

Labour Policy in Post-Covid-19 Malaysia: Crisis Responses, Structural Reform

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I. Introduction

Malaysia's labour policies and institutions have tended to lag behind international standards and the expected attainments of an upper-middle-income country on the cusp of high-income status. Notably, the country has sustained low unemployment rates but real wages also remain persistently low. Recent years have seen both a flourish of change that have advanced the catch-up process—but also exposés of shortcomings, particularly forced labour conditions, which emphatically show the distances still to cover toward the national aspiration of a high-skilled, high-productivity, high-wage economy offering decent work and quality of life.

Malaysia's passage through Covid-19 and economic shutdown demonstrates the mix of progress and stasis that characterizes the country's labour policies, with substantial job protection and wage support that mitigated higher unemployment, while forced labour and dismal work and living conditions of migrant workers also came to public prominence. National household survey data show declining household income inequality over the past decade and a half, and official labour statistics report steeper wage growth in elementary occupations alongside moderate growth in production and service jobs—consistent with policy interventions at the bottom end but weak worker bargaining power. Malaysia faces myriad and complex post-pandemic challenges, but has institutional groundwork and policy roadmaps to build on, including the National Action Plan on Forced Labour (NAPFL) and recently amended progressive employment legislation.

This paper provides an overview of Malaysia's labour policies, with particular attention to developments of the past decade. I survey the main legislative and policy landmarks, with some discussion of their distinctive features and limitations. I then consider Covid-19 impacts and policy responses in 2020–2021—with a focus on unemployment and wages—and unpack the forced labour issues, predominantly affecting migrant workers, that simultaneously came to the fore. The paper concludes with discussion of the dynamics of positive change and systemic hurdles, broadening the perspective again to structural features of Malaysia's labour regime and potential areas of reform.

II. Malaysia's labour policies and institutions: Overview and recent landmarks

Malaysia's record of labour policies and institutions is one that has generally lagged behind international norms and the practices of comparable countries. Undoubtedly, the country has progressed in raising labour standards and worker protections, but at a slow pace and often in a selective manner. A broader and more complex history of repression against organized labour and the political left, which heightened in the 1960s,

pre-empted the labour movement that was making inroads into Malaysian society and polity. Amid rapid and sustained economic growth from the 1960s through to the 1990s, Malaysia contained unionisation, curtailed worker welfare-enhancing legislation on matters such as work hours and maternity leave, and resisted minimum wage and unemployment insurance on the grounds of their interference with ‘market forces.’ Trade unions have been restricted by immense power vested in the office of the Director-General of Trade Unions—including broad discretion over registration and deregistration—and curbs over industrial action, as well as a policy decision in the early 1980s to adopt in-house unions rather than industry or occupational unions.

Influxes of foreign migrant labour from the 1980s prompted a policy to be formulated and a work pass system introduced in the early 1990s—but with inconsistent practices (Kaur 2014, Lee and Pereira 2023). A notable illustration is Malaysia’s enforcement of the worker levy, which at its inception in Malaysia was meant to be paid by employers according to the policy’s principle, but subsequently became deducted from employees’ wages—first as a noncompliance due to weak enforcement and later as a practice explicitly permitted by the government. The government would later, in the face of public pressures, revert back to requiring employers to pay the levy, but the practice of wage deductions arguably contributed to a labour regime that perpetuates worker debt and forced labour conditions.

The post-2010 period has witnessed more positive developments. Table 1 surveys some important landmarks of the past decade, beginning with the enactment of minimum wage legislation, specifically the National Wages Consultative Council Act 2011, and its rollout in 2013–2014. While rather late in arrival, behind Southeast Asian neighbours and lower-income economies such as Indonesia and Cambodia, the introduction of minimum wage was a significant move that bolstered wage growth and mitigated working poverty.

Malaysia also deepened its social protection institutions in the subsequent years, with the extension of SOCSO (Social Security Organization) benefits to the self-employed in 2017, and to migrant workers in 2019. This paper adopts the UN definition of a migrant worker as “a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national.”¹ SOCSO, established in 1971, primarily provides insurance for injury, disability or death incurred at work or travelling for work, in the form of lump sum payments, allowances, therapy, and other expenses. For decades, eligible employees—Malaysians earning below a threshold wage level—would maintain SOCSO membership through monthly contributions by employee and employer. The Employment Insurance System (EIS), also funded by employee’s and employer’s monthly contributions, was established to provide benefits to the unemployed, in the form of allowances and job search and placement services. Like SOCSO, EIS was initially limited to Malaysian citizens and permanent residents, but also made mandatory for non-citizen employees in 2019. In the same year, Malaysia also amended the Employees’ Minimum Standards of Housing, Accommodations and Amenities Act (previously named Workers’ Minimum Standards of Housing and Amenities Act). The new, enhanced version retained employers’ health and hygiene obligations, including transportation of sick employees to hospitals, and more consequentially required employers providing worker living quarters to obtain a Certificate for Accommodation (Low 2021a).

On the labour regime that governs worker voice and organization, as well as rights, fairness and access to justice particularly for migrant workers, Malaysia has undertaken a broader review, prodded by the 2016 Labour Consistency Chapter with the US, as part of the Trans-Pacific Partnership. The overarching goal has been to more closely align Malaysia’s institutions and practices with ILO standards, and to redress the persistent problem of forced labour and human trafficking. Poor labour standards and weak enforcement of

1. This migrant worker definition was articulated in the *1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families*.

labour laws, by lowering the bar and allowing for exploitative migration and employment, constitute rights violations and drag down work conditions and wages for all.

In 2019, the government with the Malaysian Employers' Federation and the Malaysian Trades Union Congress signed a tripartite MoU (Memorandum of Understanding)—the Decent Work Country Program (DWCP) 2019–2025—with guidance of the International Labour Organization (ILO 2020). Decent work, as defined by ILO, is work that is “productive and delivers a fair income, security in the workplace and social protection for families,” provides for “personal development and social integration” and “equality of opportunity and treatment for all.” The MoU commits to promoting “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all,” based on three priorities: (1) Rights at work—promoting and protecting rights at work; (2) Future of work—strengthening national capacities to meet the needs of current and future work; (3) Labour migration—strengthening labour migration governance.

Table 1. Major Malaysian labour legislation and policy (2013–2023)

Law / Policy	Year	Notes
Minimum wage law	2013–2014	<ul style="list-style-type: none"> • Minimum wage rate reviewed every two years, in 2022 raised quite steeply: MYR1,100 to MYR1,500 per month • Applicable to all except domestic workers
Social Security Organisation (SOCSO)—work-related injury and travel insurance	2017 2019	<ul style="list-style-type: none"> • Exempted: government employees, domestic workers • Extended to self-employed taxi drivers and similar services • Extended to migrant workers
Employment Insurance System—for unemployed with EIS account	2018 2019	<ul style="list-style-type: none"> • Benefits: allowance, job search and placement <ul style="list-style-type: none"> • Start of operations • Extended to migrant workers
Employees Minimum Standards of Housing Act amendment	2019	<ul style="list-style-type: none"> • Requirement for accommodation license and more formalized obligations and enforcement • Enforcement postponed repeatedly throughout Covid-19—latest enforcement: January 2023
Labour outsourcing	2019	<ul style="list-style-type: none"> • Termination of labour outsourcing licenses, for the purpose of eliminating third-party recruitment • Evidence of third-party recruitment continually found
Decent Work Country Program	2019	<ul style="list-style-type: none"> • Memorandum of Understanding between Malaysian government, business and labour
National Action Plan on Forced Labour (NAPFL)	2021	<ul style="list-style-type: none"> • Comprehensive plan for eliminating forced labour by 2030 • Formulated through tripartite engagement with ILO direction
Employment Act amendments	2022	<ul style="list-style-type: none"> • Law applicable to all wage levels (previously employees earning below MYR2,000/month) • Work hours reduced from 48 to 45 per week • Maternity leave extended to 98 days; paternity leave introduced • Employees may request flexible work arrangements; employers must respond within 60 days • Forced labour prohibited, but narrowly defined • Discrimination prohibited, but with unclear terms of reference and scant resource for the Director-General of Labour to monitor/enforce
Trade Union Act amendment	2022	<ul style="list-style-type: none"> • Multiple union membership allowed; reduced discretionary powers of Director-General of Trade Unions • Bill passed by House of Representatives, awaiting Senate endorsement (subject to amendments)

Sources: Lee and Zhang (2023), with author's updates and additions.

Malaysia established further labour policy landmarks, after Covid-19 caused a slowdown on this front. The government launched the National Action Plan on Forced Labour (NAPFL) 2021–2025 in November 2021, while renewing the National Action Plan on Trafficking in Persons (NAPTIP 3.0, 2021–2025) which had started in 2011 (Ministry of Human Resources 2021). Various Employment Act amendments, including redefined working hours from 48 to 45 per week and maternity/paternity leave provisions, were signed into law in March 2022, and parliament passed the Trade Union Act amendment bill which reduces restrictions on union formation and activity (see Table 1 for further information). At the same time, the government conceded to business appeals for deferral of implementation, on the grounds that economic conditions continued to impose financial stress. The effective date of the Employment Act amendments was thus postponed from September 2022 to January 2023.

III. Covid-19 impacts and responses

Malaysia responded to Covid-19, as with much of the world, by imposing mobility restrictions, the severest of which was the nationwide Movement Control Order (MCO) of March–June 2020 that locked down in-person economic activity except for essential services. Subsequent Conditional MCOs and Emergency MCOs were regional in scope and allowed for production with limited capacity and social distancing. Large swathes of the economy shifted to remote working; however, the labour market repercussions were immense, with retail, restaurants and tourism enduring the severest downturn, while other sectors were also adversely struck by cuts in output and earnings and the contraction in global supply chains. Malaysia suffered a staggering 17.1% drop in GDP in 2020-Q2. Correspondingly, national unemployment rose from 3.2% in 2019-Q4 to 5.1% in 2020-Q2. The patterns based on age group are noteworthy; the 25–34 age bracket experienced the steepest increase, from 2.9% to 5.2%. Youth unemployment, conventionally referring to 15–24 year-olds, is consistently highest—largely due to the frictional factors of new labour market entry and higher job turnover—and also increased from 9.9% to 12.5%. Notably, unemployment also rose among older workers (55–64 years old), arguably due to re-entry of senior workers into the labour force in the wake of income losses (Figure 1).

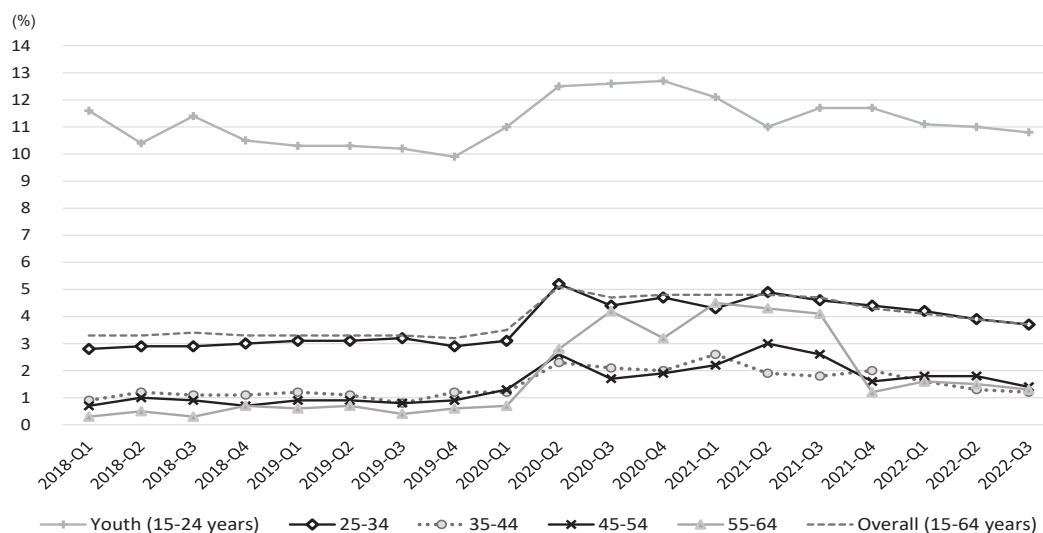
On the whole, the rise in unemployment can be considered modest, and can be attributed to job protection policies, most saliently the wage subsidy. Surveys showed that many firms and self-employed persons struggled to stay afloat, particularly during the MCO national lockdown. This intervention, which commenced soon after the imposition of the MCO, buffered micro, small and medium firms by covering a portion of wages per employee for which the assistance was sought, with higher priority to low-wage workers. Micro and small enterprises applying for the subsidy were granted automatic approval, while medium-sized enterprises (based on the number of subsidies claimed, not total employees) were required to show loss of income due to the pandemic. Nonetheless, unemployment still rose by about two percentage points—and slowly but steadily recovered, although by end 2022, at 3.7% it remained above the pre-pandemic level of 3.3%.

Two other aspects of the unemployment consequences of the Covid-19 recession of 2020 should be registered. First, job displacement of migrant workers is assuredly undercounted, but the magnitude is difficult to ascertain. The migrant worker population in Malaysia is fraught with uncertainty, due to the number of undocumented workers, of which estimates range from 1.2 million to 3.7 million. Pre-Covid-19, the number of work passes stabilized at around 2.0–2.2 million in 2016–2019. The Labour Force Survey (LFS) is Malaysia's principal source of labour force and employment data, does not exclude undocumented workers, but is based on household sampling that omits dormitories and work sites where large numbers of

migrant workers reside. The LFS generated a total foreign worker estimate of 2.24 million, slightly exceeding the work pass count of 1.99 million—a figure precisely obtainable from the government’s registry. In light of the clear undercounting of migrant labour, we may deduce that the Covid-19-induced rise in unemployment as calculated from the LFS is also undercounted. Moreover, many work passes were not renewed and the workers returned to their home countries, evidenced in the precipitous decline in total passes from 2.0 million in 2019 to 1.4 million in mid-2020, and 1.2 million by October 2022. Had many formerly employed migrant workers remained in Malaysia, the unemployment rate would likely be significantly higher.

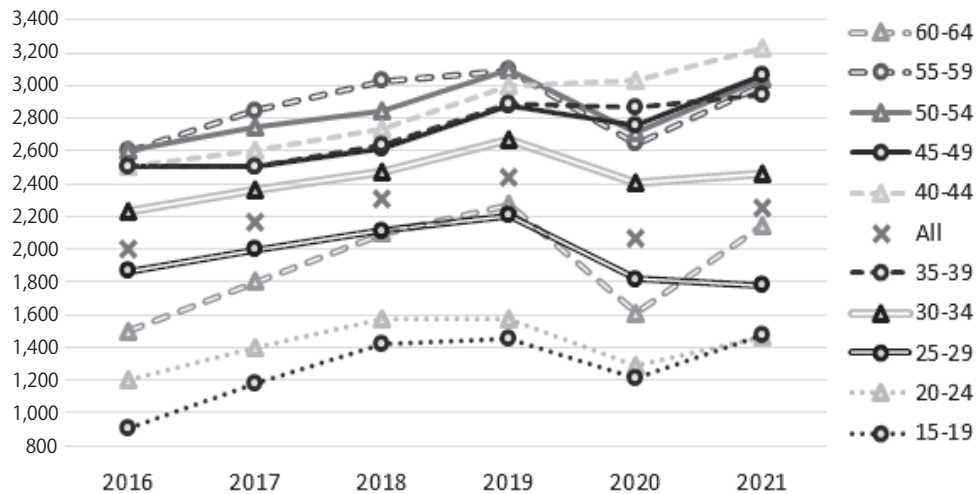
Second, another noteworthy development concerns the utilization of the EIS, which turned out to be very timely given its start of operations in 2018. However, EIS uptake was distinctly low relative to the increase in unemployment, during March–May 2020 at the height of national lockdown. More claims came forth from June 2020 onwards, which suggest either a lagged effect or inadequate awareness or willingness to claim EIS benefits—an outcome that warrants further inquiry (Lee and Zhang 2023).

The economic downturn expectedly translated into declining wages. Figure 2 shows the data, which are only available on an annual basis from the *Salaries and Wages Survey Report*. Due to the survey sampling’s exclusion of non-citizens, the actual decline is presumably more significant than reflected in these official statistics. Nevertheless, this data resource remains the most authoritative and nationally representative, provided the findings are read within context. Similar to the age-delineated pattern of unemployment, wages were also impacted more at the upper and lower ends. Senior workers (above 50 years old) saw median wage drop considerably in 2020, followed by a steady recovery in 2021, although they had mostly still not returned to 2019 levels. Meanwhile, median income for those aged between 35 to 49 saw negligible decline in 2020—some age brackets even enjoyed continuous wage growth across the 2016–2021 interval. There was a sharp drop in median income for workers below the age of 35. The decline is concerning for the 15–19 and 20–24 age groups since they have a low starting base, although these groups rebounded quite decisively in 2021. The most worrying trend, however, pertains to the 25–29 bracket, which registered a net decline across the past five years.



Source: Author’s compilations from DOSM’s *Labour Market Review*.

Figure 1. Malaysia: Quarterly unemployment rate, by age (2018–2022)



Source: DOSM (2022).

Note: 2010 base year.

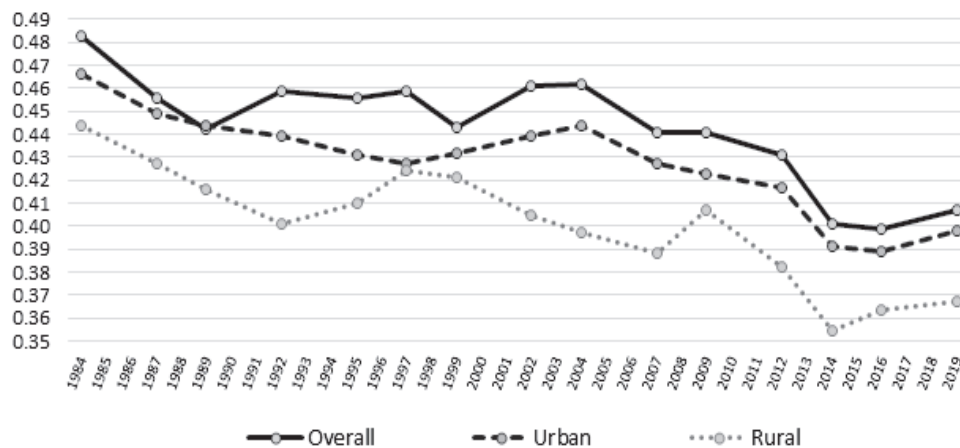
Figure 2. Malaysian employees real median salary (currency: MYR per month), by age (2016–2021)

In the wider context of labour standards and worker well-being and rights, Malaysia came under intense negative scrutiny in 2019–2021 on forced labour and human trafficking. The issues have been brewing for years, and are not necessarily triggered by Covid-19—albeit, arguably, exacerbated by overwork and residential overcrowding as rubber glove manufacturers desperately sought to meet the spike in demand. Nevertheless, US government import bans on prominent rubber glove manufacturers and oil palm producers, and a fall from Tier 2 Watch List in 2018–2020 to Tier 3 in 2021–2022 according to the US Trafficking in Persons Report, served as a wake-up call for Malaysia to take more decisive action, and also to engage critically on the issue rather than reactively dismiss it as the government tended to do previously (Lee and Pereira 2023). News reports and academic research in response to forced labour allegations have underscored the persistence of poor housing, unpaid overtime and worker debt, as well as third-party recruitment or labour outsourcing (Bhutta et al. 2021) which has contributed to the lack of accountability of employers toward employees.

IV. Structural problems

Wage distribution and persistent low wage levels

Wages and earned income, as the primary source of household income, is the most consequential labour market outcome. The distribution of workers' wages and household income bear immense socioeconomic importance, and the most authoritative reference for inequality derives from Malaysia's nationally representative Household Income Survey (HIS) conducted twice every five years. Official statistics computed from the HIS, chiefly the Gini coefficient of gross household income, show marked decline in inequality over the past 15 years (2004–2019). As shown in Figure 3, the downward trend is driven by inequality within urban areas, where 75% of Malaysia's population reside and where labour institutions affecting wage employment predominantly take effect—whereas self-employment and informal activities have a comparatively larger presence in rural areas. The decline in urban inequality and overall inequality in Malaysia appears to buck the opposite trend reported in many countries.



Source: DOSM (2020).

Note: Malaysian citizens only.

Figure 3. Malaysia: Gini coefficient of gross household income, by area type (1984–2019)

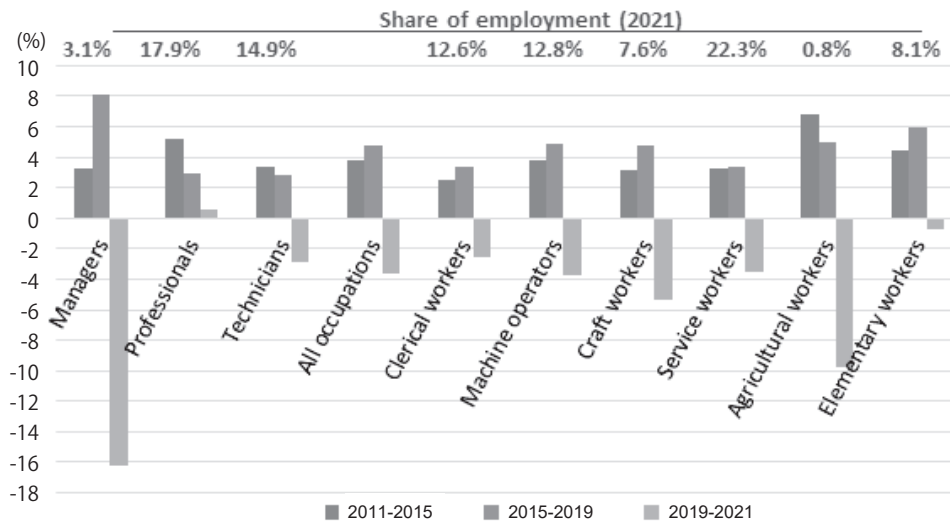
The HIS datasets are not availed for research and independent verification, thus little is known about the factors explaining changes in distribution. However, Malaysia's introduction of minimum wage, along with expansion of social transfers and mass higher education which lowers the earnings premium on diploma and degree qualifications, render the official account of declining inequality distinctly plausible—even if the precipitous decline in the 2012–2014 interval is questionable (Lee and Choong 2021).

Inequality of wages or personal earnings has not been empirically investigated. National survey data, chiefly the HIS which contains the relevant data as well as the *Salaries and Wages Survey* of employees, are not accessible for research. Nonetheless, statistics published in the *Salaries and Wages Survey Reports* provide some insight on wage distribution, via comparisons between occupational groups. Figure 4 shows average annual growth in real wages for three periods: 2011–2015, 2015–2019, and 2019–2021 which corresponds with the pandemic-induced downturn and post-pandemic recovery.

The growth rates indicate that in the decade preceding Covid-19, higher growth was enjoyed at the top end, among managers, and the bottom end, with elementary workers and agricultural workers experiencing relatively high growth—latter boosted by commodity prices. Muthusamy, Khalidi and Abu Rahim's (2023) analysis of pre-pandemic wage growth by deciles similarly finds evidence of sluggish wage growth in the middle of the distribution and relatively higher growth at the top and bottom ends. The patterns in Figure 4 concur with the focus of policy intervention, particularly statutory minimum wage and the wage subsidy, on the lowest paid workers of which elementary workers are the most pertinent occupational group, while conditions also favored managerial earnings growth. However, managers (which include the self-employed) and agricultural workers experienced higher volatility on the downside, with steeper declines from 2019 to 2021. In this vein, there are grounds to expect elementary workers to experience steeper wage gains in 2023, on the back of a large increase in the minimum wage rate. Of course, there are operational drawbacks, such as the reversion to a single, nationwide rate instead of variations by region or urban-vs-rural location which would enhance the policy instrument's benefits to urban workers via higher minimum wage rates (Lee and Zhang 2023).

These wage growth patterns reflect workers' weak bargaining power, notably of service workers, who

constitute a large section of employment in Malaysia's service-based economy and for whom low-wage interventions such as minimum wage have only indirect, "ripple" effects, likely of marginal magnitude. The state of wage bargaining institutions, in general, is relatively underdeveloped in Malaysia compared to advanced high-wage economies (Muthusamy and Wickstrom 2022). Another conspicuous pattern concerns the relatively slower growth for professional and technical workers in the 2015–2019 interval, along with less wage loss in 2019–2021—indeed, on average, professionals maintained wage growth despite the pandemic.

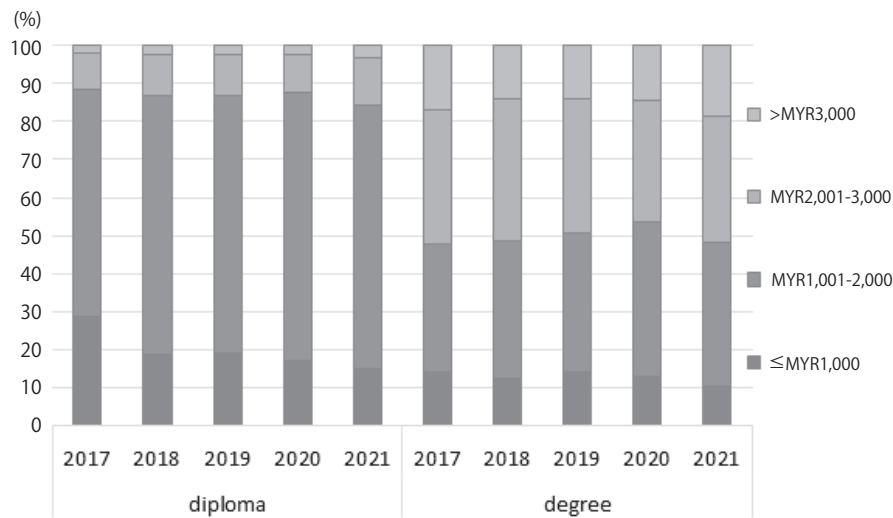


Source: Author's calculations from DOSM (2022).

Notes: Mean wage, 2010 base year; occupations sorted from highest to lowest wage in 2021.

Figure 4. Malaysian employees' annual real wage growth, by occupation (2011–2021)

Persistent low wages and stagnant wage growth, particularly for higher education qualified workers, are weighty and perplexing challenges in Malaysia that warrant a brief note. The complexities of supply-side considerations of education quality and graduates' aptitude and skills, alongside demand-side factors such as the low baseline wage levels and weak worker bargaining power, are continually debated. In contrast, Malaysia's quantitative gains in higher education are beyond dispute. Continuous expansion of higher education has increased the share of the labour force holding tertiary level qualifications, from 23% in 2010 to 33% in 2021. While the higher education earnings premium has declined (Salih, Lee and Khalid 2014), sluggish wage growth is a recurrent issue, especially for fresh graduates (Lee 2020). Figure 5 illustrates this problem, from the angle of new labour market entrants' wages as reported in the tracer survey of college or university graduates. Staggeringly, almost 90% of diploma graduates, and around half of degree graduates, reported wages of MYR2,000 or less. Relatively low pay for tertiary graduates may moderate wage disparities vis-à-vis less qualified workers, but low inequality for these reasons poses other policy concerns.



Source: Ministry of Higher Education (2022).

Figure 5. Starting salary of Malaysian higher education graduates, diploma and degree (currency: MYR, 2017–2021)

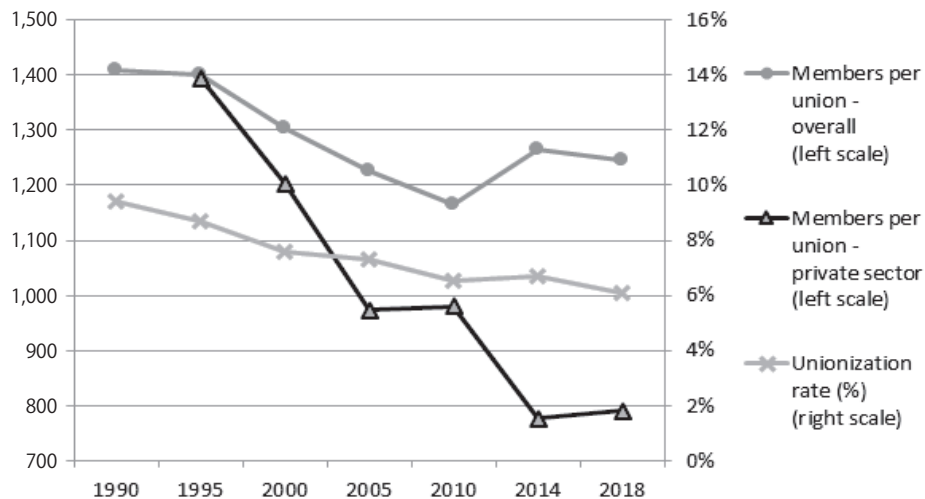
Worker representation, labour standards and decent work

Another broad set of labour issues in post-Covid-19 Malaysia pertain to worker organization and the institutions that represent their interests, chiefly trade unions, and institutions that protect basic rights and standards, which take the form of laws and policies under the overarching banner of decent work. As noted earlier, Malaysia has amended various laws to achieve closer alignment with ILO standards and to comply with US bilateral consistency terms. The impetus for these developments preceded the pandemic, but the hardships workers faced and exposés of forced labour cases during 2020–2021 have underscored the timeliness and importance of these changes. The general lack of workers' collective voice, and tenuous presence in collective bargaining, have precluded their capacity to secure better material conditions and institutional safeguards of their well-being.

The chronically marginalized state of organized labour is reflected in Figure 6. Unionization rates have continuously declined over four decades, and the public sector accounts for an increasing proportion of new membership—reflected in the steep drop in average union membership in the private sector from 2010 to 2018, even while the overall average has increased. Migrant workers, who are legally permitted to join unions and entitled to collective agreement terms and benefits, face prohibitive pressures and coercion against joining unions. Within the private sector, an estimated 3% of Malaysian workers, and at most 1% of migrant workers, belong to unions.

The predominance of public sector unions, which in Malaysia do not engage in collective bargaining but mainly advocate noncontractual and less materially consequential matters, is starkly shown in Table 2. Between 2015 and 2019, public sector unions increased their numbers and membership, while private sector unions grew in number but shrank in membership. Unions can also be differentiated by the scope—whether constituted at the level of establishment, trade, occupation, or industry—or whether their membership is open nationally or limited to in-house employees. Table 3 reflects some developments that correspond with economic trends, most significantly the increased number of occupational unions and national-level unions. With employment less fixed in a particular industry and younger workers' mobility across work places, the option of occupational union membership potentially offers workers a collective voice more suited to current

economic conditions and preferences. Malaysia's amendment of trade union legislation, subject to passage by the Senate, formally enables unions to grow and play a more effective role in representing workers' interests, although the allowance of multiple membership may introduce overlapping and conflicting jurisdictions in collective bargaining. The eventual impact on wages and benefits will only roll out in the subsequent years, and will certainly depend on the net balance of worker activism, employer resistance and government facilitation.



Sources: Lee (2017); author's calculations from Department of Trade Union Affairs (2020).

Figure 6. Malaysia: Union membership and contract labour (1990–2018)

Table 2. Malaysia: Trade unions by sector (public vs private) (2015 and 2019)

	Number of unions		Union membership		Members per union	
	2015	2019	2015	2019	2015	2019
Government	146 20.0%	156 20.5%	463,965 50.8%	499,891 52.7%	3,178	3,204
Statutory body	105 14.4%	99 13.0%	82,663 9.1%	82,464 8.7%	787	833
Private sector	478 65.6%	507 66.5%	366,541 40.1%	366,417 38.6%	767	723
Total	729 100%	762 100%	913,169 100%	948,772 100%	1,253	1,245

Source: Author's compilations from Department of Trade Union Affairs (2020).

Note: Percentage total.

Table 3. Malaysia: Trade unions by scope (2015 and 2019)

	2015		2019	
	Number	% Total	Number	% Total
Establishment	460	63.1%	485	63.6%
Trade	3	0.4%	3	0.4%
Occupation	178	24.4%	204	26.8%
Industry	88	12.1%	70	9.2%
Total	729	100%	762	100%
In-house	626	85.9%	631	82.8%
National	103	14.1%	131	17.2%
Total	729	100%	762	100%

Source: Author's compilations from Department of Trade Union Affairs (2020).

Malaysia's broader expansion of formal protection for workers and enhancement of work conditions, together with the NAPFL, appear to be back on track after some deferral due to Covid-19 (Table 1). These legal amendments and policy initiatives benefit workers in general, but some stand to particularly benefit Malaysian workers, and to address issues that have emerged from the shadow of Covid-19. The Employment Act amendment provides for employees to request flexible work arrangements, to which the employer must respond within 60 days and provide reasons if rejecting such request. The importance of flexibility within regular and stable employment, including work from home and usage of virtual platforms, have been underscored by the pandemic. Nonetheless, the grounds for flexibility to be granted and for adjudicating employers' response to their employees' requests, remain somewhat vague and unclear. Effective 2023, the Director-General of Labour may also inquire into matters relating to discrimination in employment, but the absence of a legal framework around the complex problem of discrimination, which can take various forms overt or subtle, again renders the legislative amendment rather cosmetic.

Some measures are clearly targeted at the problems surrounding forced labour and deficiencies in Malaysia's migrant labour regime (Low 2021b). The Employment Act amendment has specified that employers must be cleared of any forced labour charges before they can recruit. However, forced labour is defined narrowly, as it includes some but not all eleven conventional, ILO-determined indicators of forced labour. The legal reforms have also omitted important matters, such as the severe restrictions on migrant workers' option to change employer—which is prohibited even in cases of employer abuse or contractual infringements. Nonetheless, this articulation marks an important recognition of the problem of forced labour. The issue of workplace discrimination is also addressed as part of the Employment Act amendment, but the provision simply defers the matter to the Department of Labour with no clear legal terms of reference and no expansion of resources for such a massive new undertaking. More comprehensive legislation, and the creation of a national body, such as a fair employment commission, will be required to adequately oversee the complex problems of discrimination.

Delivering on commitments to foster decent work and to abolish forced labour by 2030 demands extensive and sustained efforts in implementing existing rules and regulations and in confronting structural factors. In some areas we can observe evidence of compliance. Since the SOCSO workers' accident insurance was opened to migrant workers, the number of foreign SOCSO accounts has moved in tandem with the number of work passes: 1.74 million members in July 2021, falling to 1.01 million in June 2022 after a mass outflow of workers whose passes expired without renewal, or who were laid off and hence had their pass rescinded (EIAS 2022). The revised employee housing law amendment which introduced a Certificate of

Accommodation requirement and was gazetted in September 2019, took full effect in November 2020 after employers were granted a one-year grace period. By October 2020, the government had received Certificate of Accommodation applications for only 9% of the 1.6 million work passes. The Labour Department's inspections at end 2021 concluded that almost half of companies were not complying with the standards.² Economic conditions since 2020 have made compliance challenging, but poor workers' housing—an element of forced labour—has been among the main reasons for Malaysia's disrepute.³

Beyond the formulation and enforcement of laws, structural impediments to Malaysia's aspiration to raise labour standards and promote decent work also demand attention. The migrant worker management system has officially prohibited labour outsourcing, committed to reducing fees and alleviating worker debt, and adopted an approach of bilateral memorandums of understanding that pursue these objectives, but the interests of profit-making labour supply industry still prevail—albeit with differences across source countries. Notably, Malaysia's bilateral migrant worker agreements with Nepal and Indonesia have augmented worker protection—largely through the intervention of the labour-sending country. However, dealings with Bangladesh, a potentially enormous worker pool particularly tapped by the labour supply industry for Malaysia's post-Covid labour replenishment, are continually marred by lack of transparency and suspected interference of vested interests.

V. Conclusion

In the past decade, Malaysia has expanded social protection and wage support for lowest earning workers, formally improved conditions for migrant workers, and committed to decent work as an overarching agenda. The country has bolstered wage growth at the lower end through minimum wage, plausibly contributing to the decline in inequality, and from 2019 passed an array of progressive legislation. Nonetheless, fundamental problems persist, notably sluggish wage growth for tertiary qualified workers, including fresh graduates, low unionization and worker representation, and forced labour practices.

Malaysia's experience with Covid-19 demonstrates both the progress made and the gaps to be filled. The wage subsidy program protected jobs, thus moderating the rise in unemployment, but a massive outflow of migrant labour masked the extent of job loss and workers suffered wage contraction. At the same time, a flurry of forced labour cases exposed the systemic problems in Malaysia's migrant worker regime. Emerging from Covid-19, legislative changes are significantly addressing the issues of better work conditions, labour rights and unionization, workplace discrimination, flexible work arrangements, and the complex of issues pertaining to forced labour. Inadequacies remain, in the scope and enforcement of these laws, but Malaysia has moved forward, and laid stepping stones for further progress. The path toward decent work, high wages, good jobs, and fairness, though, remains long and arduous.

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