

The Malaysian economy is operating at full employment and the shortage of workers at all skill levels will be the major labour concern over the next few years. Any comparative advantage Malaysia once enjoyed by providing cheap and abundant labour has been eroded by low-cost producers such as China and Vietnam. Malaysia is trying to move into higher value-added and technology-intensive industries and to compete on strong productivity levels.

- **Unions**

It is estimated that 10-15% of the labour force is unionized; this figure rises to 20% for the manufacturing sector. There are large and active trade unions in plantations, banking and government services. The Malaysian government encourages in-house rather than industry- or nation-wide unions. It has persistently refused to allow the registration of a national union in the electronics industry since the 1970s. The ILO Committee on Freedom of Association has ruled that the Malaysian labour laws violate the right of freedom of association. Despite this ruling, the Government has stood firm in its refusal to allow a national electronics workers union, a sector regarded critical for continued economic growth. A recurring theme in speeches by Prime Minister Mahathir and other Malaysian officials is that attempts by organized labour in Western countries to promote unionization in Malaysia is a deliberate strategy to undermine Malaysian economic competitiveness.

The Malaysian Ministry of Human Resources offers conciliation services for labour disputes, or such disputes may be referred, by the Ministry or the concerned parties, to the Industrial Court of Settlement. Awards by this Court are legally binding.

- **Work permits**

Foreigners who take up employment must obtain a work permit. It is the policy of the Malaysian government to ensure that Malaysians are eventually trained and employed at all levels of industry. Until such time, foreign companies are allowed to bring in workers if no suitable Malaysian is available. In addition, certain "key posts" may be permanently filled by foreigners. For these positions, including executive and non-executive positions, applications should be submitted to the Malaysian Industrial Development Authority at the time of obtaining approval for the project (see address in *Appendix 1: Useful Contacts and Publications*).

Malaysia has between 400 000 and one million illegal migrants. Many of these migrants are from Indonesia and the Philippines. The government has to date turned a blind eye to illegal migrants, given labour shortages in important sectors such as manufacturing. However, if the economy begins to slow, the presence of large numbers of foreigners could be one cause of social tension in Malaysia.