. In a nutshell, we take the overall distribution of Malaysian workers in the Labour Force Survey and splice that with ratios of citizen to foreigner that we obtain from the National Employment Returns (italicized columns in Table 1). The NER figures are also referenced against other, sector-specific data sources.

The national representativeness and rigour of the LFS data warrant its inclusion in this study. The LFS is the established, authoritative source for tracking labour participation, unemployment, and sectoral and occupational changes in the labour market. Based on the population census sample frame, the weighted survey reliably calculates a total of 11.96 million Malaysian employees, and 14.16 million including all nationalities. The NER captures 6.09 million employees.

The LFS therefore stands out as a reference point for the overall workforce composition, specifically Malaysian citizens who are more robustly sampled and more likely to respond when visited. However, the actual number of foreign workers is certainly higher than the LFS' count, and is not surprising considering the LFS does not visit work sites and workers' living quarters. The NER cuts across all sizes, from sole proprietorships to large companies. As an establishment-based survey, it arguably records the nationality balance more credibly – with the caveat that undocumented workers are still likely to be under-reported.

Figure 2. Peninsular Malaysia, Sarawak and Sabah: Foreign workers as percentage of total workforce, by district, 2016 (Estimations based on population census)

Foreign workers as % of total workforce

- Up to 20%
- 20 - 40%
- 40 - 60%
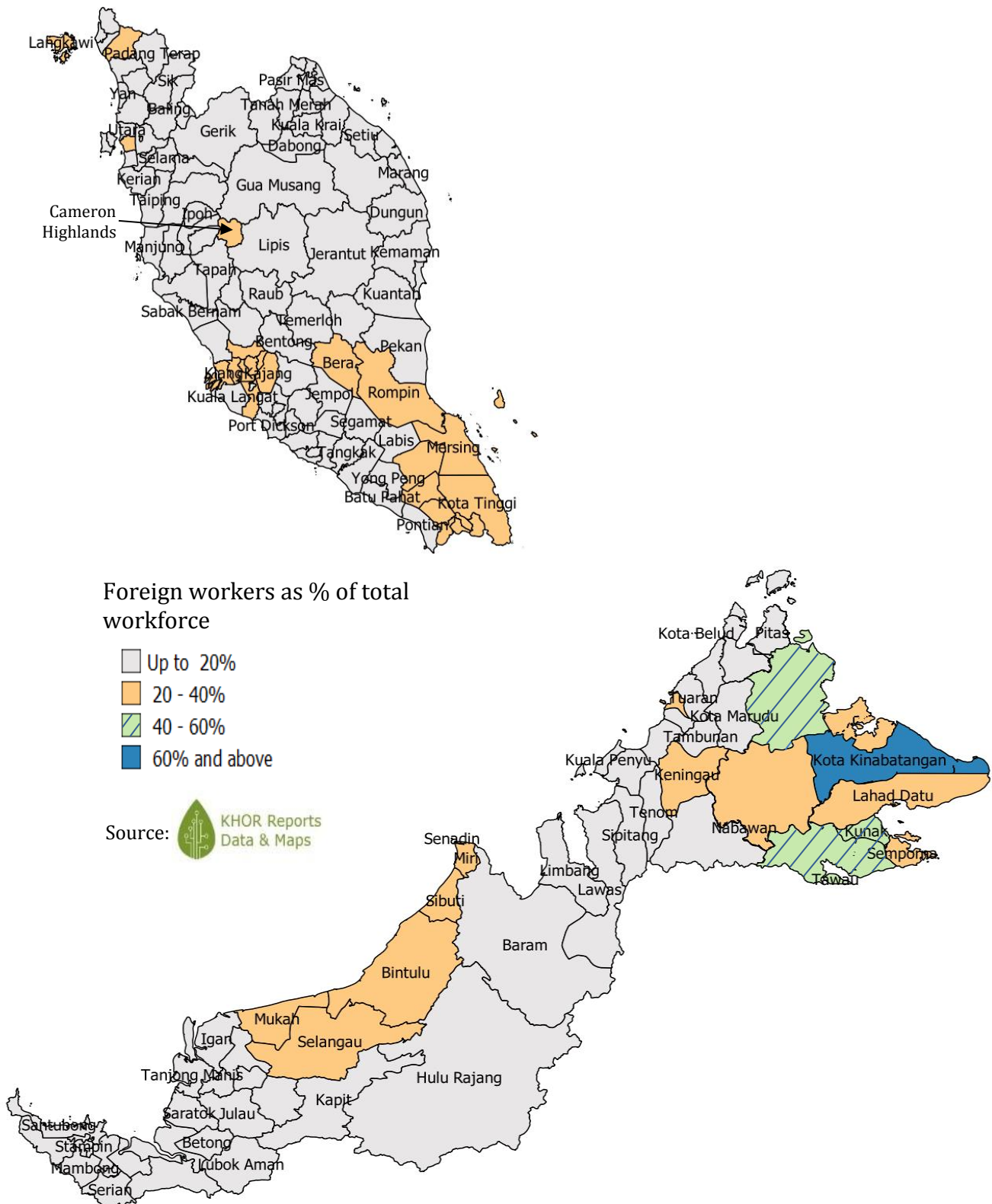- 60% and above

Source: KHOR Reports Data & Maps

Table 1. Foreign workers and distribution by sector, Labour Force Survey and National Employment Returns (2016)

	Share of sector in total employment		Foreigners per total employed	
	LFS	NER	LFS	*NER*
Agriculture	*11.4%*	5.9%	37.3%	*66.3%*
Manufacturing	*18.0%*	21.1%	20.2%	*32.5%*
Construction	*8.8%*	6.3%	22.4%	*18.1%*
Mining	*0.7%*	0.3%	4.9%	*8.5%*
Services	*61.1%*	66.5%	9.3%	*7.8%*
All sectors	100%	100%	15.6%	17.0%

Table 2. Foreign workers and distribution by occupation (2016)

	Foreigners per total employed		Share of occupation in total employment	
	LFS	NER	LFS	NER
Managers	3.3%	4.0%	5.3%	11.4%
Professionals	2.5%	4.0%	14.3%	10.4%
Technicians	2.0%	2.0%	11.9%	7.2%
Clerical workers	1.9%	1.0%	9.5%	18.4%
Service workers	12.9%	7.0%	23.1%	23.0%
Agricultural workers	9.1%	67.0%	6.6%	0.5%
Craft workers	18.4%	22.0%	10.7%	5.3%
Production workers	22.0%	35.0%	10.9%	10.1%
Elementary workers	51.1%	42.0%	7.5%	13.6%
All occupations	15.6%	17.0%	100%	100%

Foreign worker presence varies by sector, notably construction and plantations, permitting us to reference the LFS and NER data against sector-specific sources. A survey by the Malaysian Employers Federation reported foreign workers comprising 70% of the workforce in these sectors.[12] The Malaysian Agricultural Planters Association (MAPA) puts the share of foreign labour in plantations at 80% of the total, and the Malaysian Palm Oil Board (MPOB) databases yield an even higher level, at 84%.[13] The Construction Industry Development Board (CIDB) registry of contractors reports that foreign workers constitute 16% of the industry's workforce. Presumably, these are documented workers, and within this, there is also undercounting.[14] The CIDB's database records 136,000 foreign workers, a small fraction of the 434,000 construction work pass holders.

The LFS, with its report that foreign workers constitute only 37% of the agricultural employment, appears to more acutely undercount foreign workers in this sector (Table 1).

More strikingly, according to occupational categories, foreigners account for merely 9% of employment, compared to 67% calculated from the NER. However, the NER is arguably less reliable in representing the sectoral distribution of the entire economy, especially in computing the share of agricultural workers at 0.5% (Table 2).

We now combine these sets of information toward an overall estimate of foreign workers (Table 3). First, we take the number of Malaysians employed, derived from the LFS, as the best available data of its kind (column A). We then compute the ratio of foreign to Malaysian within each sector – that is, for each Malaysian, how many foreign workers are employed – for the LFS and NER separately (columns B and C). Finally, the number of Malaysians is multiplied by these ratios to arrive at the number of foreign workers. Column D reproduces the LFS statistics for comparison. Column E, multiplying columns A and C, generates our overall estimate.

Table 3. Steps to estimating foreign workers using both LFS and NER, by sector (2016)

	A	B	C	D = A x B	E = A x C
	Number of Malaysians employed (thousands)	Ratio of foreign to Malaysian employed		Number of foreign workers (thousands)	
	LFS	LFS	NER	LFS	NER
Agriculture	1,009.4	0.59	1.97	600.3	1,985.9
Manufacturing	2,029.8	0.25	0.48	515.2	977.3
Construction	971.5	0.29	0.22	280.2	214.7
Mining	91.6	0.05	0.09	4.7	8.5
Services	7,855.9	0.10	0.08	804.0	664.6
All sectors				*2,204.5*	***3,851.0***

In sum, splicing NER shares of foreign workers with the LFS sectoral composition gives us an estimate of 3.85 million (24.4% total employed). Conducting this same exercise using occupational categories yields a similar value of 3.67 million.

It must be emphasized that these are the results of a preliminary exercise, derived from limited datasets and application of certain assumptions and extrapolations. We have good reason to be confident of the LFS' calculated number of employed Malaysians. The ratio of Malaysian to foreign workers remains an uncertain factor.

Nonetheless, we believe the undercounting of foreign workers in the LFS warrants an adjustment, and the NER furnishes a useful supplement. The evidence would suggest that our estimate of 3.85 million is a bare minimum, given the substantial undercounting that still prevails in the LFS and NER.

One reference point here is the share of foreign workers in construction, in which the NER and LFS report a range of 18-22%, conspicuously lower than what is reported in other

sources, such as the ones reported above that put the foreign worker share at 70%. The share of foreign workers in services is also implausibly low in the NER – which excludes domestic workers. The LFS registers a higher ratio, and worker reassignment is a known phenomenon, notably in restaurants where foreign permits are officially, strictly issued only for chefs – yet it is commonplace to find foreign workers among serving and waiting staff.

Replicating the exercise in Table 3 with the foreign worker share of total employment set at reasonable proportions of 60% in construction and 12% in services, we obtain a total of 1.46 million foreign construction workers and 1.07 million foreign services workers, summing to 5.50 million total foreign workers nationwide.

CONCLUSION

The situation of foreign workers in Malaysia is important, both from the perspective of their rights and welfare, and Malaysia's development strategy – specifically, the declared high priority of reducing dependency on low-skilled foreign workers. Despite this pronouncement, Malaysia remains unable to convincingly estimate the size of the population at hand. This is a needlessly persisting conundrum.

More than adequate data exist, notably the surveys synthesized in this article. Government agencies that are custodians of these survey data should engage in more rigorous analysis, and consider availing the raw data as a public good for researchers to access. Other sources can also be explored and the findings compared, such as the nationality of SIM card holders, through which some recent research has derived an estimate of about 7 million foreign workers.[15]

The purpose of this inquiry is to explore possibilities for estimating the number of foreign workers in Malaysia, to provide an empirical basis for the issue commensurate with its policy importance. Much work remains to be done. But clearly, more credible estimation is possible, to inform and enhance public discourses and policy-making.

[1] Bank Negara Malaysia (2018), *Annual Report 2017,* Kuala Lumpur: Bank Negara.

[2] The *Labour Force Survey Report* and *Current Population Estimates* are annual publications downloadable with free account registration at the Department of Statistics website: https://www.dosm.gov.my.

[3] Zuraini Abu Kassim, "National Employment Returns (NER) 2016", Presentation at the MIER National Economic Outlook Conference 2018-2019, November 2017; Institute of Labour Market Information and Analysis (ILMIA) *National Employment Returns Report 2016* (http://www.ilmia.gov.my/index.php/en/research-publication/publication).

[4] The official term is visitor pass (temporary employment), known by the Malay acronym PLKS (*Pas Lawatan Kerja Sementara*).

[5] "Zahid: 1.78 million foreign workers in Malaysia", *The Star*, 27 July 2017.

[6] Kaur, A. (2014) "Managing Labour Migration in Malaysia: Guest Worker Programs and Regularisation of Irregular Labour Migrants as a Policy Instrument", *Asian Studies Review* 38 (3): 345-366.

[7] Foreign Workers Can Control Malaysian Economy If Given The Opportunity - Richard Riot", *Bernama,* 11 November 2014.

[8] Malaysia downplays foreign worker controversy", *Channel News Asia*, 20 February 2016 (http://www.channelnewsasia.com/news/asiapacific/malaysia-downplays/2529298.html).

[9] "More than 40% of foreign workers undocumented, says Richard Riot", *The Star*, 18 October 2016.

[10] "Foreign workers go underground", *The Star*, 3 July 2017.

[11] The Current Population Estimates put the number of working aged non-citizens at 2.61 million and 2.89 million, respectively, in 2014 and 2016. The corresponding labour force participation rates were 82.9% and 84.4%.

[12] Malaysian Employers Federation (2014), *Practical Guidelines for Employers on the Recruitment, Placement, Employment and Repatriation of Foreign Workers in Malaysia*, Kuala Lumpur: MEF.

[13] Institute of Labour Market Information and Analysis (ILMIA), 'A Study on Leading and Lagging Indicators for Human Capital Development Game Changers for the 11th Malaysia Plan'. Putrajaya International Convention Centre, 30 November–1 December 2016; V. T. Chandra Segaran, 'Reliance on Foreign workers in the plantation sector: the reality', Presentation at the Workshop on Industrial Engagement on Demand for Skilled Workers, 28–29 September 2015.

[14] Authors' calculations from CIDB data, accessed 15 September 2016 (http://smb.cidb.gov.my/directory/contractors).

[15] Authors' personal correspondence.