Socio-Economic Effects of Foreign Workers on the Host Labour Market: The Malaysian Perspective

Evelyn Shyamala Devadason
University of Malaya (UM)

March 20, 2012

Abstract:
Managing the inflows of foreign workers, and the ability of the domestic labour market to integrate them, is now at the heart of the policy debate in Malaysia. It is therefore relevant to assess the socio-economic interactive effects of foreign workers with the domestic job market to provide a better understanding of their assumed influence specifically on the Malaysian manufacturing sector. This paper has a two-pronged objective. First, it estimates the impact of foreign workers on wage inequality. Second, it complements the economic discussion with social ills related to foreign workers. The results suggest that a higher presence of unskilled foreign workers raises wage inequality through plausible wage suppression of the unskilled segments. From the social perspective, the problems related to foreign workers stem from the unfair treatment in terms of poor terms and working conditions accorded to unskilled foreign workers. The paper contends that appropriate socio-economic integration and positive interactions of unskilled foreign workers with the domestic labour market could be acquired through the recognition and deployment of basic human rights.

Number of Pages in PDF File: 26

Keywords: unskilled foreign workers, wage inequality, social ills, Malaysia

JEL Classifications: J21, J23, J31

Working Paper Series

Date posted: March 21, 2012

Suggested Citation

Export to: EndNote Export Citation What's this?

Contact Information
Evelyn Shyamala Devadason (Contact Author)
University of Malaya (UM) (email)
Jalan Lembah Pantai
Kuala Lumpur, Wilayah Persekutuan 50603
Malaysia