



ENHANCING FOREIGN WORKER MOBILITY AND PRODUCTIVITY IN CONSTRUCTION AND MANUFACTURING SECTOR

10 JULY 2025

MICROSOFT TEAMS (ONLINE)

BY:

TECHNICAL WORKING GROUP HUMAN CAPITAL (TWGHC)

PURPOSE

The meeting aims to:

- ☐ Address foreign worker dependency in construction and manufacturing sectors.
- ☐ Evaluate policy limitations, especially cross-sector mobility under Immigration Act 1959/63.
- ☐ Propose strategic reforms (e.g., digital platforms, hybrid model, risk-based quota).

OBJECTIVES

- ❑ To deliberate on strategic policy enhancements to manage foreign workers (FW) effectively in Malaysia's construction and manufacturing sectors.
- ❑ To discuss regulatory constraints and identify actionable policy measures.
- ❑ To gain consensus and support from leadership (TWGHC-Co Chair) for proposed reforms and pilot projects.

BACKGROUND

- ❑ FW significantly underpins Malaysia's economic advancement, particularly within the construction and manufacturing sectors. As of 2023, foreign workers account for approximately 15% of Malaysia's total workforce, equating to over two million registered workers predominantly concentrated in these constructions and manufacturing sectors
- ❑ Construction and manufacturing sectors heavily dependent on foreign labour.
- ❑ Construction sector: Approximately 70% dependency, critical for infrastructure projects.
- ❑ Manufacturing sector: Vital for maintaining global competitiveness, significantly contributing to exports and GDP.
- ❑ Urgent need for policy enhancement to facilitate cross-sector mobility and address labour inefficiencies.

SECTORS OVERVIEW

Construction Sector

- ❑ The construction sector exhibits a high dependency on foreign labour, constituting approximately 70% of the workforce.
- ❑ Major infrastructure projects such as highways, bridges, and residential developments heavily rely on foreign labour due to limited local participation, primarily driven by unfavourable working conditions (categorized as dangerous, dirty, and difficult), low remuneration, and limited career advancement opportunities. Labour shortages have resulted in project delays and increased costs.

Manufacturing Sector

- ❑ Integrated Supply Chain: Manufacturing supports construction through production of critical materials such as precast concrete, steel, and IBS components.
- ❑ Precast Concrete Expansion: Rapid growth of precast plants (e.g. Johor) reflects direct dependency on construction demand and project timelines.
- ❑ Hybrid Operations: Many firms operate both factories and construction sites, requiring flexible deployment of skilled foreign workers across sectors.

PROBLEM STATEMENT

| No. | Issue | Description |
|-----|--------------------------------|---|
| 1 | Legal Limitation | The Immigration Act 1959/63 restricts the mobility of existing foreign workers between sectors. For example, workers hired under the construction sector are not permitted to support manpower needs in the manufacturing sector, even within the same enterprise group. |
| 2 | Policy Limitation | Current labour and sectoral policies do not recognise or support hybrid operational models that integrate both manufacturing and construction functions under a unified or interdependent business structure. |
| 3 | Approval Bottlenecks | The process for obtaining cross-sectoral mobility approval for foreign workers is reactive, case-by-case (ad hoc), and time-consuming—leading to operational disruptions and productivity delays. |
| 4 | Lack of Strategic Coordination | There is no integrated or strategic coordination framework among key regulatory agencies, namely the Immigration Department (JIM), Ministry of Investment, Trade and Industry (MITI), Construction Industry Development Board (CIDB), Malaysian Investment Development Authority (MIDA), and the Department of Labour (JTKSM), resulting in fragmented decision-making and misalignment of manpower planning. |

ISSUES CONCERNING THE MOBILITY OF EXISTING FW

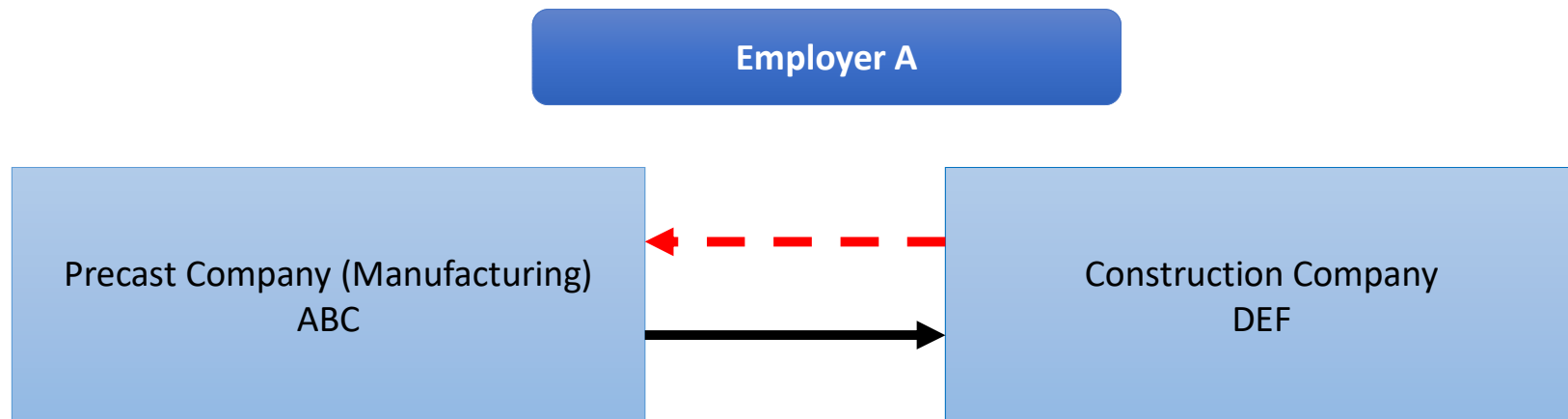
| Item | Description |
|-----------------------------------|--|
| Strategic Rationale | The proposed cross-sector mobility of existing foreign workers between the manufacturing and construction sectors is a strategic initiative aimed at enhancing workforce flexibility and supporting the growth of high-impact economic sectors. This approach is intended to ensure that such mobility is regulated, compliant with existing immigration laws, and beneficial to all stakeholders—employers, workers, and the Government. |
| Current Regulatory Framework | Under prevailing immigration policies, foreign worker transfers are only permitted between employers within the same sector. Such transfers require formal approval from the Immigration Department of Malaysia (Jabatan Imigresen Malaysia, JIM). Once approved, the validity of the existing Temporary Employment Visit Pass (PLKS) is typically shortened, and a new PLKS is issued without requiring the worker to exit and re-enter the country. |
| Policy Development Update | On 8 May 2025, the 13th Joint Committee Meeting between the Minister of Home Affairs and the Minister of Human Resources (Session 1/2025) resolved to allow employer transfers for foreign workers across formal sectors. The Government will develop detailed guidelines and operational procedures to ensure the orderly and transparent implementation of the policy, including obtaining consent from all relevant authorities and parties involved. |
| Previous Practice and Limitations | Historically, inter-employer transfers were only permitted within the same sector under limited conditions—such as corporate restructuring, company closure, business expansion, or subject to special approval by a committee under the Department of Labour (Jabatan Tenaga Kerja, JTK). |

HYBRID BUSINESS MODELS IN THE CONSTRUCTION AND MANUFACTURING SECTORS

Two key models are observed in the market:

Scenario 1 (Single-Entity Model):

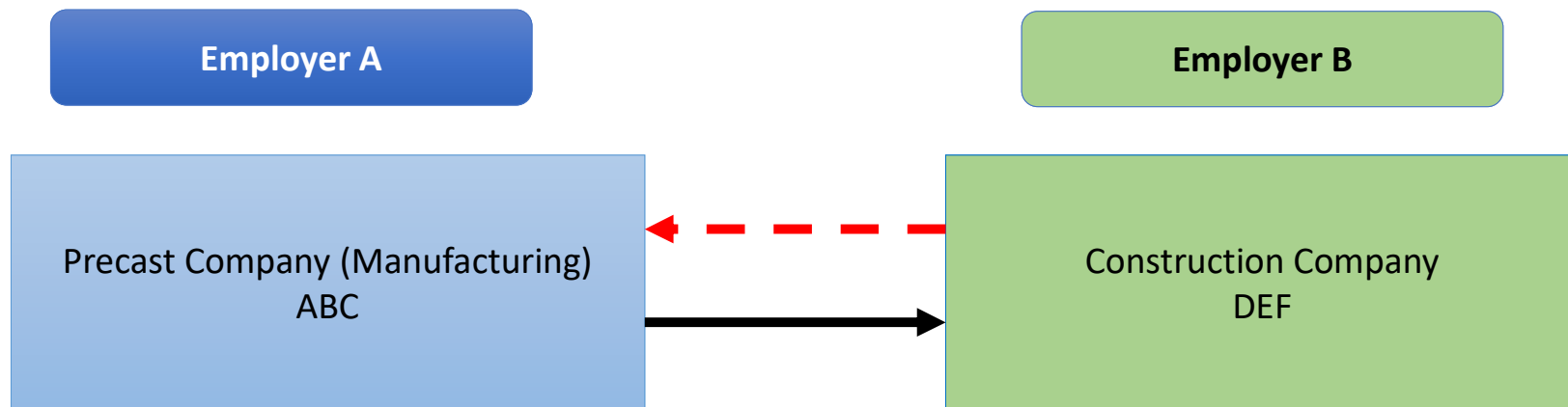
Employer A owns both Precast Factory ABC (manufacturing) and Construction Company DEF (construction). The factory produces precast concrete components used in construction projects executed by the same group's construction arm.



HYBRID BUSINESS MODELS IN THE CONSTRUCTION AND MANUFACTURING SECTORS

Scenario 2 (Multi-Entity Hybrid Model):

Employer A owns Precast Factory ABC (manufacturing) while Employer B owns Construction Company DEF (construction). The factory supplies precast components to construction projects led by an external firm. This model reflects the emerging trend of operational partnerships between firms across sectors.



KEY ADVANTAGES OF THE HYBRID BUSINESS MODEL (SCENARIO 2) IN THE CONTEXT OF FOREIGN WORKER

1. Enhanced Flexibility and Optimal Workforce Utilisation
 - ❑ Existing foreign workers can be deployed flexibly between the factory and the construction site without requiring the issuance of a new Temporary Employment Visit Pass (PLKS). This allows companies to maximise labour efficiency and dynamically respond to evolving project demands.
2. Reduced Recruitment and Administrative Costs
 - ❑ The need to recruit new workers, conduct training, and arrange accommodation can be minimised by leveraging the existing workforce across multiple functions. Employers also benefit from lower permit processing expenses and shorter PLKS approval wait times from the Immigration Department (JIM).
3. Improved Project Efficiency and Timely Delivery
 - ❑ Utilising the same workers across both manufacturing and installation processes ensures smoother communication and coordination. This significantly shortens project timelines and reduces the risk of delays due to labour shortages.
4. Development of Cross-Sector Skills
 - ❑ Workers are given opportunities to build competencies in both manufacturing and construction, making them more versatile and capable of handling a wider range of tasks across the value chain.

PROPOSED POLICY ENHANCEMENT: CROSS-SECTOR MOBILITY PILOT INITIATIVE

- ❑ It is recommended that the Government re-evaluate existing labour policies and regulatory frameworks to better support the structural transformation of these two strategic sectors
- ❑ The pilot initiative will focus exclusively on foreign worker mobility between the manufacturing and construction sectors, within the scope of current policies, regulatory authority, and implementation processes
- ❑ Key Justification for Pilot Implementation – Precast Concrete Sector:

| Category | Details |
|---|---|
| Number of Approved Companies (2022–Q1 2025) | Total: 9 companies - 2022: 2 companies - 2023: 4 companies (*2 in active planning*) - 2024: 3 companies |
| Total Investment Value | RM573 million (2022–Q1 2025) |
| Geographical Distribution | - Johor: 7 companies - Selangor: 1 company - Melaka: 1 company |
| Firm Size (by Workforce) | - Fewer than 75 workers: 7 firms (Small) - 75–200 workers: 1 firm (Medium) - More than 200 workers: 1 firm (Large) |
| Strategic Relevance | High concentration in Johor and predominance of small firms make the sector suitable for controlled cross-sector labour mobility testing. |

PROPOSED CONTROL MECHANISMS AND REGULATORY ELEMENTS

| Control Element | Description |
|--|---|
| Employer Responsibility & Worker Welfare | Employers shall remain fully accountable for their foreign workers, including responsibilities related to wage payments, housing, statutory contributions, and overall welfare. |
| Digital Tracking Systems | The use of barcodes or digital identifiers to track foreign workers permitted to work across both sectors, ensuring traceability and compliance. |
| Levy and Fee Structure | A clearly defined levy or fee framework to reflect sectoral cost differentials and ensure fairness in cross-sector deployment. |
| Digital Application Process via MyIMMs | Applications for cross-sector mobility must be submitted through the Immigration Department's integrated digital platform (MyIMMs) to ensure transparency and processing efficiency. |
| Quota Controls | Cross-sector deployment shall be limited to a designated proportion of each company's existing foreign workforce, to prevent over-dependence and ensure balanced labour distribution. |
| Project-Based Deployment Linkage | Foreign workers from the construction sector may only work in factories that supply materials directly for the same construction project under an active contract. |
| Skill Certification Requirements | Only workers with verified construction-related skills (as endorsed by regulatory bodies such as CIDB) shall be eligible for manufacturing site assignments. |
| Minimum Tenure Requirement | Eligible foreign workers must have held a valid PLKS for at least one year prior to participating in the mobility programme. |

WAY FORWARD

1. Endorsement of Pilot Implementation

- ☐ Support the proposed **Cross-Sector Foreign Worker Mobility Pilot** between the construction and manufacturing sectors, focusing initially on the **precast concrete industry**, with clearly defined eligibility criteria, compliance mechanisms, and digital traceability.

2. Elevation to PEMUDAH Private Sector (PS) Session – August 2025

- ☐ Recommend the pilot proposal be tabled as a formal agenda item during the upcoming **PEMUDAH Private Sector (PS) Planning Session in August 2025**.

3. Direction for Multi-Agency Coordination

Request the to mandate a **joint task force**, comprising representatives from JIM, CIDB, MITI, MIDA, JTKSM, and MPC, to:

- ☐ Finalise operational guidelines for the pilot.
- ☐ Define digital and legal safeguards.
- ☐ Establish a monitoring and impact evaluation framework.

4. Timeline and Pilot Launch Target

- ☐ Approve the pilot for **initial rollout in Q4 2025**, following endorsement from PEMUDAH and completion of inter-agency readiness assessments.
- ☐ Priority states: Johor



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