

Variations in Foreign Labor Policies: A Comparative Analysis of Malaysia and Singapore

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Abstract. This comparative study delves into the foreign labor policies of Malaysia and Singapore, two prominent host countries for foreign workers in Southeast Asia. Despite their historical, cultural, and developmental similarities, these nations exhibit variations in the efficiency of their foreign labor policies. Employing the Most Similar System Design (MSSD) approach, this research explores three key explanatory variables: economic factors related to industrial structures, differences in governance systems, and cultural backgrounds. The study finds that these factors significantly shape the formulation and effectiveness of foreign labor policies. The analysis reveals that Singapore outperforms Malaysia in leveraging foreign worker policies to drive economic transformation, enhance competitiveness, and manage the impact of foreign labor. Factors contributing to this discrepancy include the divergence in industrial structures, variations in governance systems, and the influence of cultural backgrounds. Singapore's unitary system, focus on high-skilled foreign workers, and non-racial political landscape contribute to its policy efficiency, while Malaysia's federal structure, lower-skilled labor demand, and communal politics impact its policy effectiveness.

1 Introduction

The international community has witnessed a significant rise in cross-border labor migration, a phenomenon marked by its widespread nature and accompanying controversies. This movement of labor across borders often gives rise to complex migration issues between labor-sending and labor-receiving countries. Therefore, understanding the factors influencing the development and implementation of foreign labor policies in destination countries holds paramount importance for addressing these migration challenges. This paper undertakes a comparative study of Singapore and Malaysia, both prominent host countries for foreign workers in Southeast Asia, sharing historical, cultural, and developmental similarities. While these nations possess similar overarching frameworks for foreign labor policies, differences in policy efficiency exist. Notably, research in the field of foreign labor policies has historically focused on Western countries, leaving a gap in understanding non-Western contexts, making the selection of these two countries particularly valuable.

To elucidate the variations in policy efficiency between Malaysia and Singapore, this study employs the Most Similar System Design (MSSD) approach. Three key explanatory variables are considered: economic factors related to industrial structures, differences in governance systems, and cultural backgrounds. It is posited that these factors significantly influence the formulation and, consequently, the efficiency of foreign labor policies. This paper will begin by outlining the evolution and key com-

ponents of foreign labor policies in both countries, followed by an analysis of the disparities in policy efficiency. Subsequently, the study will delve into the identified variables and their respective impacts on policy efficiency. Finally, the paper will conclude with a summary and directions for future research.

2 Evolution of Foreign Worker Policies in Malaysia

2.1 Admission Policy

The primary legislation governing foreign worker admission and management in Malaysia is the Immigration Act of 1959/63. This act establishes the fundamental legal framework for the entry criteria, conditions, and procedures for foreign workers in Malaysia. Initially, in 1968, Malaysia passed the Employment Restriction Act, introducing work permits as a prerequisite for non-citizens to enter the labor market. Consequently, only skilled non-citizens were allowed to work in the country. Notably, non-citizens had no employment rights, irrespective of their previous ties to or residence in Malaya. This stringent stance mandated that non-citizens without citizenship must leave or face deportation.

Moreover, Malaysia has adopted a "dual-track" system, distinguishing between high-skilled and business migrants and lower-skilled workers, thereby imposing more stringent criteria for foreign workers.

2.2 Immigration Control Policies for Illegal Workers

Managing illegal workers has been a significant challenge in Malaysia since the 1980s. The nation's commitment to labor-intensive industries led to a substantial demand for foreign labor. Economic growth outpaced the expansion of the domestic labor force, leading to the emergence of illegal immigration. Additionally, after the 1997 Asian financial crisis, Malaysia became less receptive to foreign workers due to concerns about job displacement and rising crime rates[4].

To address this issue, the Malaysian government implemented various initiatives, including arrest, detention, registration, repatriation, and legalization. Amnesty and legalization programs have been instrumental in dealing with illegal immigrants, with approximately 1.3 million illegal foreign workers participating in a 2013 amnesty program[5]. Notably, the government has improved immigration enforcement with biometric capabilities, more detention centers, and regular roundups of irregular migrants. In 2008, color-coded identity cards based on employment sectors were introduced to enhance detection and deter illegal workers from staying in Malaysia.

3 Evolution of Foreign Worker Policies in Singapore

3.1 Admission Policy

Singapore's deployment and regulation of foreign laborers are governed by key parliamentary acts, including the Immigration Act, the Employment of Foreign Workers Act, and the Penal Code. The Immigration Act provides the framework for handling immigration violations. The Employment of Foreign Workers Act regulates the hiring of foreign laborers through visas, employment passes, work permits, and foreign levies. The Employment Agencies Act ensures that hiring companies adhere to state-determined charges, while the Penal Code outlines penalties for non-payment and mistreatment of employees.

In 1966, Singapore enacted the Employment of Foreign Workers Act, leading to a significant influx of low-skilled foreign workers from Malaysia between 1970 and 1981[8]. During this period, Singapore pursued a relatively liberal foreign labor policy, particularly for Malaysian workers[9]. Notably, restrictions on foreign workers were primarily imposed through work permit systems and labor taxes on foreign workers in specific industries. Presently, Singapore's work pass system distinguishes between

high- and low-skilled foreign workers, with three main categories of work permits: WP, S, and EP[10].

3.2 Immigration Control Policies for Illegal Workers

Singapore's measures against illegal labor immigration are primarily directed at employers. The Labor Inspectorate and the Ministry of Manpower's Foreign Manpower Management Division enforce regulations related to foreign worker employment protection. Strict enforcement against employers hiring illegal workers has significantly contributed to effective control over foreign labor. Immigration and Border Control conduct special operations to combat illegal immigration, and during the COVID-19 pandemic[7], technology has been utilized to enhance checkpoint security and detect individuals attempting unlawful entry.

4 Contrasting Foreign Worker Policies in Malaysia and Singapore

Singapore consistently maintains a higher level of governance compared to Malaysia, leading to a notable alignment of policies between the two nations, particularly in the domain of foreign labor policies[6]. The review of foreign worker admission, illegal worker control, and labor protection policies in both countries highlights several commonalities. Firstly, both nations have established foreign worker quota systems and tax structures to regulate the number, categories, sources, and industries of foreign labor. Secondly, Malaysia and Singapore share a commitment to curbing the influx of illegal workers, employing various strategies to strengthen border controls and address illegal immigration effectively. Thirdly, concerning labor rights protection, both countries have similar legal frameworks governing foreign workers' wages, working hours, holidays, and working conditions.

However, the difference in policy efficiency between Malaysia and Singapore is striking within this shared regulatory framework. Singapore outperforms Malaysia in utilizing foreign worker policies to drive economic transformation, enhance economic standards[5], and competitiveness, and manage the negative consequences of foreign labor. To provide a more specific assessment of policy efficiency in both countries, this paper evaluates consistency in the legal system, policy formulation equity, flexibility in foreign labor control, and policy implementation capacity. The primary distinctions are summarized in the table below:

Aspect	Malaysia	Singapore
Consistency of the Legal System	The legal system exhibits little consistency, with varying regulations on foreign workers across federal and state levels.	Singapore boasts a nationally consistent legal system for immigration governance due to its unitary state structure.
Discrimination in Policy Formulation	Malaysian laws and policies tend to be more discriminatory in their treatment of illegal workers.	Singapore prioritizes fairness in protecting foreign workers' rights, treating most foreign workers, excluding domestic workers, in line with national workers[2].
Flexibility of Foreign Labor Control Policies	Malaysia's foreign worker policy leans towards inflexibility, favoring restrictive measures to regulate foreign worker numbers and sectors[3].	Singapore adopts more flexible policy instruments, primarily relying on a cap on the proportion of foreign workers and labor levies to adjust the foreign workforce size.
Ability to Implement Policies	Malaysia's policy implementation capacity is weaker and susceptible to non-economic factors influenced by complex political, social, and ethnic issues[4].	Singapore exhibits a strong policy implementation capacity, with less influence from political factors.

Figure 1: Distinctions in Foreign Worker Policies between Malaysia and Singapore.

These differences emphasize Singapore's superior policy efficiency in foreign labor management, resulting from a more consistent legal system, fairer policy formulation, greater policy flexibility, and enhanced implementation capacity compared to Malaysia.

5 Comparative Analysis

The disparity in foreign worker policies between Malaysia and Singapore, as illustrated in Figure 1, prompts an in-depth exploration of the explanatory variables contributing to this divergence using the Most Similar System Design (MSSD) approach.

5.1 Case Selection

The Most Similar System Design (MSSD) aims to investigate why two seemingly similar countries exhibit differences in the efficiency of their foreign worker policies. I illustrate the commonalities and divergences between Malaysia and Singapore in terms of control variables, explanatory independent variables, and the dependent variable.

5.1.1 Control Variables:

Location: Both Malaysia and Singapore are located in Southeast Asia, sharing a geographical region.

Political System: Both countries adhere to a constitutional monarchy as their political system.

Colonial Background: Malaysia and Singapore share the historical experience of being colonized territories in the past.

Multiculturalism: Both nations are characterized by multiculturalism, reflecting diverse ethnic and cultural backgrounds among their populations[9].

5.1.2 Explanatory Independent Variables:

Economy: Industrial Structure: Malaysia predominantly relies on primary and secondary industries as its main economic sectors, whereas Singapore's economy revolves around the tertiary sector.

Form of Government: Malaysia operates under a federalist system, whereas Singapore has a unitary system[1].

Cultural Background: Malaysia's political landscape is influenced by Community Relations and party politics, while Singapore's politics is characterized by its non-racial, multi-ethnic approach.

5.1.3 Dependent Variable:

The dependent variable in this study is the efficiency of foreign labor policies, which can be categorized as low or high based on their effectiveness and outcomes.

The choice of control variables underscores the fundamental similarities between Malaysia and Singapore, including their geographical location, political system, colonial history, and multicultural societies. These shared attributes form the basis for the MSSD investigation.

6 Influence of Explanatory Variables on the Dependent Variable

6.1 Economy: Industrial Structure

The dissimilarity in industrial structures significantly contributes to the divergence in foreign labor policies between Singapore and Malaysia. Malaysia's economy heavily relies on primary and secondary industries, with a substantial share of agricultural and industrial sectors, while Singapore places greater emphasis on the tertiary sector, particularly services[7]. This economic contrast directly influences the type of foreign labor required in each country.

In Malaysia, the demand for low-skilled and semi-low-skilled labor is predominant due to its industrial composition. In contrast, Singapore's economy necessitates technical and managerial personnel with medium to high skills. Consequently, Singapore has adopted policies that prioritize the protection of foreign workers' rights and offer preferential treatment to highly skilled foreign workers to attract talent. Singapore's immigration policies are designed to facilitate the integration of high-skilled foreign workers into the local community.

Conversely, Malaysia faces challenges in obtaining permanent resident status for highly skilled foreign workers. Its

policies often mandate temporary foreign workers to leave the country upon the expiration of their work visas, making it challenging for them to obtain permanent residency, marry locals, or renew their employment. The policy framework in Malaysia is less accommodating for high-skilled foreign workers.

6.2 Form of Government

The form of government plays a crucial role in shaping foreign labor policies. Malaysia's federal constitutionally elected monarchy comprises states with varying powers, leading to a lack of consistency and implementation in foreign labor policies. The decentralized structure results in inefficiencies in policy formulation and execution[6].

In contrast, Singapore boasts a simpler unitary system, with a consistent and systematic foreign labor policy regulated by the central government. The Constitution of Singapore establishes the government's structure and responsibilities, resulting in a uniform national immigration policy enforced by the Ministry of Manpower. Singapore's stronger central government and absence of the need to balance central and local relations contribute to the effectiveness and consistency of its immigration policies.

6.3 Cultural Background

Cultural background also significantly influences foreign labor policies in both Malaysia and Singapore. In Malaysia, race-based multi-party politics, particularly the influence of UMNO (United Malays National Organization), which represents Malay interests, has shaped the political landscape. In this communal political environment, where "Malays first" is a prevalent sentiment, the government prioritizes the interests of the local population, especially Malays, in foreign labor policy formulation. This cautious approach aims to prevent job displacement among Malays and potential opposition.

Party politics based on race relations is at the core of Malaysia's foreign labor policies, leading to a discriminatory nature in favor of Malays and differentiation in the treatment of foreign workers compared to national workers[8].

Conversely, Singapore's foreign labor policy is also influenced by party politics, especially during election years. However, Singapore's policy landscape is characterized by racial pluralism and the dominance of the People's Action Party (PAP), which practices non-racial politics. This environment fosters harmonious relations among various ethnic groups and minimizes the politicization of foreign labor policies. As a result, Singapore's foreign labor policy is less political, ensuring continuity, efficiency, and fairness towards foreign workers.

These explanatory variables—economic structure, form of government, and cultural background—profoundly impact the efficiency and nature of foreign labor

policies in Malaysia and Singapore, elucidating the differences in their approaches and outcomes.

7 Conclusion

Foreign labor immigration policies exert significant influence not only on the economic development of the host country but also on global stability. The examination of the evolution of foreign worker admission policies, controls on illegal worker immigration, and labor rights protection in both Malaysia and Singapore highlights both commonalities and distinctions in their approaches.

The comparative analysis clearly demonstrates that Singapore's foreign labor policy is more effective and efficient than Malaysia's. This study, employing the Most Similar System Design (MSSD), reveals that the primary factors contributing to this disparity are the industrial structure, form of government, and cultural background of each nation.

In the future, further research should build upon the findings of this study to explore strategies for enhancing the efficiency of foreign worker policies. These improvements should aim to strike a balance between fostering socioeconomic development and preserving social stability in host countries, recognizing the pivotal role of foreign labor policies in these aspects.

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