
PRESS RELEASE
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AMCHAM urges Ministry of Human Resources To Reconsider New Procedures on Foreign Worker Hiring

Reactions from AMCHAM member companies:

“This will have a profound effect on the way global companies will look at Malaysia. Talent development at all levels goes hand in hand with industrial and commercial investment. Any unnatural embargo in building early and mid-career talent for global companies in Malaysia will simply rob the local talent to be exposed to multinational, cross cultural pollination which is a great strength of Malaysia as a location. The size of our economy is not our strength. Our differentiations are, our location, ability to integrate diverse cultures, ease of doing business and talent movement. In my view, it is a myopic idea we will lose our biggest strength as an investment destination.”

“Malaysia would be a natural candidate for investment as an ASEAN/APAC 'second hub', this will sit negatively on the assessment matrix.”

“This will likely discourage companies from embarking on high technology projects that require high skill level [sic]. Companies cannot risk their technological success on arbitrary government interference.”

“We are in the midst of persuading regional leadership to expand in Malaysia, and relocate headcount from Singapore. With these new rules, that will not happen. If anything, we may have to move our expats from Malaysia to Singapore.”

“Introducing additional barriers for expatriates won't solve the unemployment problem - focus should be on attracting foreign investment to create new high-skilled jobs and up-skilling Malaysians for those jobs... this new policy is detrimental to that objective.”

KUALA LUMPUR, October 31 – The American Malaysian Chamber of Commerce (AMCHAM) is greatly troubled by Minister of Human Resources, Datuk Seri M. Saravanan’s recent announcement on 26 October 2020, where he stated that, effective 1 November 2020, employers who wish to hire foreign workers will first have to advertise the vacancies on the national employment portal *MYFutureJobs*. The statement did not differentiate levels of employment.

In making this decision, Datuk Seri M. Saravanan and the Ministry of Human Resources (MOHR) may not have considered how this action would impact foreign investment (FDI) and decrease the motivation of multinational companies (MNCs) to do business in Malaysia which ultimately paves the way to the very problem MOHR is trying to curb – the unemployment of Malaysians.

AMCHAM member companies, through their investments and business models, have created employment opportunities for Malaysians for decades, not just in the form of jobs but by providing high skills training and career advancement. U.S. companies have been pioneers and are leaders in FDI into the country; in 2019, Malaysian Investment Development Authority (MIDA) recorded this to have reached RM28.63 billion. Recent announcements of further investments demonstrate American companies' commitment to growing their investments and activities in Malaysia, for which an investor friendly environment is critical.

Several comments and concerns were expressed at a meeting hastily called by the Ministry of International Trade and Investment (MITI), on Friday, 30 October 2020, and we hope that MOHR will give these inputs due consideration. We await their responses in the promised guidelines and FAQs, on the eve of the implementation date.

American MNCs have had strong localization policies for its hiring and they prioritize local hires over the additional expense of using expatriate hires. Many of our member companies have over 90% local hire rates, including at senior management levels with some even at 100%. However, given the limitations of Malaysia's population size, the talent pool is constrained and in need of augmentation for targeted growth and advancement goals to be achieved. The newly announced process stands contrary to this and will severely impact ongoing and future investment considerations if accessibility and mobility of talent is further limited.

As global value chains develop and straddle the world, expertise is mobile, and the use of global talent to mentor, train and up-skill our Malaysian employees is a critical part of developing talent and ultimately integrating them into global operations. The continued advancements of the Malaysian workforce, the income derived from its increasingly skilled workforce and the creation of higher paying roles will be heavily impacted if these MNCs, now potentially unable to access needed expertise, choose to transfer their operations to countries with more investor-friendly environments. Malaysia currently plays a significant role in global trade, but with the new process discouraging investment from these MNCs, our neighbouring countries like Indonesia, Vietnam and Singapore will reap the benefit, welcoming with open arms, investments that will drive their respective workforce forward. This is a position for Malaysia to lose.

MNCs identify and grow global and senior roles in Asia as part of their growth strategy. Moving critical and senior talent across the globe is a key element of the workforce strategy, talent development and knowledge transfer which will benefit Malaysians. The movement and use of talent, including expatriates, is essential to operations, they

complement the local workforce and establish key connectivity with U.S. headquarters and can influence future investment decisions in favour of Malaysia over other competing economies.

American MNCs also have a substantial impact on local employment outside their companies. Their presence in Malaysia also opens up opportunities for local SMEs to drive their own growth increasing the job pool exponentially. A reduction in MNC activities will have serious ramifications across local SME hires and degrade the labor market, reducing employment opportunities even further.

The hiring and placement of talent for MNCs is not an isolated activity nor limited to just one country. If Malaysia establishes restrictive talent policies it could, by default, find itself carved out from a company's talent development protocols. Talented Malaysians will no longer rotate into expatriate positions overseas themselves, thus removing the opportunity of receiving training at different sites or of being exposed to more advanced systems and new technologies, and so undoing the work of decades over a very short timeline. Needless-to-say, there will be an impact on productivity, export growth and GDP.

The cross pollination of foreign and local talent is one of the key enablers that MNCs have fostered over the decades. Diversity in the workplace is essential as it drives collaboration and innovation at all levels. As Malaysia embarks on its desired journey of digital transformation, it is in need of expertise and technology to accelerate the growth of data-driven businesses like 5G/Network, Artificial Intelligence (AI), Cloud, and Internet of Things (IoT). The country is also rapidly becoming the destination of choice for medical devices and this is a sector that needs proficient talent. Without foreign talent and expertise to pass on skills and innovation to the Malaysian workforce, Malaysia will miss out on these transformations. It is proving to also be attractive as a corporate hub, which means decision makers are located locally and can drive even greater growth throughout the country.

We urge MOHR to consider the impact this newly announced processes will have on investments and the employment ecosystem in Malaysia. The restrictions will create a domino effect that will exacerbate Malaysia's recovery and rob it of the growth within its grasp with added-value operations.

At the time of this writing, the rulings apply any new positions as well as existing renewals of employment passes (EPs). Not only will this impose a huge uncertainty on existing foreigners in Malaysia but it would impact the ability of companies to deploy resources effectively support their Malaysian investments.

Employers are extremely aware of their social responsibility to reduce unemployment in Malaysia and foster sustainable operations. Industries actively collaborate with local academia and organizations like Malaysia Digital Economy Corporation (MDEC) to upskill our local talent to ensure they are ready for industry needs.

There are other measures that are in place that help drive re-skilling and re-employment. The proposed processes interfere with the prerogative of the business to hire talent that suit their needs, meet the demands of the roles or have the potential to grow and succeed in their corporate environment.

Hiring these foreign talent, across an array of roles enables MNCs in Malaysia to attract projects from their corporate headquarters to Malaysia by complementing the local project team with their niche qualifications and skillset. Again, if such a process is implemented by MOHR, it would impact the ability to attract projects, and potentially increase unemployment in the country. These projects have proven to be very beneficial, not only for existing local hires, but also in building and improving Malaysia's local talent pool as these project allow companies to hire more junior talents including local interns and fresh college graduates.

Siobhan Das, CEO of AMCHAM asks MOHR to reconsider their decision on this matter given the immediate ramifications it will have on the economy, at a time when Malaysia is poised to grow. We further urge a series of dialogues with important stakeholders such as the various Chambers that represent key investor communities (AMCHAM, JACTIM, EuroCham, etc.), investment government agencies, relevant State Government representatives and key industry players, to shape a policy that addresses the concern for the rising unemployment in Malaysia in a constructive manner that will retain the opportunities foreign talent brings to the quality of the workforce for the betterment of the Malaysian employees, and therefore, Malaysia.

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ABOUT AMCHAM MALAYSIA

The American Malaysian Chamber of Commerce (AMCHAM) was founded in 1978 as an international, non-profit, private-sector business association. It comprises of more than 1200 members representing about 280 American, Malaysian and other international companies with strong ties to American business. The Chamber is a member of the AmChams of Asia Pacific that connects 28 American chambers in the region.

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