

# REGIONAL LABOR CIRCULATION: INDONESIAN WORKERS IN MALAYSIA

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## **Intisari**

*Jumlah pekerja migran di Malaysia dari berbagai negara sampai awal tahun 1998 diperkirakan mencapai sekitar 1,2 juta, dua pertiganya berasal dari Indonesia. Pekerja migran dari Indonesia yang masuk ke negara ini lebih banyak yang menggunakan cara tidak resmi/degal, dan menimbulkan banyak masalah di Malaysia. Dengan adanya pekerja migran sirkuler dari Indonesia ke Malaysia tersebut dirasa menguntungkan kedua negara. Di Malaysia, dengan masuknya pekerja ini masalah kekurangan tenaga kerja dapat ditanggulangi, terutama sektor pekerjaan yang kurang diminati oleh pekerja dari negara itu. Pada sisi lain, pekerja migran sirkuler dari Indonesia merasa diuntungkan, baik dari segi tingginya upah maupun peningkatan keterampilan yang diperoleh selama bekerja di negara tersebut.*

## **Introduction**

In the late twentieth century we witnessed the upsurge in the movement of people across nation-states, some to flee the political upheaval in their countries and become refugees in other countries, some leaving the drudgery of poverty in their home countries for the land of promise in another country while others circulate from their less productive rural economy for urban opportunities created by recent industrial development in

nearby countries. Included in the movements are an increasing number of students leaving their countries for foreign tertiary institutions, and professionals working for multinational corporations moving across countries to serve their employers. Hence, there is sufficient support to Castle and Miller's (1993) observation that the late years of the twentieth century is an era of international migration. This is because the international

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movement of people has increased in volume and directions, and it is expected that the number of movers will increase further in the next millennium following the space contraction of the world during the process of globalization. The bulk of the movements originate from the developing regions. However, professionals move from the countries to various destinations including those in the developing countries to man the multinational corporations. The recent surge in international movement of people is not a new phenomenon. Historically, international movement of people involving the developing countries such as Malaysia has taken place since the 15<sup>th</sup> century when the European explorers opened a channel of interaction between the people in the Southeast Asian area and the people in the rest of the world. Some forms of current international population movement involving Malaysia are the continuation of the population movements generated by the inter-country linkages developed during the British colonial rule, such as the in-movements of Bangladesh workers to the service sector in Malaysia. In fact, movements of Philippines to the

United States and Indian and Pakistanis workers to Britain are on familiar channel developed under colonialism. Other forms of labor movements lately have taken place between countries which have no formal political linkages in the past, such as the incoming of maids from the Philippines to work in Malaysian homes, as parts of their movement streams to the Middle Eastern countries. The bulk of the recent labor migration into Malaysia nevertheless originates from Indonesia. This labor movement is in some way the rejuvenation of historical movements of people in the 'Nusantara'.

This paper is about the post 1970 Indonesian workers in Malaysia. It will discuss the movements of these Indonesian workers to Malaysia within the general context of worldwide movements of workers in recent decades. Their movements are articulated within the framework of the new classical economic argument, and these workers gain from the movement although they are found in the job category that is shunned by the locals. The prospects for the workers have to be relooked in the context of the recent Asian financial meltdown.

**Socio-Economics Convergence  
and The Movements of  
Workers Worldwide**

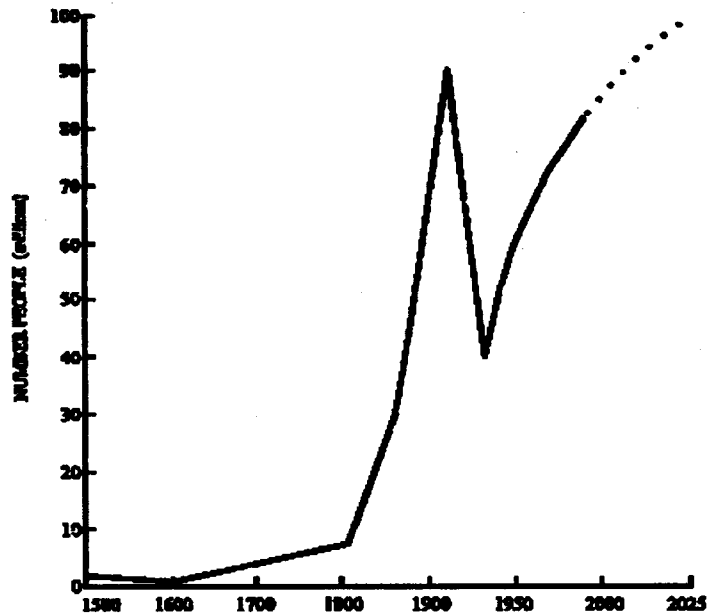
Certain parts of the world have emerged in the closing decades of the twentieth century as the centers of socio-economics opportunities and consequently they become the favored destinations of workers from surrounding areas. These centers are relatively more developed offering opportunities to people in relatively less developed areas. Utilizing the data from Segal's *Atlas of International Migration* (1993), we have extracted the three consecutive diagrams below. Although the data may not be comprehensive to fully represent the total movements of people over the years throughout the world, they are still useful to illustrate the concentration of movers to specific areas over the globe.

From Figure 1, a substantial number of people (about 80 million) were estimated to have moved internationally in recent years and the trend is expected to show an increase in the future. It is certain that such a large number of migrants will impact directly not only on the various sending areas but also on the countries that have emerged as the persistent

destination areas for international migration. In Figure 2, the various receiving regions for voluntary international migration are identified. North America, Western Europe, the Middle East, Japan, Hong Kong and parts of the South East Asian countries are seen to have attracted people largely from the surrounding countries. Similar origin-destination linkage patterns are observed for the migrant workers in Figure 3. This means that the flows of migrant workers took place within the regional action space of international migration. Like the international migration in Figure 2, these migrant workers had come from countries which might or might not have previous relations with the destination countries. Those workers, some travelling a great distance from their country of origin, usually involved those from areas that already had some form of relations such as those from the ex-colonies.

The destination countries are developed countries that have sustained their development and they are seen as centers of opportunities. Western Europe, North America and Japan are the triad economic giants of the global economy. Their industrial strength have dominated the world in wealth accumulation such that

Figure 1  
World Migration Trends Total Number of Foreign-Born in All Countries



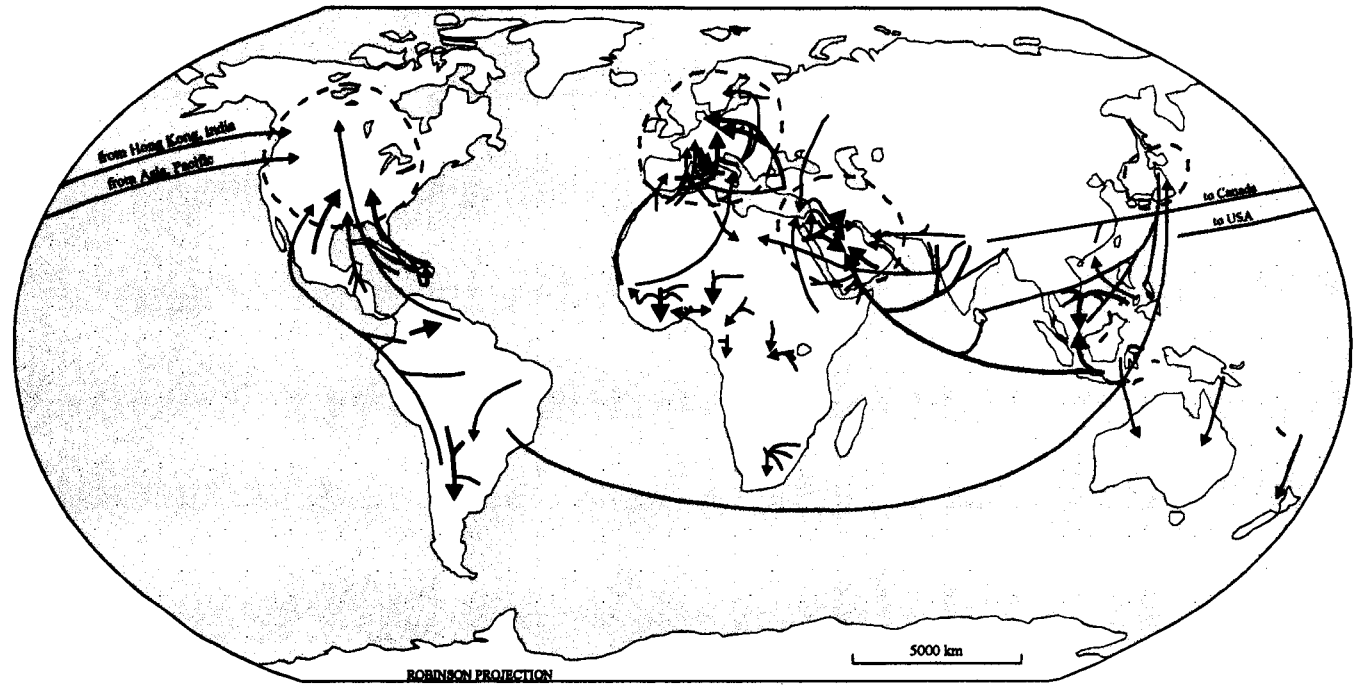
Source: Segal, 1993.

these countries have built a strong image of areas with widespread opportunities. The other centers of socio-economics convergent are the newly industrializing economies in East Asia and in Latin America (Bohning, 1972; King, 1993; Segal, 1993; Hourani, 1991). In contrast, the countries of origin lag in development with excess labor following their relatively higher natural population growth and slower

rate of socio-economics development (UNCAD, 1994 & 1997). They are countries in parts of Latin America, Southern and Eastern Europe, Africa, South and Southeast Asia.

#### Underlying Process of International Movement of Workers: The Malaysian Case

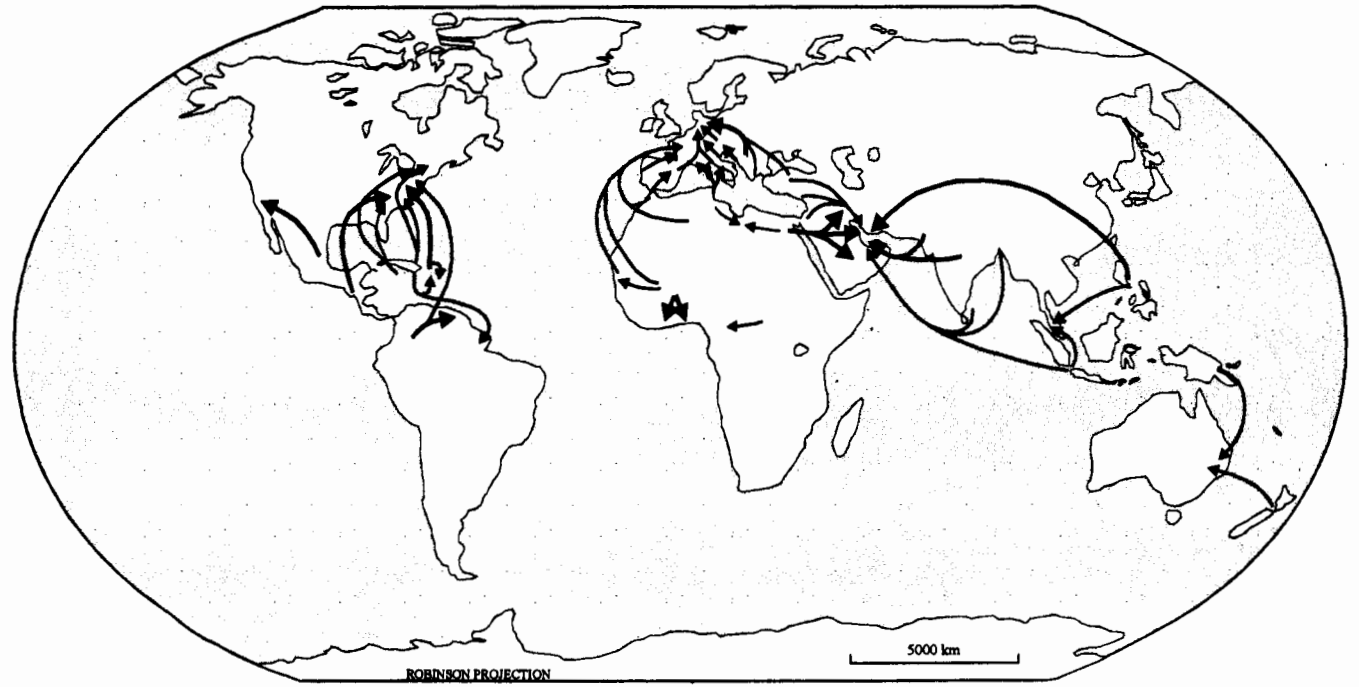
The international migration patterns of workers the world ever



**Figure 2: GLOBAL VOLUNTARY MIGRATION: RECEIVING COUNTRIES**

—— Greater than 50,000	Migration flows 50,000
—— and less than 750,000	or less are not depicted
—— 750,000 or more	

Sumber: Segal, 1993



**Figure 3: INTERNATIONAL MIGRANT WORKERS - 1990**  
NUMBER OF MIGRANTS  
— Less than 750,000  
— 750,000 or more

discussed earlier illustrate a realistic response to the accumulation wealth in the established industrial areas of Western Europe, North America, Japan and the newly industrializing countries in the Asia-Pacific including Latin America which have created varied work opportunities for workers in the less developed countries around them that their own workers have shunned. These job opportunities include hard manual work in the construction industries and in the agricultural and domestic sectors.

Massey, who leads an IUSSP committee on migration from the countries of the south to the north examines and assesses current theories of international migration to derive a framework of analysis that will explain the international migration process from the countries of the south to the north (Massey *et al.*, 1993). It is hoped that some policy initiatives can then be formulated to regulate and protect workers and the destination countries from negative outcomes. The group examined theories that have been built around economics formulations, in particular the new classical economic, formulations and proceeded to look into existing theories on social networks and the role of institutions in

international migration. The group also discussed conceptual frameworks that have been developed by Gunnar Myrdal and the world system theory. The committee argued that the available theories on international migration have set the causes at various levels of analysis across the countries of the world. The group stated further that although propositions, assumptions and hypotheses that can be derived from the theories do not contradict each other, each has its own specific policy implications. The bulk of the existing theories that the group discussed seems sectoral in their coverage and as such, they may not be helpful to explain fully the process of international population migration, let alone to explain the movements of workers across borders of nation-states in recent years. The world system theory offers more promise but it has to be reworked to bring the situation in a particular country into focus in order to help us understand the increasing flows of foreign workers into the country.

One way to help account for the attraction of foreign workers into Malaysia in the post-1970 years is to relate the recent Malaysian socio-economic changes to the process of

globalization (Robertson, 1992). In the past, Hobsbawm (1979) argued that industrial production in the world had been confined to the nation-states in the industrial west. Since about the seventies the process of industrial production had spread all over the world, initially from the west and Japan to the newly emerging industrial economies in the Asia-Pacific rim. Countries in Latin America and in Asia emerged at different times as the newly industrializing countries. The emergence of these newly industrializing countries was made possible by global industrial restructuring and the outflows of investment out of the industrialized countries through the activities of multinational and transnational corporations (Dicken, 1992; Dunning, 1993). For many decades in the past, investments from the industrial countries were partly channeled to their colonies to produce local resources for industrial production in the metropolitan centers, but in recent years investments from the old industrial countries to the developing countries including former colonies are for the production of industrial products for the world markets. There arises a new international division of labor replacing the old one

(Massey, 1984). In this context, the focus of Malaysia's economics under the British colonial time was for the production of rubber and tin. During that period, 'Malaysia' (Malaya, Sarawak and North Borneo then) became the destination of migrant workers from both Southern China and Southern India to work in the colonial multinational companies in rubber and tin mining industries and from Java to tend in the rural economies. In the initial stage, the bulk of the Chinese, Indian and Indonesian workers were temporary migrants in the country. They returned home at the completion of their contract or stay as the case might be. In later years, especially after the Second World War, these workers remained more permanently in Malaysia following internal changes in politics in India, China, Indonesia and Malaya. The multiracial make up of the Malaysian society today is the outcome of the movements of workers from these countries in the past.

In the new international division of labor, Malaysia has developed slowly into an industrialized country to enable to solve some persistent socio-economics problems arising from the multi-ethnic, multi-cultural



and the uneven impacts of British colonialism on the Malaysian people. For nearly 13 years since its independence in 1957 Malaysia had to grapple with widespread poverty, underdevelopment and the problem of nation building. The global shift in industrial production has provided Malaysia with some solutions to its national problems. Although in the new international division of labor, Malaysia has had to come face to face with the presence and with the rising number of multinational and transnational companies whose power some observers argue may dilute the grip of the state on its own control, the country has come to term with their presence. It is true that these big companies can move to any country they want to locate their industrial activities and can place demands on the Malaysian state for the provision of certain infrastructures and amenities such as the demand for special free trade zones and industrial estates close to port and airport facilities, the Malaysian state still has some control on their operations. There exists some kind of arrangements that benefit both parties in the short and long terms. Between 1970-1997 Malaysia recorded gains from the industrial developments. For about ten years

(1987-1996) Malaysia experienced high economic growth, averaging eight percent per year. In short, the incoming of multinationals with investments in manufacturing industries from the developed countries and also from the newly industrializing countries have brought on the country a wealth accumulation. Mohamed and Yokoyama (1992) argued that Malaysia was then able to adapt to the changing social and economic conditions of the time while the economy of the developed countries was in difficulties with very slow growth, by adopting a more liberal view towards long term investments and tax incentives that were attractive to the active private sector participating in the development of the country. The high economic growth was sustained through policy measures within a continuingly stable country. Within the scenario of growth and political stability, local investments were also rising in those years to help spur further economic growth. The expansion in export industrialization has hastened the changes to the Malaysian economic structure from an agricultural export base to an industrial export base. The changes in the Malaysian economic structure in turn has

helped to bring about an accelerated transformation of the Malaysian society. The new industries that have been decentralized from the national growth pole down the urban hierarchy required a sustained supply of workers. At first, young male and female workers from the rural areas migrated to the towns to fill up vacancies in these industries.

As the economic expansion continues, older agricultural workers from the villages were also drawn into the workforce to fill up the unskilled works that had gone to begging. This was the time that Malaysia witnessed the rising incidence of farmers abandoning their small rice plots and rubber stands for the off-farm jobs or jobs in the cities.

The attraction of workers to Malaysia from the surrounding countries in the new international division of labor is related to the above changes in the Malaysian economic structure. The somewhat detailed account of socio-economic convergence in Malaysia vis-a-vis some neighboring countries in the region earlier is important in the attempt to situate the coming of immigrant workers. Although the Malaysian population increased at around 2.3 percent per year in

recent decades, the total active population is not able to service the labor market especially in certain sectors which the local workers bypassed for the 'cleaner' work. At this juncture, Malaysia began to open its door to foreign workers to work in the agricultural sector at first and later diffused into the construction industries and certain services to which male foreign workers congregated (Ong Jin Hui and Chan Kwok Bun [eds.], 1995; Martin, Mason, Ching-Lung Tsay, 1995). The demand for house helpers has also increased, which has been seen by the arrivals of Filipino and Indonesian maids into Malaysian middle and upper class homes. Alongside the flows of foreign workers were professionals, albeit in a much smaller number who came to man the multinational and transnational corporations, educational institutions and specialized services.

#### **The Circular Movement of Indonesian Workers and Its Impacts**

Up to 1998, the foreign workers in Malaysia have come from several countries notably Indonesia, the Philippines, Bangladesh and Thailand. The

bulk of them however, came from Indonesia. The differences in development status between Indonesia and Malaysia, the larger reserve of under-employed workers in Indonesia and a more liberal attitude towards foreign workers adopted by the Malaysian state have facilitated the inflows of male and female workers from all over Indonesia legally and illegally. Those who came in legally will have to leave at the end of their contracts while the illegal immigrant workers have to work under uncertainty that they might have to leave anytime especially when caught by Malaysian authorities. All of them, judging from their declared intention, wanted to return to Indonesia eventually (IRPA, 1997). Thus, the development of export industries in Malaysia in the 1970's-1980's has shaped a form of international circular migration of workers from Indonesia (a kind of circular movement discussed by Hugo, 1978). The Malaysian plantation areas and urban settlements in the new international division of labor are able to extend the source areas for workers beyond the boundary of the Malaysian nation-state. For as long as the economy was moving and generating wealth these workers were able to come into the country without

much difficulty. Even in the event of the economic slow down after the Asian economic crisis starting around July 1997, Malaysia was still having a substantial number of foreign workers. Thus, in February 1998, the Malaysian Cabinet Committee on Foreign Workers in the country estimated that about 1.2 million foreign workers were still in the country despite the economic slow down following the East Asian financial meltdown. From the total, 755,000 workers were from Indonesia 306,000 from Bangladesh, 83,000 from the Philippines, 19,000 from Thailand, 17,000 from Pakistan and 39,000 from several other countries. The breakdown, according to sectors were as follows; 30.7 percent worked in the manufacturing industries, 20.7 percent in construction, 11.6 percent as maids, 11.03 percent in other services including working as gas attendants, and 26.52 percent in the plantation sub-sector. The total number of illegal immigrants was still illusive despite attempts to trace them and to legalize them. The number could still remain large despite the fact that Malaysia has limited impervious borders with many countries in the region.

The fact that the coming of these workers to Malaysia was

economically motivated, our study confirmed the previous observations by many studies earlier that these workers were ready to take any work offered to them and were prepared to work longer hours even though the wages were unattractive in the eyes of local workers. They kept living expenses to the minimum and they stayed in the accommodations provided by their employers, which was in good bungalows for the maids but mere makeshift buildings for those working in construction. Nonetheless, they saved on transportation cost.

There is a tendency for these workers to stay close among their own ethnic groups and workers from the same place of origin in the same work areas. This way they could maintain close rapport that provided a general support for their welfare in a foreign land. The workers also maintained their social networks with people in the home villages. The social networks were maintained and strengthened through remittances, news and home visits at least during non working days (*hari libur*) when the ports in Melaka, Penang and Johor Bahru as well as the international airports were strained to handle the volume of workers travelling home to

Indonesia. Through these networks also, more new workers were recruited from the area of origin in Indonesia. These networks indeed served the workers in both directions; one as a channel of movements for new workers in a chain migration flow, and the other, the assurance from home areas that the workers still have a place to return to in the end.

By the middle of 1997, the global financial crisis in Asia had brought a drastic downturn to the Malaysian economy. The ensuing recession had impacted on various economic sectors of the country although the extent of the damage was relatively mild such that many of the sectors could still afford to retain some of their workers. However, a large number of foreign workers had to leave at the end of their stay without any prospect of renewing their contracts. The illegal immigrant workers were in a worse predicament as most of them were easily laid off without much thought of compensation.

Overall, the incoming of Indonesian workers to Malaysia during the expansion of export industrialization has helped the process of industrialization and the development of the country. Certain sectors of the economy might have been neglected in the

process. Likewise, to the extent that the workers gained employment was a form of benefit to the Indonesian workforce who could not be absorbed fully into the Indonesian economic sector, thus lessening the pressure from these workers for job placements in the Indonesian labor market.

#### **Investment and the Return Flows of Indonesian Workers**

From the earlier sections, it is learned that foreign direct investments into Malaysia has not only provided a push for industrialization in Malaysia, but also the increasing circulation of foreign workers to and back from Malaysia. The presence of the Indonesian workers has helped to sustain the industrialization program in Malaysia. Indirectly, these workers contributed works towards moving the sectors that are being bypassed by the local workers so that the local workers could concentrate on the manufacturing industries. As the manufacturing industries expand, so does the vacancies for more Indonesian workers. The incoming of large numbers of illegal and legal migrant workers from Indonesia between 1970-1997 were in part as a response to the industrial expansion in

Malaysia. In this circumstance, the Malaysian government had kept a more accommodative attitude, even towards the illegal workers. However, in the long-term interest to both Indonesia and Malaysia, the pursuit of enriching the neighbor policy by Malaysia prior to the 1997 economic slow down in Asia, was an attempt to encourage Indonesia to go for export industrialization. The industrial expansion might help control the continuous flows of the Indonesian workers to Malaysia.

The circulation of Indonesian workers back and forth to Malaysia should be seen as a form of human resources investment to Indonesia. In the long-term activity, the experiences gained by these workers while working in the various sectors of the Malaysian economy will be useful in the development of these sectors in Indonesia. For example those female workers in the multinational electronic industries in Johor could have easily formed the core group for similar Industries in Indonesia. Related to this issue, had all these Indonesian workers been given some kind of training's before they left Indonesia (as what they have been carried on lately) these workers would have been less prone to exploitation in Malaysia. They

could demand better salaries as well as better working experiences.

#### **Prospect of Indonesian Workers Circulation to Malaysia**

A major behavior pattern of the multinational and transnational corporations is that these companies would shift to any place that offers them political stability and an investment climate that is conducive for maximizing their profits. As industrialization progresses in Malaysia, the country has begun to lose some of its comparative advantages to some other regions. Even before the Asian financial meltdown in 1997, the investment trends by foreign companies have slowed down. In these circumstances Malaysia could no longer sustain its image as one of the convergent socioeconomic areas in the East Asian region to which foreign workers will continue to move to in coming years. As for the present time, the Malaysian labor market is still able to absorb foreign workers albeit in a much reduced number.

#### **Conclusion**

Global economic restructuring in the last few decades of the late 20<sup>th</sup> century has given Malaysia the option to participate in the global industrialization process and to emerge in the present time as one of the newly rising industrializing countries in East Asia. The progress that follows brings its own problems. The relatively small local population is open to preference of work that does not include the more manual and 'dirty' jobs even though the pay is reasonably good. Malaysia has to rely then more on foreign workers to service parts of its labor requirements. To foreign workers the fact that they obtained jobs in Malaysia seems to have fulfilled their needs, but the jobs that they took often pay them minimally although there are workers who could earn a large amount of take home pay by working long hours. In the end, they find themselves still marginal compared to the position of the local workers. These Indonesian workers engage in circulation to and from their villages in Indonesia as a means of security arrangements at the end of their stay in Malaysia.

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