



The Increasing Trend of Foreign Workers' Remittances in Malaysia: Issues and Recommendations

KUMUTHA SHANMUGAM



INTRODUCTION

Workers' remittances is a transfer made by employed and resident migrants in the compiling economy to their relatives in their country of origin, which includes household to household transfers in cash and in kind. Workers' remittances is a global concern whereby the recipient country will benefitted the most, while sending country bearing the negative consequences. As a developing country, Malaysia is the recipient and sending country of remittance. Due to growing emigrants workers, it is apparent that there were higher remittance outflows than inflows in Malaysia.

LITERATURE REVIEW

According to Bartolini and Castagnone (2015), the average remittance per worker was subject to income size and economic stability of the host country. Male workers largely in Manufacturing, Construction and transport sectors earned higher salary than women who concentrated in domestic and healthcare sectors. Remittances trend was highly influenced by number of workers rather than average remittance per worker.

Alvarez, Briod, Ferrari and Rieder (2015) mentioned that the average remittance was calculated using migrants surveys and data from money transfer companies to determine the mode, median and average money remitted. These data were consolidated to derive total remittances by multiplying number of workers, percentage of workers remit money and average remittance.

OBJECTIVE

- To identify major contributors of Malaysia's workers' remittance outflows by nationality and sector.
- To identify monthly average of rate remittance per person by nationality.

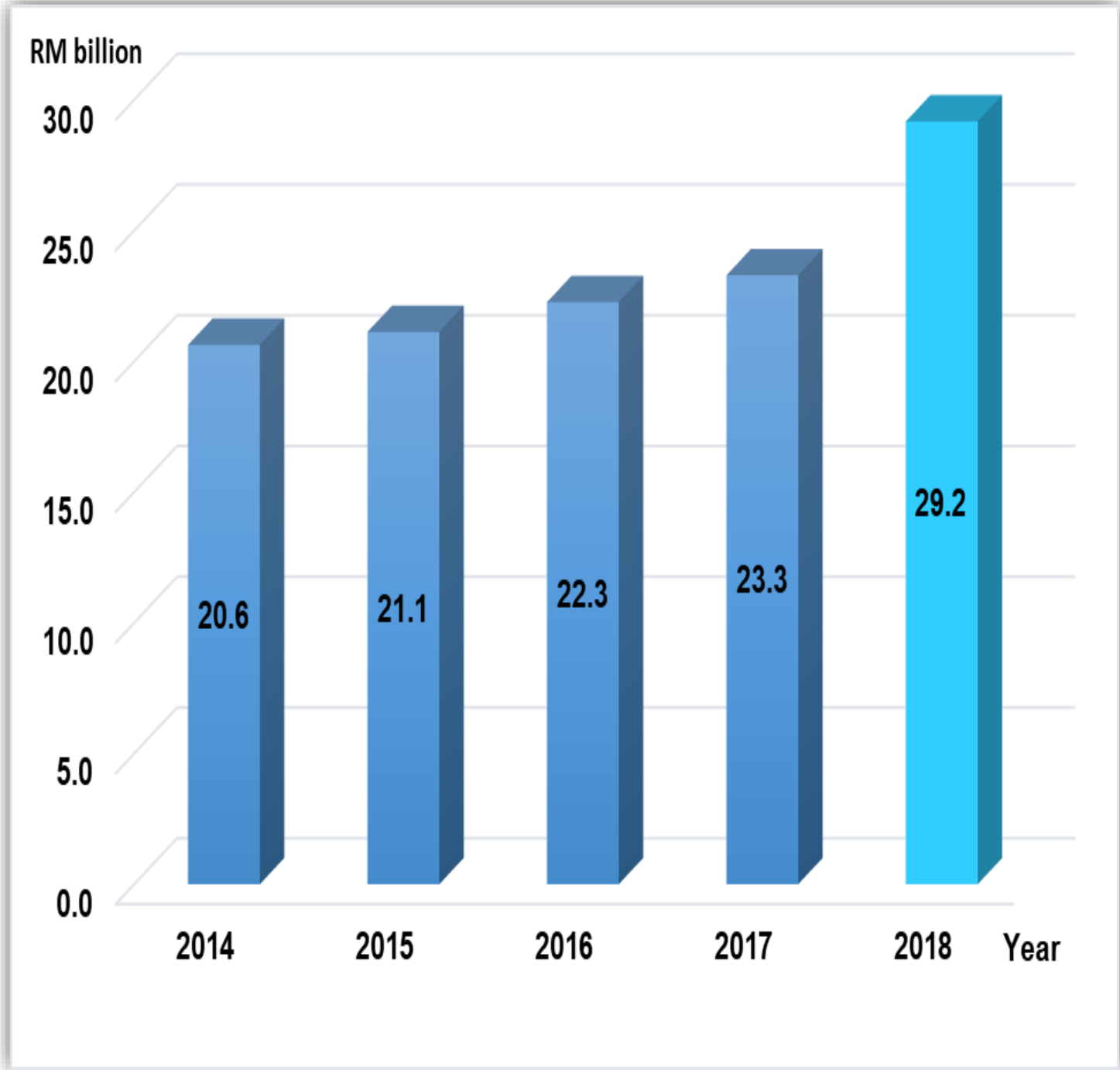
METHOD

- The data on remittances obtained from International Transactions Information System (ITIS) of Bank Negara Malaysia and direct reporting from Remittance Services Provider (RSP) companies in Malaysia. Meanwhile, data on number of foreign workers was from Department of Immigration Malaysia.
- This compilation was based on the recommendation in Balance of Payments and International Investment Position Manual, Sixth edition (BPM6) and the International Transactions in Remittances Guide for Compilers and Users

RESULTS AND DISCUSSION

Figure 1 shows that workers' remittance outflows continuously increased over the last five years. In 2018, the workers' remittance outflows from Malaysia reached a value of RM29.2 billion.

Figure 1: Total Foreign Workers' Remittances, 2014 - 2018



In 2018, Indonesian workers in Malaysia sent back the highest remittances amounted RM10.9 billion followed by Bangladesh RM6.2 billion and Nepal RM5.9 billion, as shown in Figure 2.

Figure 2: Total Foreign Workers' Remittances by Nationality, 2018

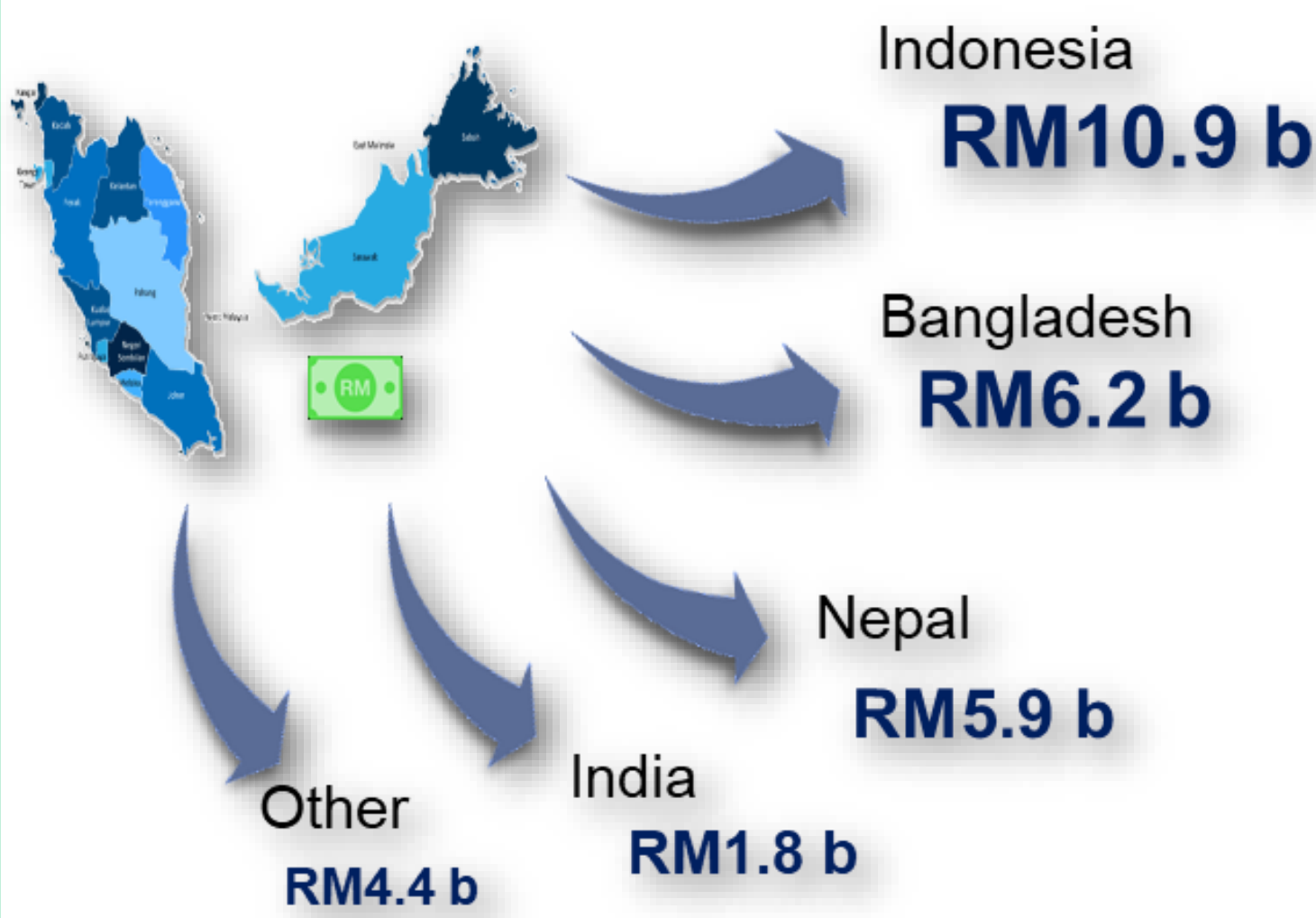
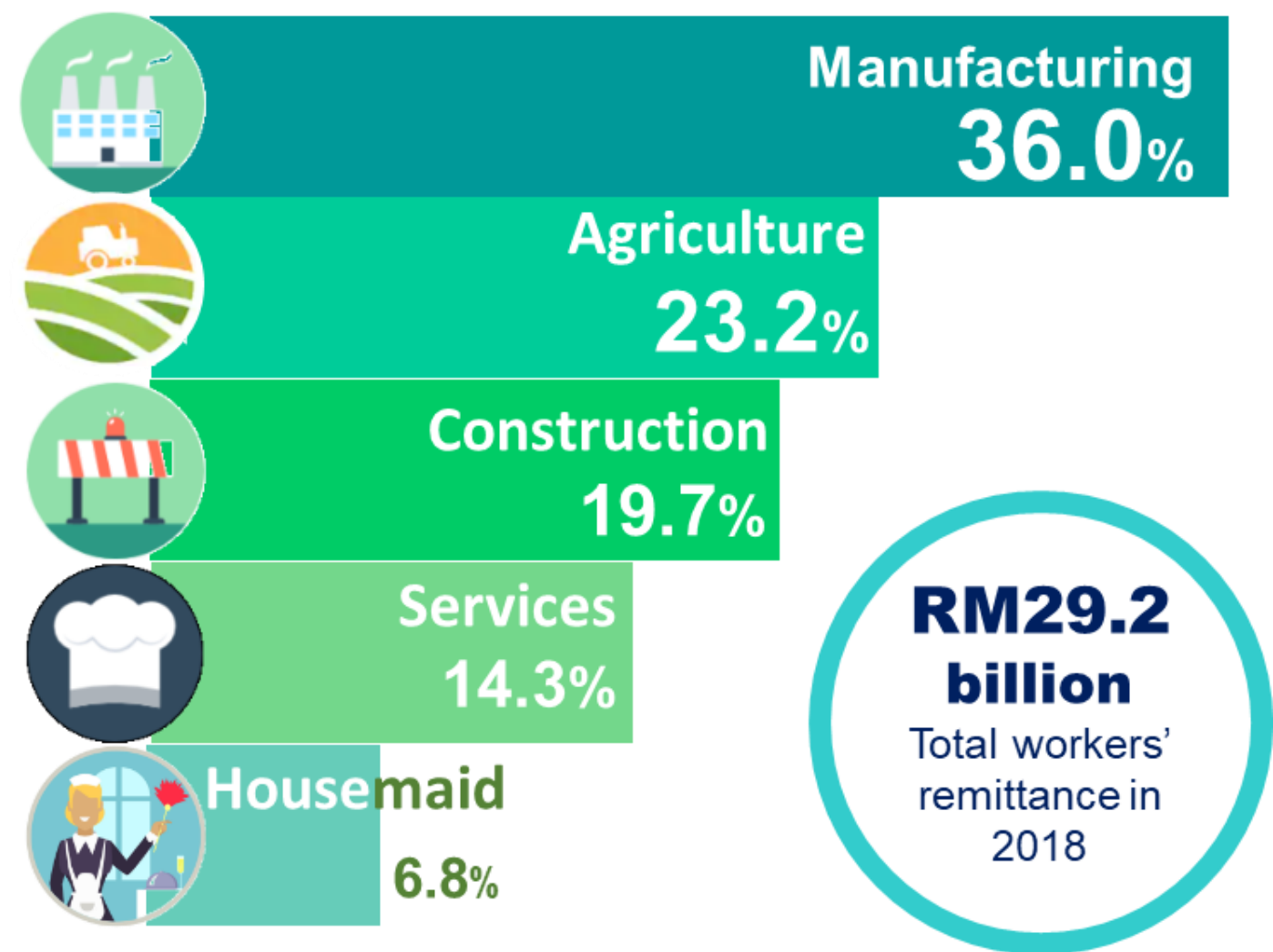


Figure 3 illustrates that foreign workers in Manufacturing sector recorded the highest remittance outflows of RM10.5 billion or 36.0 per cent in 2018. Meanwhile, workers from Agriculture sector contributed 23.2 per cent of remittance outflows followed by Construction sector with 19.7 per cent.

Figure 3: Total Foreign Workers' Remittances by Sector, 2018



The monthly average rate remittance per person has increased since year 2014 which recorded RM881 in 2018. Foreign workers sent back almost 80.0 per cent of their salary to family and relatives who are staying in their country of origin. Workers from Thailand remitted an average of RM1,045 per month followed by workers from China at RM1,017 as depicted in Figure 4.

Figure 4: Monthly Average Rate Remittance per person by Top five Nationalities, 2018



CONCLUSION

In 2018, the highest foreign workers' remittances was from Indonesian workers with a value of RM10.8 billion. The overall monthly average rate remittance per person was RM881 which determined by the exchange rate, festive seasons and minimum salary and wages. The study indicated that Foreign workers from Manufacturing and Agriculture sectors recorded the highest remittances, as these sectors largely reliant on foreign labours in Malaysia. Hence, the government especially policy makers should tackle Malaysia's dependence on foreign labours by focusing more on increasing the number of local labours by offering favourable salary and shifting its economy from labour- intensive to capital-intensive venture.

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