

## Control of Foreign Worker Entry: the Experiences of Several Developed Countries

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### Abstract

The study on the regulation of foreign worker influx is of utmost importance as foreign workers have significantly contributed to the economic advancement of Malaysia. The annual increase in the arrival of workers can be attributed to the demand for labour in various sectors, including industry, services, and agriculture. However, the persistent issue of foreign worker shortages stems primarily from challenges in the application process, high employment costs, and the perpetual demand for workers within the industry. To tackle these challenges and reduce reliance on foreign labour, various measures have been implemented to enhance the management of foreign workers. This study aims to explore the strategies employed by developed nations in regulating and managing foreign workers, with a specific emphasis on policy implementation. The research methodology adopts a qualitative approach by collecting data from secondary sources and government reports. Primary references from scholarly books and journals are supplemented with government publications to examine the existing guidelines concerning the entry of foreign workers. The findings reveal that each country has devised its own distinctive approaches and policies for controlling the entry of foreign workers. Some nations exclusively allow the recruitment of skilled workers and provide pathways to naturalization. Conversely, countries such as Korea and Japan initially adopted a closed-door policy towards unskilled foreign workers, but eventually had to adapt due to demand and supply dynamics. This trend is evident in numerous countries, which have had to amend or introduce new programs to regulate the inflow of foreign workers, at times conflicting with their existing migration policies. It can be concluded that governmental policies need to strike a delicate balance between the interests of multiple stakeholders, including the general public, industries, and political factions. In the Malaysian context, foreign workers are recruited for temporary employment and to meet the demands of the domestic labour market. Consequently, this study implies that Malaysia's policies pertaining to the recruitment of foreign workers should strive to establish an improved management system

that effectively curtails dependence on foreign labour, while simultaneously reconciling societal interests with economic considerations. Future research endeavours are recommended to scrutinize guidelines for the regulation of foreign worker influx, taking into account the interests of all involved parties, such as employers, the government, and the workers themselves.

**Keywords:** Foreign Workers, Levy, Migration, Employer, Control of Foreign Workers.

### **Introduction**

The influx of foreign workers in Malaysia has experienced a significant rise. According to the Malaysian Immigration Department, the number of foreign workers with permits (PADI) went from 807,096 individuals in 2000 to 2,250,322 individuals in 2013. The recruitment of foreign workers is restricted to specific source countries, mostly third-world nations facing employment challenges for their own citizens. This situation motivates their citizens to seek opportunities in countries like Malaysia, which may offer employment prospects. Moreover, foreign workers can be hired at lower wages compared to local workers. However, it is crucial for the government to exercise control over the entry of foreign workers to prevent adverse implications for the country.

The highest authority responsible for shaping the direction and policies related to foreign worker recruitment in Malaysia is the *Jawatankuasa Kabinet Mengenai Pekerja Asing and Pendatang Asing Tanpa Izin* (JKPA-PATI). This committee comprises relevant ministries and representatives from the states of Sabah and Sarawak. The involvement of representatives from these states is due to the fact that the recruitment of foreign workers there falls under the jurisdiction of their respective state governments. *Pusat Proses Setempat* (OSC), established under the 33rd *Jawatankuasa Kabinet Mengenai Pekerja Asing* (JKK-PA) Decision No. 2/2005 (now known as JKKPA-PATI), handles the approval process for foreign worker recruitment in Peninsular Malaysia and the Federal Territory of Labuan. The Ministry of Home Affairs (KDN) is responsible for supervising this OSC. The Ministry of Home Affairs is also involved in immigration matters, including entry, departure, and the enforcement of immigration laws through the Malaysian Immigration Department. The Ministry of Human Resources (KSM), as a member of the OSC, oversees employment and labour affairs.

The Employment Act 1955 does not empower the Peninsula Malaysia Labour Department to issue permits or licenses for recruiting foreign workers, unlike the provisions under the Sabah Labour Ordinance and the Sarawak Labour Ordinance. Both ordinances grant the respective state Labour Departments the authority to issue licenses/permits for the recruitment of unskilled foreign workers.

The government has set guidelines permitting the recruitment of foreign workers for temporary positions that cannot be filled by local residents. These positions are predominantly limited to unskilled roles in the 3D sector (Dirty, Dangerous, and Difficult). Moreover, this recruitment is constrained to key economic sectors such as manufacturing, construction, agriculture, forestry, mining and quarrying, services, and domestic helpers. Upon their arrival in Malaysia, all approved unskilled foreign workers are issued a Temporary Work Visit Pass (PLKS) that needs annual renewal. The maximum duration for each worker is 13 years (10 + 3) as per the (Ministry of Home Affairs, 2020).

The substantial presence of foreign workers in the country can have various negative implications. These include impacting wage costs, hindering the advancement of Technical and Vocational Education and Training (TVET), and affecting the implementation of Industry 4.0 transformation initiatives. Additionally, managing foreign workers can lead to social issues

in foreign settlements, an increase in planned and illegal immigration, the establishment of residential settlements, pollution concerns, an upsurge in crime rates, and an influx of foreign workers in the capital city on weekends. These conditions can disrupt social harmony and raise concerns among the local community. The easy availability of human resources through foreign worker employment creates a situation where the industrial sector lacks incentives to improve productivity and competitiveness through technological advancements. Consequently, the foreign worker recruitment policy should focus on establishing an improved management system to control reliance on foreign workers and balance the interests of the people and the economy. This study aims to analyse the control measures employed by developed countries to manage foreign workers and implement effective policies. Malaysia can draw from this experience to enhance its control over foreign worker entry.

### **Literature Review**

The presence of foreign workers, while providing benefits to the country, also raises issues that need to be addressed. According to Kassim (1998), foreign workers are imported to Malaysia to address labour shortages in various sectors such as services, manufacturing, agriculture, and construction. The service and manufacturing sectors face the most acute labour shortages. Zarina & Idris (2015) state that economic development and rapid development in Malaysia have led to global migration, as there is high demand for foreign workers. This has significantly transformed the labour market structure.

Foreign workers contribute to the country's development by constructing office buildings, factories, and participating in public infrastructure projects, as well as in service areas such as security guards, convenience store attendants, and cleaning staff (Mustafa 2014). However, Hamzah and Daud (2018) point out several issues that need to be addressed, such as foreign worker management, social problems in their settlements, illegal entry, pollution, increasing crime rates, and the increasing number of foreigners in the capital on weekends. According to Anderson (2020), Malaysian policies aim to balance the economic benefits brought by foreign workers and ensure that they are not perceived as a burden by the society.

The government adopts a diverse approach to foreign worker policies, with a primary focus on economic and safety aspects. The conflict between these two aspects creates a dilemma in the recruitment of foreign workers, affecting the country's economy and the issue of the presence of foreign workers (Ajis et al., 2018). There is a gap between the goals and outcomes of the migration policy in controlling the entry of foreign immigrants. This gap is caused by policy and administrative weaknesses, policy ambiguity, domestic political barriers, and the macro structure of the country. The management of foreign workers is not only a problem in Malaysia but also in other countries (Cornelius and Tsuda, 2004). According to Hollifield et al (2014), this problem is more pronounced in industrialized countries that practice democracy. There is economic pressure to relax migration controls, but stricter controls are needed in terms of politics, legislation, and security.

There are three types of gaps in migration policies: the discourse gap, the implementation gap, and the effectiveness gap. The discourse gap refers to the differences between immigration discourse and the actual policies stated in laws and regulations. The implementation gap refers to the differences between established policies and their actual implementation, while the effectiveness gap measures the extent to which the implementation of laws and regulations can achieve the goals in terms of the quantity, timing, and composition of migration (Czaika and De Haas, 2013). Natter (2018) states that

implemented policies tend to be more lenient than the actual goals of those policies because they take into account the conflicting interests of various parties. In the Malaysian context, this can be seen through several decisions made in the past. Anderson (2020) states that the government has shown a desire to reduce the overall number of foreign workers by freezing the intake of workers in 2016. However, the estimated economic loss resulting from this measure is about USD 5.7 billion (approximately RM 23 billion). The government has also repeatedly cancelled proposals to restrict or impose measures that would increase the cost of hiring foreign workers after facing opposition from the industry.

The availability of low-skilled foreign workers with low wages has had a negative impact on efforts to upgrade industries. The relatively lower wages compared to capital weaken the industry's incentive to shift from labour to technology. Ang et al (2018) also state that foreign workers will continue to play a vital role in the country's economic development, but the use of foreign labour needs to support productivity improvement and industrial upgrading (Ang et al., 2018).

### **Methodology**

For this study, a qualitative approach was employed to collect data, primarily relying on secondary sources and government reports. Secondary sources were utilized to gather information regarding the strategies and measures implemented by developed countries like the United States, Canada, Australia, the United Kingdom, Germany, Korea, Japan, and Singapore. By studying the policies and control measures adopted by these developed nations, it becomes possible to adapt and implement similar approaches in Malaysia to regulate the influx of foreign workers. The objective is to mitigate continuous dependency on foreign labour and improve overall management for the betterment of both the population and the economy.

### **Finding**

The increase in foreign workers is attributed to push and pull factors and the existing demand between receiving and supplying countries. Receiving countries have a demand for workers, particularly in sectors such as agriculture, construction, manufacturing, and services. In certain situations, there is an urgent need for labour, leading employers to hire foreign workers regardless of their legal status. Uncontrolled influx of foreign workers can result in a high level of dependency on foreign labour. This situation has prompted several countries to reassess their immigration controls (Hollifield et al., 2014). European countries such as Britain and Germany, as well as Asian countries like Korea and Japan, which previously did not face issues with foreign workers, are now grappling with dependency issues. The experiences of different countries in managing foreign workers can serve as a guide for Malaysia in addressing the issue of dependency on foreign workers.

#### *Foreign workers are allowed to work in the United States*

Under three guest worker programs, namely the H-1B, H-2A, and H-2B programs. The H-1B program, introduced in 1990, aims to assist companies in addressing the shortage of skilled workers in rapidly growing fields that require specialized skills, such as research, engineering, and computer programming. Each application or petition is filed by the employer on behalf of the prospective employee. The program has an annual cap of 65,000 workers. It serves as a temporary measure to enable companies to address their immediate labour shortages for a short period. H-1B visa holders can have their visas extended for a maximum of six years.

Meanwhile, the U.S. government has introduced improvements to the education program to meet future needs. However, the demand to hire workers under this program continues to increase, leading the government to agree to raise the cap to 195,000 in 2003 and provide an additional 20,000 visas for workers with bachelor's degrees from U.S. universities. Petitions for visa renewals under the H-1B program are not subject to the annual cap. In 2017, a total of 365,682 new applications and renewals were approved (USCIS, 2017).

The H-2A and H-2B programs allow unskilled foreign workers to fill job vacancies in the agricultural sector (H-2A) and various other sectors such as landscaping, food processing, and construction (H-2B). Employers applying under the H-2A and H-2B programs must obtain a certification that they have attempted to recruit domestic workers first. Only positions that remain unfilled by domestic workers are eligible for hiring foreign workers. Workers under both programs are allowed to work for a maximum of three continuous years. The H-2A program does not have any numerical limitations, while the H-2B program is subject to an annual cap of 66,000 positions. The number of visas issued in 2019 for H-2A workers was 204,801, and for the H-2B program, it was 97,623. These figures represent a significant increase compared to 1992 when there were only 6,445 H-2A visas and 12,552 H-2B visas issued (U.S. Congressional Research Service, 2020).

#### *Foreign Workers in Canada*

In recent decades, Canada has implemented migration policies as an effort to promote national development. The migration policies implemented emphasize the recruitment of highly skilled foreign workers who will be integrated into society and granted citizenship status. The recruitment of highly skilled foreign workers is based on the use of a Points System. This system was introduced in 1967 and assesses the job potential of candidates. The Points System has been adjusted to adapt to changes in the labour market, originally focusing only on expertise but now also encompassing formal education qualifications. Additionally, the system evaluates work experience, communication skills in either of Canada's official languages (English or French), demand in specific fields of expertise, job offers from local companies, and more.

The Points System emphasizes the potential of candidates to be integrated into the labour market. The Points System and the migration of skilled workers can be considered successful as they receive general support. However, there are still criticisms regarding the implementation of this system. Employers claim that the Points System is unable to fill job vacancies immediately, especially for short-term needs and demands for unskilled workers who are not considered under this system.

The Temporary Foreign Workers Program (TFWP) was initially introduced in 1973 to recruit highly skilled and specific workers in fields such as academia, engineering, and business. Employer demand for workers in positions that do not require high skills led the government to introduce a pilot project for hiring low-skilled foreign workers in 2002. This project is known as the Pilot Project for Hiring Foreign Workers in Occupations that Require Lower Levels of Formal Training. Low-skilled occupations are defined under the National Occupational Classification (NOC) Class C & D. Class C requires a high school diploma or two years of work experience, while Class D only requires on-the-job training. In 2007, the Expedited Labour Market Opinion (e-LMO) pilot project was introduced to expedite the hiring of workers for 12 urgent occupations. In 2008, it was expanded to include an additional 21 occupations in the construction, hospitality, food services, and domestic cleaning sectors (Nakache & Kinoshita, 2010).

The TFWP is based on employer demand and is not subject to any quotas. The number of permit holders under the TFWP increased from 48,509 individuals in 2002 to 126,816 individuals in 2013 (Government of Canada, 2016). The replacement of local workers with foreign workers has drawn attention to the TFWP. The program has been criticized for providing a temporary method of hiring foreign workers, which has led to pressure on wages, reduced funding for career training, particularly for youth, and exploitation of foreign workers. In an effort to prioritize local workers, the Canadian government approved a maximum work period of four years for foreign workers, and they can only return to work in Canada after four years from the end of the maximum period (4 Years In, 4 Years Out). Starting in 2014, the government also introduced a percentage cap on the employment of foreign workers for specific sectors and prohibited the hiring of foreign workers if the unemployment rate exceeds 6% (Tungohan, 2018).

### *Foreign Workers in Australia*

Migration plays a crucial role in the development of Australia as a nation. Australia traditionally relied on immigration by European settlers. The population of Australia began to increase around 1850 with the recognition of the continent's agricultural potential and the discovery of minerals such as gold. Immigration from Europe remained relatively low in the early 20th century. It was only after World War II that Australia realized the need for a larger population. Migration policies were formulated to increase the population, and a selection system was established. Initially, this selection system focused on the recruitment of British immigrants, but in the 1970s, it was revised based on the Points System model from Canada. This system emphasizes the recruitment of highly skilled immigrants and controls the number of entries.

Australia also introduced a temporary residency program that allows migrant workers to work temporarily. In the Australian context, migrant workers include those who come solely to work and those whose primary purpose is to study or vacation but also work at the same time. This program originally aimed to recruit skilled workers from overseas on a temporary basis, particularly in fields such as information technology, entertainment, sports, and others. Most temporary migrant workers now work in the rapidly growing resources sector as mine workers, in business fields, technical occupations, as well as in manufacturing and service industries. These temporary workers are known as 457 visa holders (457 Temporary Business (long-stay) visa). Workers under this program need to be sponsored by employers, and there is no ceiling or quota imposed on employers. This visa is valid for a period of three months to four years and can be renewed with no set limit on renewals. The number of 457 visa holders has increased significantly, from 25,786 in 1996-1997 to 101,280 in 2008-2009 (Phillips et al., 2010).

Another source of migrant workers in Australia is the working holiday maker (WHM) category, which includes international students and individuals on vacation who also work. Most of these individuals work in the agriculture and tourism sectors. They are a significant source of workers, particularly during harvest seasons. The number of international students in Australia reached 278,180 in 2007-2008 (Phillips et al., 2010). The number of WHM also increased from 79,082 in 2000-2001 to 134,388 in 2007-2008 (Tan et al., 2009). In 2009, the number of migrant workers in Australia reached 900,000, including visitors and temporary visa holders (Tham, 2015). This number does not include New Zealand residents who have the freedom to enter, exit, and work temporarily in Australia.

*Foreign Workers in Germany*

The Federal Republic of Germany, or commonly known as West Germany, was established in 1949. Germany experienced rapid economic recovery and development after World War II. However, Germany faced a serious shortage of labour due to the loss of lives during the war and low birth rates in the 1930s and 1940s. Initially, this shortage was accommodated by ethnic German workers expelled from Eastern Europe who settled in Germany. By the 1950s, Germany faced a significant labour shortage once again. The German government took action by signing bilateral agreements to recruit workers from (Italy, 1955; Turkey, 1961; Morocco, 1963; Portugal, 1964; Tunisia, 1965; Yugoslavia, 1968).

Guest workers/foreign workers recruited under these bilateral agreements were mostly in their twenties and thirties. They came to Germany to work without bringing their families, and most of them worked in the agricultural, construction, manufacturing, and mining sectors. The German government implemented the "*Rotationsprinzip*" principle, which involved fixed-term work contracts for one or two years. These workers were usually placed in workers' dormitories provided by their employers. Following this rotation principle, these workers could be replaced by other workers after their contracts expired. The number of foreign workers reached its peak at 2.6 million people in 1973 (Jurgens & Jurgens, 2017). By the 1970s, public perception began to change, and many people believed that the guest worker program was no longer in line with its original goals. On November 23, 1973, the German government announced that no more unskilled foreign workers would be recruited for jobs exceeding 90 days.

The guest worker program was only reintroduced in the early 1990s. Germany began to experience an influx of unauthorized foreign workers from Poland and other Eastern European countries. To address this issue, various forms of guest worker programs were initiated, allowing approximately 350,000 foreign workers to work temporarily each year. The guest worker programs in the 1990s were more targeted. One of the programs involved German construction companies subcontracting foreign companies for specific construction projects. These companies would provide expertise and workers to complete the projects. These foreign workers were considered subcontracted workers who were temporarily placed to complete the projects. The German government also introduced seasonal foreign worker programs, allowing employers to bring in workers for a maximum of 90 days. The employers provided salary, travel, and accommodation for these workers. Another program allowed workers from Poland and the Czech Republic within a 50km radius of the border to enter Germany to work and stay for no more than two days. The German government also implemented the Green Card program starting in 2000, aiming to attract foreign professionals to work in Germany (Philip, 2002).

*Foreign Workers in the United Kingdom*

Traditionally, the United Kingdom (UK) has distinguished between two categories of migrants allowed to enter the country. Since 1905, the UK has imposed controls on foreign migrants entering the country, while its own citizens, including British colonies, were exempt from restrictions. In 1948, the UK introduced Umbrella Citizenship for British citizens and British colonies. Until 1962, any British citizen or colony member had the right to move and settle in the UK. Starting in the same year, Commonwealth citizens were allowed to work in the UK under a special scheme. This privilege continued until 1973 when the preferential treatment for colonial British citizens was revoked and replaced with workers from the European

Economic Community. However, immigration to the UK remained relatively low from the 1970s to the 1990s.

The government transition in 1997, led by the Labour Party, brought significant changes to immigration policies. From 1997 to 2000, the UK issued work permits to foreign nationals in larger numbers to meet the labour demand from employers. The government also relaxed the requirements for work permit schemes, including the removal of the need for local advertising for skilled labour positions. Quotas for the Seasonal Agricultural Workers Scheme were increased, and sector-based schemes were established, allowing the recruitment of foreign workers if local workers were not available for low-skilled jobs. The Working Holiday Maker (WHM) program, which was initially focused on cultural exchange, shifted more towards a labour market program.

In 2006, the UK introduced the Points-Based System (PBS), modelled after the Australian Points System. This system emphasizes the selection of suitable candidates based on criteria such as education, English language proficiency, and skills. The PBS is divided into 5 tiers that target candidates in different groups. Tier 1 is for highly skilled individuals who do not require sponsorship or a job offer before applying. Tier 2 is specifically for skilled workers, and candidates in this tier are assessed based on educational qualifications, anticipated salary, and whether the applied job is in a high-demand occupation. Except for Tier 1, all other tier applications require sponsorship through a job offer. Tier 3 was intended for unskilled workers and was designed to replace existing unskilled workers. However, it was not implemented as it was not well-received by UK residents. The UK continued to rely on labour from EU countries and believed there was no need for unskilled foreign workers apart from EU citizens. Tier 4 is for students, and Tier 5 is for those working in the creative field, sportspeople, and WHM participants.

#### *Foreign Workers in Korea*

In the 1960s, Korea was a country that annually exported labour, with approximately 30,000 of its citizens migrating to other countries. This migration began to change in the 1980s, and by the 1990s, Korea had become a country that imported labour (Hye-kyung, 1997). The Korean economy experienced continuous growth from the 1970s. The industrial sector expanded in the 1980s, leading to an increase in wages in Korea. This also led to an improvement in living standards and an increase in the education level of the local population. Consequently, local workers began to show reluctance in engaging in 3D (dangerous, dirty, and difficult) jobs. This resulted in a severe labour shortage in labour-intensive sectors such as manufacturing, construction, and mining.

Korea started facing a critical labour shortage, but the Korean government remained firm in not allowing the employment of unskilled foreign workers to meet this demand. This led industries to hire undocumented foreign workers. The majority of undocumented foreign workers originated from China, Southeast Asia, and South Asia, entering Korea as tourists or through visitation visas. In response to the increasing number of undocumented foreign workers, the government introduced the Industrial Trainee System in 1991. This system allowed companies to bring in foreign workers for training and skill development. However, the system was abused to bring in foreign workers to fulfil labour demands. The entry of foreign workers as trainees and their illegal employment as laborers also created space for the exploitation of foreign workers, as they were not protected under labour laws. Some improvements were made to the system, leading to the implementation of the Employment Permit System (EPS) in 2004.



EPS is a system for recruiting foreign workers operated by the government through the Human Resources Development Service of Korea (HRDKorea). Through EPS, bilateral agreements are signed between Korea and source countries. Source countries need to collaborate with HRDKorea for worker selection, qualification validation, and Korean language proficiency tests (TOPIK) management. Information about candidates who pass these exams is submitted to HRDKorea. This candidate information is stored in a database to be matched with the hiring needs of approved employers for foreign worker recruitment. Employers applying for foreign workers must first advertise and attempt to recruit local workers for a period of 3 months before being allowed to apply for foreign workers. The EPS system is also subject to annual quotas set by HRDKorea. Unskilled/non-professional workers hold E-9 visas for non-professional work, and the established quota is 50,000 new workers per sector. As of 2016, approximately 262,000 foreign workers with E-9 visas were working in Korea (Jeon, 2018).

#### *Foreign Workers in Japan*

The situation of foreign workers in Japan has some similarities to the situation in Korea. Both Korea and Japan are countries experiencing population aging and a shortage of labour, but both countries have practiced a policy of closing their doors to unskilled foreign workers. Since the 1960s, Japan has rejected proposals to allow foreign workers. As a result, employers began resorting to the use of illegal foreign workers. The number of undocumented foreign workers exceeded 300,000 in 1993. The number of undocumented foreign workers was reduced by 50% at the beginning of the 2000s through stricter border controls, enforcement operations, and heavier penalties for employers (Chun, 2014).

Policies towards foreign workers only began to change in 1988 when Japan was willing to accept skilled foreign workers. This policy change was driven by the impressive economic growth known as the "bubble economy." The proposal for implementing a work permit system for foreign workers was cancelled due to internal opposition. Instead, the Japanese government allowed ethnic Japanese who had migrated abroad to return and work.

In 1993, the Technical Intern Training Program was introduced. This program allowed for a one-year training period and permitted the trainees to work as "technical interns" for two more years. The intake quota for companies was limited to 5% of the total number of workers and could reach up to 15% considering the three-year work period. In reality, this program allowed "technical interns" to work throughout the program while receiving on-the-job training. Although they were working, they were not officially recognized as workers and were not protected by labour laws. The Japanese Immigration and Refugee Act did not allow for the hiring of unskilled labour, including workers in the agricultural sector, but it allowed for the entry of "technical interns" who were not categorized as workers (OECD/ADB/ILO, 2016). This created opportunities for exploitation and abuse of these "technical interns." Several improvements were made to the program in 2009, recognizing the role of "technical interns" as workers. In 2012, the Japanese government also introduced a points-based system for the entry of highly skilled foreign workers. Japan only allows the entry of skilled workers in 27 designated categories of work under immigration laws that have been approved by the National Diet.

#### *Foreign Workers in Singapore*

Singapore achieved independence in 1965 after separating from Malaysia. The population of Singapore was around 1.4 million people in 1957 and increased to 2.1 million in 1970. Since

the late 1950s, Singapore has faced high unemployment, housing problems, and economic uncertainty. Singapore's strategy shifted towards industrialization, attracting foreign investment through tax incentives, infrastructure development, and strengthening legislation, leading to remarkable success. This success transformed the situation in Singapore from one of unemployment to a situation of labour shortages. The economic growth in Singapore has resulted in labour shortages and has affected domestic wages. In an effort to address this issue, the Singaporean government attempted to increase labour force participation among married local women and allowed the entry of foreign workers (Soon-Beng & Chew, 1995).

To maintain economic growth and competitiveness, Singapore needs to continuously enhance its workforce in terms of skills and work ethics. Singapore has also implemented policies to attract talented and highly skilled foreign nationals to settle in the country. Singapore has a large migrant workforce, with around 1.7 million foreign workers in 2017. On average, the percentage of migrant workers in Singapore's total workforce was around 37% from 2010 to 2017 (Nowrasteh, 2018).

The immigration system in Singapore is based on a two-tier system divided into skilled/professional foreign workers and unskilled/semi-skilled foreign workers. This system is based on the assumption that market power and productivity will determine the categories and number of foreign workers needed. The Singaporean government still plays an active role in managing the entry of foreign workers by imposing controls that affect the cost to employers. The control mechanisms used include quotas through the Dependency Ceiling (DRC) system, which is the ratio between foreign workers and local workers. Different levies are imposed based on the skill level of the workers and the sector of employment, known as the multi-tier levy system. The DRC and levies are periodically reviewed based on macroeconomic factors aimed at enhancing productivity and economic growth. Levies are structured to make companies more efficient in utilizing foreign labour, with companies that exceed the DRC facing higher levies. Companies employing more skilled foreign workers are subject to lower levies. Control is also exerted through different types of work permits based on salary, each with its own privileges.

Tier 1 consists of highly skilled professionals. They are encouraged to work and settle in Singapore. They are also allowed to bring their families and have the opportunity to obtain citizenship. No levies are imposed if the workers hold a degree from a higher education institution and receive a salary of at least S\$3,000. For this category, no quota is imposed, and workers are granted an Employment Pass.

Tier 2 includes semi-skilled or unskilled foreign workers who work temporarily. Foreign workers in this tier are divided into three visa categories. The first visa, known as the S-Pass, is for middle-skilled workers with a diploma qualification, such as technicians, who receive a salary of at least S\$2,000. Unskilled and semi-skilled workers in sectors like construction, manufacturing, or services are given the R-Pass. Workers holding S-Pass and R-Pass visas are subject to levies, required to have health insurance, and their accommodation must be provided by the employer.

### **Implications and Recommendations**

The government's decision to implement the multi-tier levy system is regarded as a proactive measure towards managing the inflow of foreign workers. However, the implementation of this system has encountered delays due to unforeseen circumstances arising from the COVID-19 pandemic. It is recommended that the government proceed with the planned

implementation of the multi-tier levy system once the moratorium on hiring foreign workers is lifted. Historical observations reveal that the government has sometimes exhibited leniency and compromise when confronted with unpopular policy changes, particularly those opposed by industry stakeholders. Thus, it is advised that the government remains steadfast in implementing the multi-tier levy system, even in the face of industry opposition. The industry's resistance may be rooted in challenges related to compliance with the dependency ratio under the multi-tier system, which could potentially impact post-pandemic economic recovery.

One possible approach for the government to consider is disallowing employers who fail to meet the dependency ratio requirement from applying for new foreign worker hires, restricting their applications solely to worker replacements. Worker replacement involves granting approval for the hiring of new foreign workers to fill vacancies left by those who have returned to their home countries. This replacement process is not novel and has been commonly practiced to address workforce gaps resulting from the departure of foreign workers. By adopting this approach, the current level of employed foreign workers can be maintained, allowing companies to sustain their operations at existing capacity. If companies require capacity expansion, they would be incentivized to improve productivity through the adoption of automation or mechanization.

Specific recommendations for the implementation of the multi-tier levy system in the construction sector differ from those in other sectors. In the construction sector, foreign workers are typically categorized as either skilled or unskilled. Such categorization aims to encourage unskilled foreign workers to undergo accreditation and upgrade their skills to become skilled foreign workers. This strategy benefits the industry by enhancing the quality of construction output and enabling employers to pay a lower levy rate. Therefore, it is suggested that the maximum duration of employment for unskilled foreign workers in the construction sector be reduced from the current 10-year period to a more suitable duration. This revised duration should strike a balance between facilitating training and skill development for foreign workers and avoiding an overly prolonged tenure that may discourage them from obtaining certification as skilled workers. By shortening the maximum length of service, foreign workers would experience pressure to pursue accreditation, thereby allowing them to continue their employment in Malaysia. Skilled workers generally receive higher wages, and this wage increase is expected to attract local residents to consider entering the construction sector, particularly in critical areas.

Another recommendation worth considering is refraining from extending permissions for the hiring of foreign workers in the service sector, specifically within the tourism sub-sector. The authorization for hiring new foreign workers in the tourism sub-sector was granted until December 2020, in line with the agreed-upon exit policy date. As of June 2021, the government has yet to make a decision regarding any extension. However, if an extension is to be granted, it should only take effect after the lifting of the moratorium on hiring foreign workers post-pandemic. It is suggested that the government collaborates with industry stakeholders to focus on retraining local residents to fill job vacancies within the tourism sub-sector upon its reopening. Research findings indicate that the number of foreign workers in the sub-sector is not excessively high and can reasonably be replaced by local residents, particularly considering the significant number of locals who have experienced income loss during the COVID-19 pandemic. These proposed recommendations are grounded in their feasibility and aim to reduce reliance on foreign workers while benefiting the country and its citizens as a whole.

**Conclusion**

Foreign workers represent a valuable labour resource that can significantly contribute to a country's development. These workers migrate to host countries primarily for economic reasons and actively participate in the host country's workforce. The phenomenon of foreign worker influx is observed in both developed and developing countries, and Malaysia is no exception. However, each country adopts distinct policies regarding the admission and control of foreign workers. While some countries exclusively permit the recruitment of skilled workers and offer pathways to naturalization, others, such as Korea and Japan, have historically practiced a restrictive approach towards unskilled foreign workers but later adjusted their policies in response to supply and demand dynamics. The necessity to modify policies to regulate the inflow of foreign workers is a common trend observed in many countries, despite potential conflicts with existing migration policies. It is imperative for governments to strike a delicate balance between the interests of various stakeholders, including the general public, industries, and political entities. In the context of Malaysia, foreign workers are predominantly employed for temporary work to fulfil the labour demands of the domestic market. The number of foreign workers in the country remains consistently high, indicating a certain level of dependency on foreign labour. Considering the practices and policies of developed countries that prioritize the utilization of skilled labour to drive economic growth, and in view of Malaysia's reliance on foreign workers, it becomes necessary to review and revise the procedures for controlling the entry of foreign workers. Although Malaysia shares similarities with Singapore in terms of demographic and policy landscapes, there are differences in quota-setting norms, with Malaysia adopting a different approach compared to Singapore's Dependency Ratio Ceiling (DRC) and multi-tier levy mechanism. The Organization for Economic Co-operation and Development (OECD)/Asian Development Bank Institute (ADB)/International Labour Organization (ILO) (2016) has reported that the Singaporean government uses such control measures to incentivize industries to enhance their technological capabilities. Additionally, the government employs the data derived from these control measures to adjust company quotas based on macroeconomic factors and evolving market conditions. Malaysia can consider implementing control measures similar to those in neighbouring countries. However, prior to implementing any changes, an in-depth exploration of the factors influencing the country's reliance on foreign workers is essential. While previous studies have examined the effects of foreign worker presence, both positive and negative, there exists a research gap regarding the determinants of dependency on foreign workers. Future research endeavours should focus on conducting a comprehensive analysis of guidelines governing the regulation of foreign worker influx, taking into account the interests of all pertinent stakeholders, including employers, the government, and the workers themselves.

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