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THE TRANSFORMATION IN ECONOMIC AND WORKFORCE DEVELOPMENT IN SABAH: AN ANALYSIS

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ABSTRACT

The implementation of New Economic Development in 1970 gave implications to Sabah's socio-economic development. Agro-based economic development supported by infrastructural development could be observed especially in the 2000's. At the same time, educational improvement has brought about social mobility among local people which eventually changed the workforce structure. This internal changes have caused imbalanced in the need and demand of workforce especially in 3D (Dirty, Dangerous & Difficult) work sector known as low-skilled. The agricultural, construction and manufacturing sectors which are labour intensive were facing a labour shortage crisis. This brought about employment of foreign worker policy, which was initially intended for short term; until the nation's economy becomes labour efficient with the use of machinery. However, dependency on foreign labour can still be observed to date to ensure low production cost so as to remain competitive in the global market. This paper intends to see economic transformation as well as changes in workforce demand which initiated the needs for foreign labour. In discussing this issue, the writer analysed population, education, workforce, agricultural sector and foreign workers data to explain the transformation and internal changes. Based on the data projection of a few decades, this paper could explain in detail the phenomena we are facing today. The understanding of this issue is pertinent in solving problems related to the handling of foreign workforce.

Keywords: Economic transformation, workforce, foreign workers.

Introduction

Being the major producer of palm oil in Malaysia, and to a lesser extent cocoa, rubber and timber, these agro-based economy facing an acute shortage of labour in plantation and agriculture, as well as the construction, manufacturing and services sectors. Highly dependent on exports of its primary commodities, labour intensive industry opens up job opportunities that are typically low-skill in nature and are eschewed by the local people. Improvement in education among the local people has inspired them to aspire to more lucrative and higher status white collar jobs. As a result, Sabah has to depend on foreign workers to fill the shortages in the workforce. Foreign labour accounts for about half of the total workforce in Sabah; a majority in the plantation sector (Kanapathy, 2006; Kassim, 2006). It is a challenge for the state government to maintain its economy without employing foreign workers while trying to keep production costs low and be competitive in the global market.

The participation and contribution of Indonesian migrant workers in Sabah's economy has economic importance. As the growing need for these foreign labourers was undeniable, seminar proceedings edited by Kassim (2004, 2005) covering issues related to foreign workers in the critical sectors was conducted. This study rationalised the need for foreign workers as follows:

i. most local people refuse to join four key industries due to low salary and poor work conditions - especially the construction sector (Chew, 2004);

ii. foreign labourers are easier to get, more productive and reliable, less demanding and cheaper in comparison to the locals (Yap, 2004);

iii. despite improvement in work conditions and increased use of machines (except for construction sector), local people still find the jobs unattractive (Gatidis, 2004, Amatzin 2004); and

iv. local people would not participate in the 3D jobs due to social labelling (Jemon, 2005).

This paper aims to discuss Sabah's economic and social development that has led to demand for foreign labour. The importance of Indonesian labour migrants in the Sabah economy and the impact of their presence, especially in the economic development of Sabah, through their participation in plantation, manufacturing, construction, domestic and services sectors are examined. Since foreign labour is crucial for the state's economic development, some measures should be taken to manage foreign workers to maximise the benefits of both parties.

Economic Development and Workforce Structure

At the national level, Malaysia has experienced major changes in its economy since the implementation of the New Economic Policy (NEP) in 1970, that emphasised social integration and equitable distribution of income and opportunities for national unity and progress. NEP development plans included two objectives: firstly, poverty eradication among all Malaysians irrespective of race and secondly, restructuring Malaysian society to correct the racial economic imbalance (Wong, 1988).

The NEP poverty eradication plan achieved its target when the incidence of absolute poverty in Malaysia had been reduced by 50 percent after 15 years of its implementation in 1970 (Ministry of Women, Family and Community Development Malaysia, n.d). However, NEP has not been effective in reducing the country's economic imbalance (Wong, 1998). In addition, the benefit of economic growth has not been evenly distributed across the country despite the balanced development policy announced in the 6th Malaysia Plan under the National Development Plan (1991 – 2000). More often than not, urban areas, especially those located in the Peninsular with well-developed physical infrastructure benefit the most.

Sabah, the second largest state in Malaysia has 54 percent of its population living in urban areas; much lower than the urban population recorded at the national level (71 percent).While there is only 8.2 percent non-Malaysian citizens recorded at the national level, 27.7 percent of Sabah population are non-citizens. Sabah has the lowest GDP growth (2.4 percent) in comparison to other states in Malaysia when GDP growth is recorded at 7.2 percent at national level in 2010. The unemployment rate is quite high in Sabah; of the total labour force, 5.6 percent are unemployed, higher than the national level of 3.5 percent. However, the labour force participation rate in Sabah is a little higher than at the national level.

The Sabah economy did not change much after NEP ended in 1990 and still largely relies on the exports of the primary sector. In comparison, the Peninsular's economic transformation due to NEP, resulted in a massive expansion in the manufacturing sector. However, in the mid 1990's, Sabah experienced a structural shift; the main contributor of growth has been increasingly from the agricultural and manufacturing sectors rather than forestry and mining (Outline Perspective Plan Sabah, 1998). Nevertheless, ten years after the NEP, the manufacturing sector is still very small, with most emphasis on natural resource-based industry (Johari & Chong, 2003). While the state's manufacturing sector depends on timber and palm oil based industries, the nation's as a whole is dominated by the electrical and electronics industries (Abdullah, 2003; 134). Therefore, a large number of workers are necessary to sustain the production of palm oil and forest products for the downstream processing industry. A closer look at employment in the main industries in Sabah is shown in Table 1.

Of the total employment (1.3 million) in 2010, some 32 percent of workers in Sabah were employed in the agriculture, forestry and fishing sectors; that employ the most low-skilled workers. Since 2001, the number of workers in this job sector has grown by around 85,000 workers. In comparison, the manufacturing sector shows a fluctuating trend in the employment of workers throughout the period of 2001 to 2010. Similarly, an analysis of the growth rate of the manufacturing sector from 1991 to 2000 shows an erratic pattern. The highest growth rate was recorded in 1993 with 36.3 percent and the lowest in 1995 with -15.9 percent (Abdullah 2003: 134). This job sector employed only around 8 percent of total employed persons in 2010; corresponding to the state's share of GDP to the national level of only 1.7 percent (Department of Statistics, 2011).

The manufacturing industry will change in the future following the implementation of the state's agenda called '*Halatuju*' development framework that firstly focuses on ecotourism and secondly combines agriculture and manufacturing in developing its economy (Sabah Budget 2010). The establishment of the Sabah Development Corridor (SDC)[1] in 2008 under 9th Malaysia Plan mirrors the government serious effort to improve manufacturing industry. The industrial development is centered on the resource-based manufacturing activities taking advantage of the state's rich natural resources.

[1] Sabah Development Corridor (SDC) programmes are designed to achieve the socio-economic objectives for Sabah by harnessing unity in diversity and natural resources to catalyse investments in three new growth areas: Western, Central and Eastern sub-regions. When SDC is fully implemented, Sabah will be a vibrant, economically successful and liveable state by 2025.

Table 1 Number of employed person by main industry, Sabah, 2001 – 2010

Category of Industry#	**Year (Number of employed person '000)**									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture, forestry and fishing	331.1	351.6	344.5	347.1	373.6	361.3	411.6	399.4	406.8	416.0
Manufacturing	119.0	112.5	123.2	135.7	123.3	133.5	123.0	120.5	95.3	104.8
Construction	69.9	83.8	89.1	80.8	88.9	86.6	90.2	100.1	116.7	100.8
Wholesale and retail trade, repair of motor vehicles and motorcycles	142.9	148.0	168.5	167.0	171.1	183.1	187.7	191.0	201.7	211.1
Accommodation and food services activities	44.4	48.3	51.5	48.2	50.7	64.8	62.0	80.3	77.0	73.4
Transportation and storage	44.4	44.6	46.4	50.2	48.9	53.9	50.5	53.8	57.9	53.3
Education	54.3	54.9	60.4	63.3	61.3	65.8	64.2	66.1	70.9	80.5
Public administration and defence, compulsory social security	70.6	73.7	78.1	75.2	79.2	82.8	73.2	75.7	91.5	83.7

Source: Department of Statistic of Malaysia 2001 – 2010

Note: #Industry is classified according to the Malaysia Standard Industrial Classification (MSIC) 2008

Human resource development is seen as the key to achieve the state agenda (Sabah Budget 2010). From 2008 up to 2025, the three-stage development plan firstly seeks to enhance existing infrastructure and invest in human capital development to move the industry into high value added, downstream processing activities, particularly in the oil and gas, palm oil, wood and biotechnology subsectors. In line with the Sabah Industrial Master Plan, the following industrial parks are being developed: Kota Kinabalu Industrial Park, Integrated Timber Complexes, Palm Oil Industrial Cluster in Lahad Datu and Sandakan, Kudat Industrial Park, Sipitang Industrial Park, and Sandakan New Growth Centre (Ministry of Industrial Development Sabah, 2011). Considering the scale of infrastructure development, it is likely that there will be a large workforce needed in the traditionally, labour intensive construction sector. Again, the support from foreign workers, particularly in the construction sector is much needed at this stage to realise the SDC mega projects.

Currently, the main contributors to Sabah's economy are the primary sector (40 percent), followed by the secondary sectors (17 percent) consisting of mainly manufacturing and construction; and the tertiary sector which includes services and tourism accounting for 43 percent share of GDP (Sabah Development Corridor, 2011: 92). Being a largely resource based economy, the increase in commodity prices of palm oil and crude petroleum had a positive impact on the Sabah economy, that was little affected by the global economic slowdown in 2009.

Looking at economic momentum in 2008 and the potential of palm oil that contributed 38 percent to Sabah exports (Sabah Budget, 2010), the Sabah state government put effort into sustaining the production and growth of palm oil industry by opening more land that would naturally increase the palm oil production, and will definitely give rise to increased workforce demand in this sector, thus increase the in-flow of foreign workers, especially Indonesians who have long dominated this sector (Johari & Goddos, 2003).

The economy of Sabah is export oriented and highly dependent on its primary commodities, such as palm oil, cocoa, crude petroleum and plywood. Presently, the state is the main producer of palm oil contributing 32 percent of Malaysian palm oil and 15 percent of the world production (Sabah Budget, 2010). The increasing trend of palm oil export in Sabah is presented in Figure 1 that shows a two fold increase in a six year period; from 12.6 percent in 1994 to 34.7 percent in 2010. Palm oil has contributed to more than 30 percent of Sabah export since 2002 and reached its peak in 2008 at 38 percent.

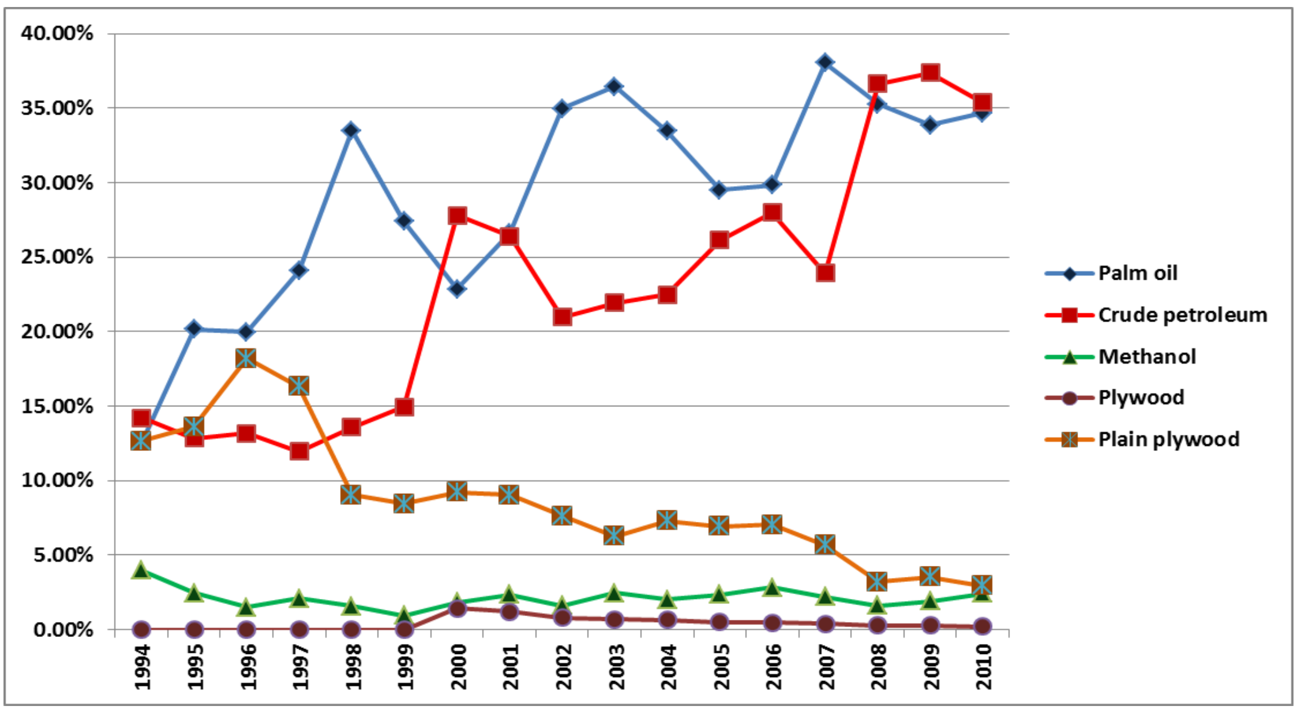

Figure 1 Sabah five selected major exports 1994 – 2010
Source: Economic Planning Unit Sabah 2011

It is estimated that out of 2.1 million hectares of land identified as suitable for agriculture, 1.4 percent is already developed for industrial crops, cash crops, fruit trees, spices and vegetables (Department of Agriculture Sabah, 2011); and in 2009 Sabah contributed around 20 percent of the country's total agricultural output (Department of Statistics, 2010). After palm oil, cocoa is the second and rubber the third most important industrial crops in Sabah, while paddy is planted mainly for local consumption. The planted area of main crops presented in Figure 2 corresponds with the importance of each industrial crop to the Sabah economy.

Oil palm is currently the leading agriculture crop for Sabah. Oil palm planting has shown remarkable growth since the mid 1970s to 2010 as presented in Figure 2 The expansion of oil palm planting began in 1980 and increased sharply from 1990 onwards with the opening of new land (Teoh, 2000:17), the permanent conversion of over logged forest into agriculture land mainly oil palm (WWF Malaysia, 2012), conversion of cocoa to oil palm plantation and to a certain extent, the forest replantation approach under Sustainable Forest Management where oil palm are either inter-planted with forest trees or planted along perimeters (Chan & Chiang, 2004). In addition, Teoh (2000:17) who analysed the trends in oil palm plantations in Peninsular and East Malaysia remarks:

> "The last decade has seen rapid expansion in oil palm planting in Sabah and Sarawak while its development in Peninsular Malaysia slowed down on account of a shortage of suitable land and increasing shortage of manpower. Further development of new oil palm areas is expected to continue in East Malaysia, where there is greater land availability."

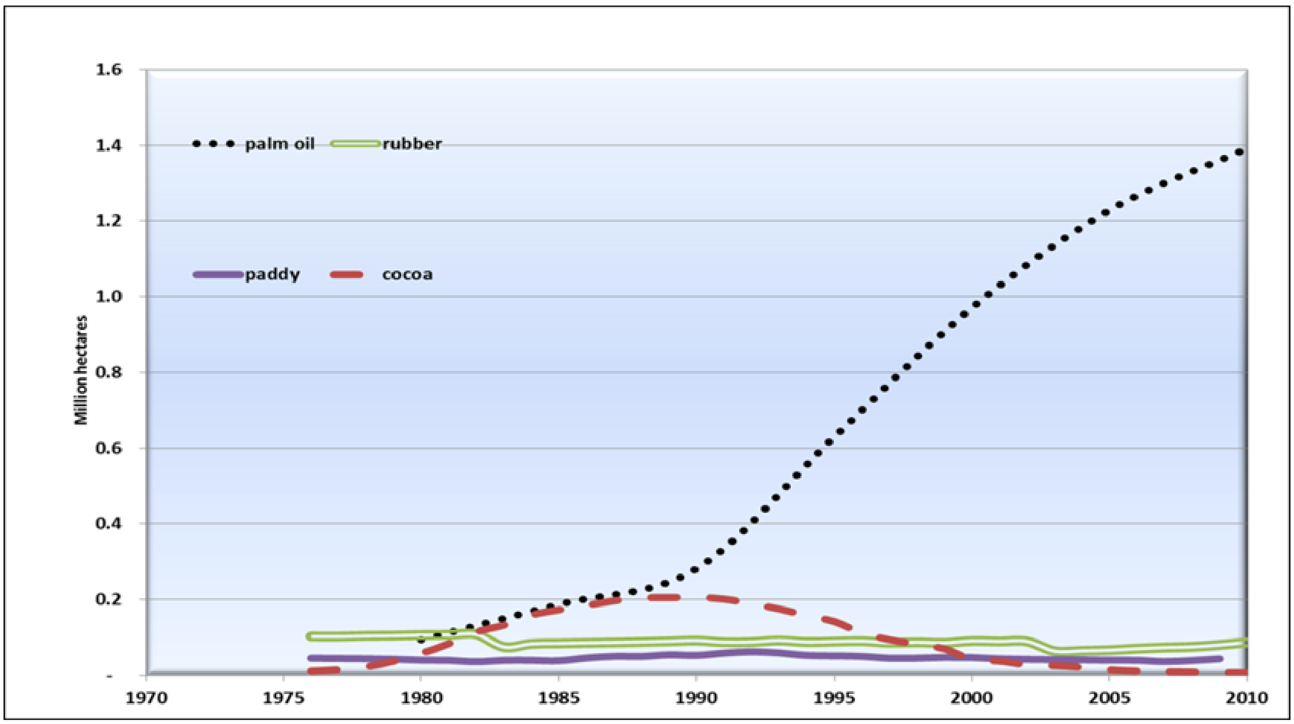

Figure 2 Planted area of main crops by hectare, Sabah 1976 – 2010
Source: Agriculture Department Sabah 2011

Oil palm plantations continue to expand in Sabah corresponding to the land availability and suitability. This lucrative palm oil industry will be sustained due to high prices, high yield and strong export demand (Lim, 2008). On the same note, Basiron (2011: 1) regards the palm oil industry as "the most sustainable industry on the planet" based on the fact that "the oil palm industry occupied only 5.7

percent of the global oil crop area but accounted for one-third of global edible oil production" and the "production and processing of palm oil is sustainable in itself" where it is possible to recycle almost all the by-products. These many advantages instigated the Palm Oil Industrial Cluster (POIC) in Sandakan, Lahad Datu and Kimanis, focusing on downstream industries of palm oil such as food, phytonutrient, oleochemical, biomass and biofuel (POIC, 2012).

The rapid expansion of oil palm plantations began in 1990 with around 281,500 hectares in just a decade; oil palm plantations in Sabah have increased by 344.9 percent and reached a total of 1.4 million hectares in 2010, making it the Malaysian state with the biggest hectareage of oil palm. By 2012, Sabah accounted for 28.4 percent of total planted area and 29.8 percent of total crude oil production. Recently, the state's plantation sector was short of approximately 270,000 workers; and the rapid expansion in the economy made it difficult to fill the gap (*The Edge Malaysia*, August 2012).

Sandakan and Tawau Divisions have the largest area planted with oil palm covering 54.3 percent and 40.7 percent of the state's total oil palm plantations respectively. The analysis of expansion in oil palm planting reveals that the Sandakan Division recorded an outstanding increase of 470.7 percent in 1990 to 2000. This was largely contributed by the rapid expansion of oil palm plantations (544.3 percent) in Kinabatangan district in the same period. Meanwhile, the Tawau Division recorded a 255.9 percent increase in oil palm planting concentrating in Lahad Datu district which experienced a 297.6 percent increase in expansion. Further expansion in both districts from 2000 – 2010 has been initiated by the establishment of the expansion of oil palm planting in Sandakan and Tawau Divisions. This has brought about the emergence of the economic activities in rural Sabah, thus contributing to the creation of new jobs that will cause the further movement of people. While local people largely refuse to be involved in the rural based economic activities, the importation of foreign workers is seen as pertinent to keep the economy going.

Figure 3 shows 1980 and 1990 data, while Figure 4 shows 2000 and 2010 data. The area tinted with darker colour refers to the larger area planted with oil palm in hectare age. These GIS maps will be used later to compare the distribution of foreign population in Sabah in connection to oil palm plantation. From Figure 4, it can be clearly seen that oil palm planting by 2010 is concentrated in the Sandakan and Tawau Divisions, forming a Sabah palm oil belt spanning Sandakan, Lahad Datu, Kunak and Tawau districts (*SDC Blueprint*, 2011:101). The total area planted with oil palm in Sandakan and Tawau Divisions amounted to 95 percent of the state's total oil palm plantation; making the east coast region the biggest producer of palm oil in Sabah. This rapid expansion leads to the creation of many job opportunities and high demand in the workforce to sustain the industry. That explains why concentration of Indonesian workers occurs in especially Sandakan and Tawau.

The question is whether the oil palm industry is able to attract local people to join the workforce when most oil palm plantations are located in rural areas, the plantation sector offers jobs that are 3D in nature with minimal use of machinery, low wages and no career prospects. This issue has been highlighted by many researchers in discussing international migration to Malaysia (Hugo, 1993; Kassim, 1997; Johari & Chong 2003; Kanapathy, 2004).

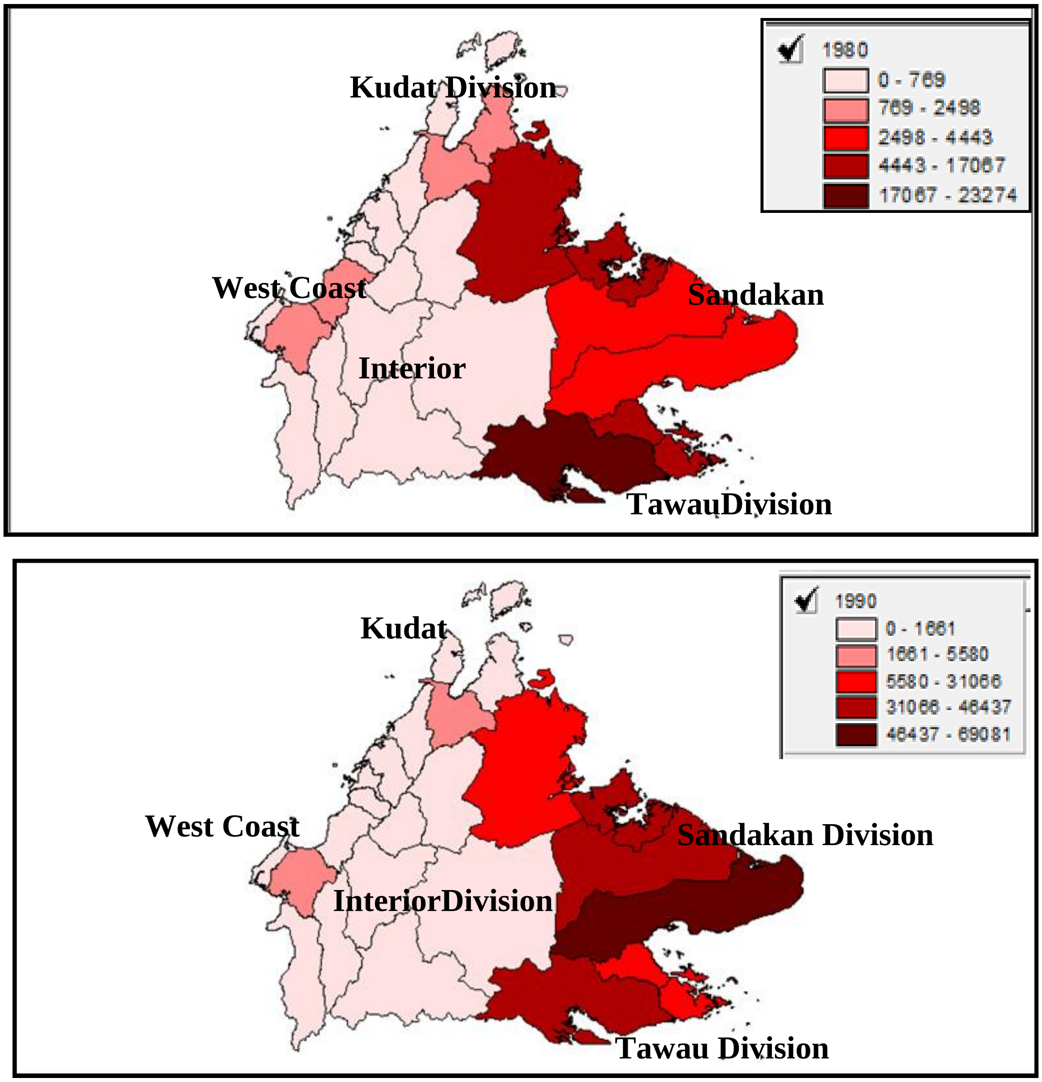

Figure 3 Planted area of oil palm (hectare) by division and district, Sabah 1980, 1990
Source: Department of Agriculture Sabah 2012

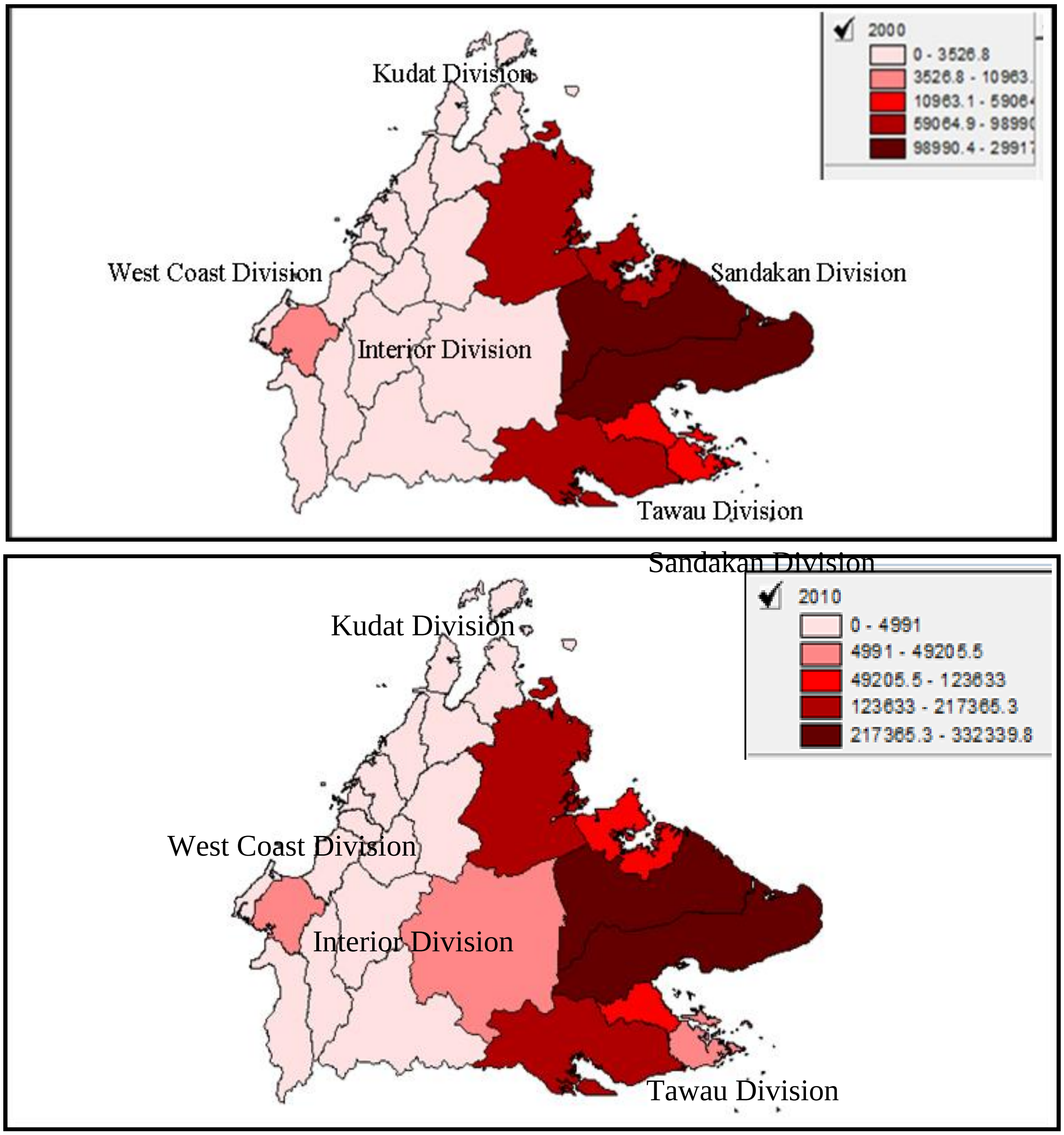

Figure 4 Planted area of palm oil (hectare) by division and district,
Sabah 2000, 2010
Source: Department of Agriculture Sabah 2012

Challenges in Sustaining Economic Development

Analysis on level of education of local people is important in discussing demand in foreign labour. Although Sabah has a lower average number of years of education in comparison to the Peninsular, it has improved from 6.3 in 1995 to 8.3 years in 2009 (refer to Table 2). It indicates that education opportunities and facilities in primary, and to a lesser extent, secondary levels, in Sabah are comparable to other states in Malaysia. A faster average annual growth recorded in the period of 1995 to 2001 indicates the positive effect of the balance development plan on Sabah state under the New Development Policy (1991 – 2000). From a gender perspective, there is a gap between males and females in average years of education. However, females show signs of catching up when the category recorded a much faster rate of growth in comparison to males in the period of 2002 to 2009.

Table 2 Average year of education in Malaysia by selected categories (1995 – 2009)

	1995	**1997**	**1999**	**2002**	**2004**	**2007**	**2009**	**1995-2002**	**2002-2009**
								Average Annual Growth Rate (%)	
Overall	7.3	7.7	7.7	8.4	8.5	9.2	9.5	2.0	1.9
Urban	8.6	8.9	9.0	9.3	9.5	10.1	10.5	1.2	1.7
Rural	5.7	6.3	6.3	6.4	6.6	7.1	7.5	1.7	2.3
Male	7.3	8.1	8.14	8.8	8.9	9.4	9.8	2.7	1.6
Female	5.1	5.4	5.5	6.1	6.4	7.7	8.2	2.7	4.4
Peninsular	7.5	7.9	7.9	8.5	8.8	9.4	9.9	1.9	2.1
Sabah	6.3	6.8	6.8	7.7	7.9	7.9	8.3	3.0	1.0
Sarawak	6.1	6.2	6.4	6.9	7.6	7.6	7.7	1.9	1.5

Source: Mohamed & Said, 2012:1778

Table 3 Population aged 10 years to 75+ by education attainment,
Sabah 1991, 2000, 2010

Level of Education	**Year**		
	1991	**2000**	**2010 ***
Primary level and lower	586,491	1,114,546	536,664
Lower Secondary	132,830	269,841	313,007
Upper Secondary	108,419	273,203	436,333
Form 6	15,655	33,099	84,671
Certificate/diploma	12,367	31,992	4,147
Degree/advanced diploma	11,193	21,754	55,422
Post graduate degree	No info	6,927	48,567
Unknown	2,340	62,874	351,679

Source: Department of Statistic Sabah 1991 – 2010

It is apparent that the number of population with primary level and lower (or no formal education) outnumbers population in other categories. This is because this category includes people aged 10 to 14 who are schooling, and a much greater number of people aged 15 to 75+ as shown in Table 4. The growing number in the later age group is more concentrated on the working population aged 25 to 44 years in 2000. It is possible that this rapid increase is caused by the arrivals of low-skilled, low-educated foreign economic migrants that have worked and stayed in Sabah since 1990 and before.

Table 4 Sabah population with primary and lower level of education by age group 1991, 2000, 2010

Age Group	Year		
	1991	**2000**	**2010**
10-14	172,025	296,991	145,541
15-19	86,794	117,545	10,160
20-24	75,050	90,111	12,996
25-29	70,700	98,322	13,547
30-34	60,422	98,365	14,344
35-39	41,901	97,664	14,930
40-44	26,681	86,857	18,264
45-49	18,286	62,484	19,854
50-54	13,784	45,927	19,965
55-59	8,486	37,411	13,830
60-64	5,518	32,250	8,258
65-69	3,158	21,231	5,653
70-74	2,053	14,376	3,211
75+	1,633	15,010	2,770

Source: Department of Statistics Sabah 2012

A study on the effect of education levels on growth in Malaysia shows that higher level of education especially at graduate level, significantly influences economic growth (Mohamed & Said, 2012). At the micro level, higher levels of education will alleviate poverty in the long run because higher income promotes social mobility among poor households. As explained earlier, the Sabah population with higher education levels is very small in comparison to those of primary and lower education levels. However, the process of social mobility with improvements in education attainment surely takes a lot of time and effort. Figure 5 shows the education attainment in Sabah workforce.

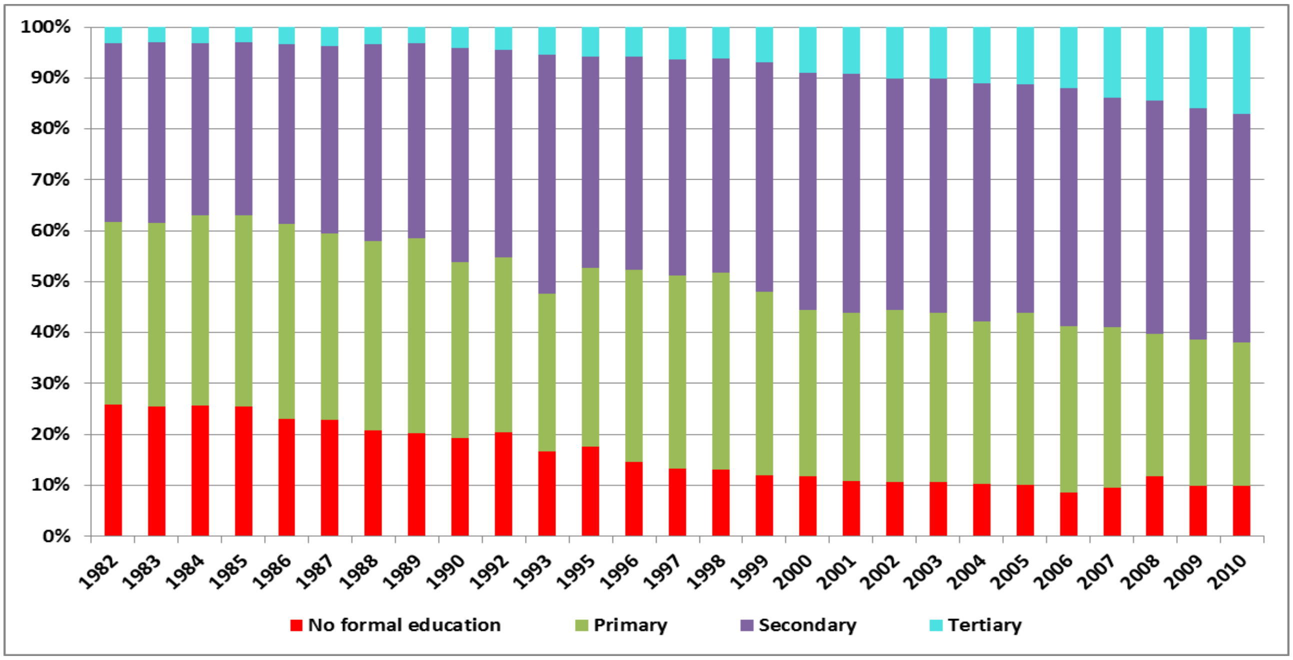

Figure 5 Labour force by education attainment (%), Sabah 1982 – 2010
Source: Department of Statistics Sabah 1982 – 2011

In 1983, those with no education or primary education only accounted for 63 percent of the workforce. The government's ongoing effort to improve education and its facilities has opened a wider opportunities for urban and rural people to obtain education and as a result, within 25 years the Sabah workforce has experienced a massive change. The level of education attainment of the workforce has improved where 63 percent of the total workforce with secondary and tertiary education in 2009 outnumbered those with primary education and lower. This shift indicates that the portion of semi-skilled and skilled workers in the Sabah workforce has grown larger when the state is in dire need for low-skilled workers in critical sectors, such as agriculture and construction. Although educated local people refuse the 3D jobs, immigrants see it as a golden opportunity (Kassim, 2005a). To keep the agro-based economy going, low-skilled, low-educated foreign workers are recruited to fill the vacuum left by the local people.

Expansion in the public services sector opens opportunities for and inspires educated local youths especially the Malay *Bumiputera* (Hashim, 1998) to secure white collar jobs which offer higher salary, fixed income, better work condition and brighter career prospects. As a result, it is observed that the proportion of people engaged in agricultural occupations has declined with the growth of urban areas, especially in Kota Kinabalu, Sandakan and Lahad Datu. For example, unemployment among children of FELDA settlers is high in Lahad Datu not because of the unavailability of jobs but they refuse to work in agricultural sector like their fathers. To utilise the workforce, FELDA provided training beyond its traditional focus (palm oil), to modern maritime industry of tuna fishing (*The Inside Edge*, 2011). The trend in mobility out of traditional occupations will increase demand in foreign workers in critical sectors, such as agriculture and construction.

Sabah is developing towards becoming an industrial state through implementation of the SDC whereby more skilled and semi-skilled workers will be needed to support the knowledge-based economy. Simultaneously, local human capital is being trained to meet the future requirements that will involve graduates in science, technical or vocational fields (for example for leisure management, technicians and plantation management positions). While there is a greater need for graduates in sciences, there is a surplus of graduates in arts and humanities to man the existing and future industries (*SDC Blueprint* 2011:143). The pool of unsuitable graduates who lack communication, technical and softskills, coupled with the lack of available jobs that match their qualifications may partly contribute to the high unemployment rate (*SDC Blueprint,* 2011:140) recorded at 5.6 percent in 2010; higher than the national level of 3.5 percent (Department of Statistics, 2010).

To be a vibrant, economically successful livable state by 2025 (*SDC Blueprint,* 2007), the development of human capital has become the main focus of education planning. As a result, access to education has improved in urban and to a lesser extent the rural areas. Based on the improvements in educational attainment observed among the workforce in Figure 5, although small in number, there is a growing trend whereby local youths aged 18 – 24 years old are in tertiary education and therefore outside the working group. Once they join the workforce, this group of skilled workers is expected to increase. To achieve the objectives, the state's Human Resource Development allocated some RM25.95 million to run engineering and mechanical skills programmes in 2010 (*Sabah Budget,* 2010).

While local youths are educated and trained to fill the management positions and upcoming jobs created from establishment of SDC, production jobs that are dirty, dangerous and demanding (3Ds) are left for immigrants who see this as a golden opportunity. These docile foreign workers are often willing to accept poor work conditions, low wages and long working hours. During the construction period of the SDC project, foreign workers' contribution in the construction sector is essential to ensure its completions meet schedule in 2025. When SDC is running at its full course, production of resources, particularly palm oil, is expected to rise, thus dependency on foreign workers to get the job done will increase. As Sabah resource-based economy is flourishing and SDC is on its way to become a reality, it relies heavily on low-skilled and low cost immigrant workers mainly from Indonesia to which we now turn.

Demand for Foreign Workers

Next to Peninsular Malaysia, Sabah is a destination that receives the second most immigrants. As explained earlier, growth in the agriculture and plantation sectors has created a huge labour deficit in Sabah especially in low-skill workers where not much education is needed. The large movement of foreign workers occurred in the early 1960's to 1980's responding to the expansion in timber industry, as well as cocoa and palm oil plantations (Johari & Goddos, 2003: 50). At that point, the presence of mostly Indonesian and Filipino migrants was not seen as a threat to the local people. In fact, they were welcomed to participate in the economic development of Sabah because they did not only solve the problem of labour shortage but also helped reduce production costs (Kassim, 2005: 9). To date, the foreign-born population accounts for 27.7 percent of Sabah's total population (Department of Statistics, 2010).

Unlike the Peninsular Malaysia who receives foreign workers from a variety of country of origins (Philippines, Bangladesh, Vietnam, Nepal and Indonesia), Sabah state only accepts migrant workers from Philippines and Indonesia (Kassim, 2006; Kanapathy ,2008a). Table 5 shows the issuance of temporary work permits by nationality from 1997 to 2011. Following the regulation exercise in 2011, the number of legal and illegal foreign workers being issued temporary work permit has been recorded. Data before 2009 shows that foreign workers from Indonesia outnumbered those from the Philippines. A large portion of illegal workers issued temporary work permits in 2011 were Indonesians. The analysis further reveals the increasing numbers of foreign workers being issued temporary work permits in Sabah. For example, 23,992 migrants were issued temporary work permits in 1997, which escalated thirteen fold to 312,246 in 2009. However, the fluctuating trend throughout the years has often been influenced by the foreign workers registration or repatriation exercise conducted by Sabah Immigration Department (Kanapathy, 2004).

Table 5 Issuance of temporary work permits based on nationality in Sabah, 1997 – 2011

Year	Nationality			Total
	Indonesia	Philippines	Others	
1997	19,763	4,229	-	23,992
1998	76,441	17,383	-	93,824
1999	112,699	22,651	-	135,350
2000	86,760	8,258	213	95,231
2001	91,871	10,666	335	102,872
2002	132,031	13,944	5	145,980
2003	153,721	9,063	5	162,789
2004	168,875	8,569	6	177,450
2005	95,900	6,365	-	102,265
2006	200,449	12,034	-	212,438
2007	182,843	11,072	-	193,915
2008	149,659	10,442	-	160,102
2009*	-	-	-	312,246
2010*	-	-	-	117,043
2011*	-	-	-	124,469 (legal)
				128,585 (illegal)
				Total: 253,054

Source: Immigration and Registration Department; Ministry of Home Affairs, Putrajaya 2011

* Immigration and Registration Department Sabah 2009 – 2011

Movement of foreign workers is often associated with the export outputs of a country that contributes to the growth of real GDP as discussed by Hugo (2011: 222). In Sabah's case, besides crude petroleum, the resource-based economy is highly dependent on the export of mainly palm oil, timber processing and other agriculture produce. Figure 6 shows the relationship between exports and stock of foreign workers; changes in the number of foreign workers is consistent with the growth of exports. For example, the highest export recorded in 2008 influenced the demand in foreign workers, especially in the plantation sector. As a result, it gives rise to the employment and stock of foreign workers in the following year.

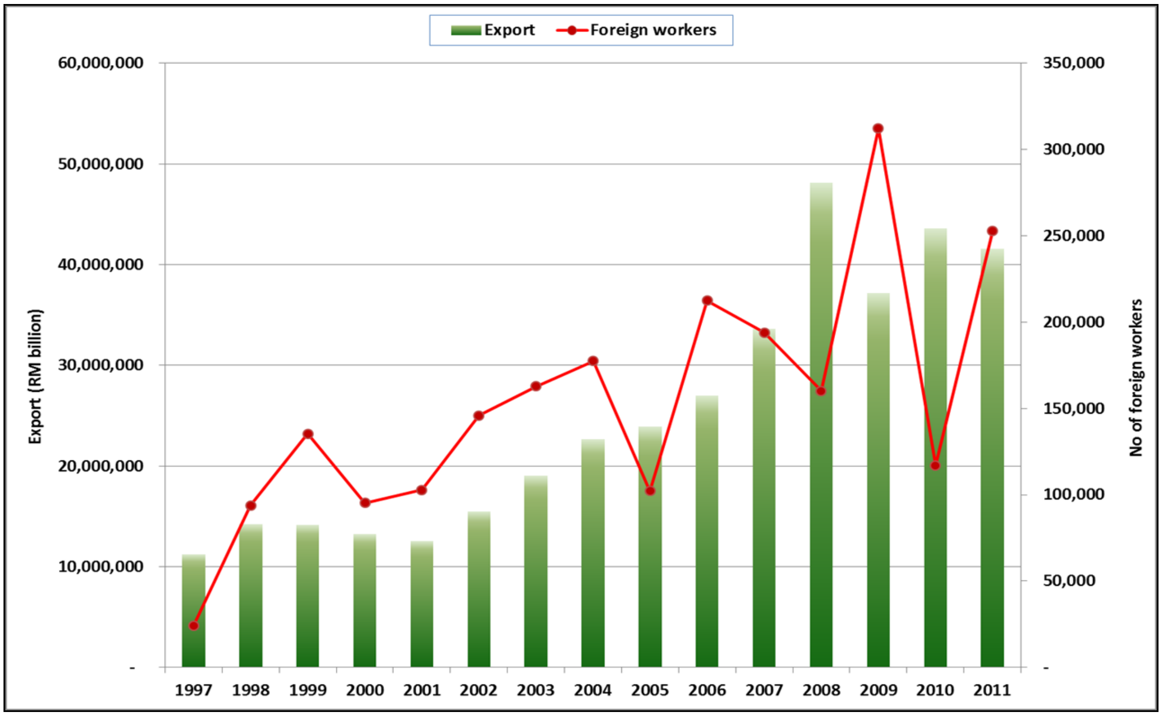

Figure 6 Stock of migrant workers against exports, 1997–2011
Source: Immigration Department Sabah 1997-2011; Economic Planning Unit Sabah 2011

The demand for foreign workers declined when export dropped in 2009, the number of issuance of work permit also reduced 27.3 percent in the following year from 312,246 to 117,043 (refer to Table 5). Therefore, there are two factors influencing the number of legal foreign workers in Sabah, namely demand in foreign workers and the registration or repartriation exercise as examplified in Table 5 and Figure 6.

Table 6 shows the distribution of foreign workers in Malaysia and Sabah at the national and regional levels in the main job sectors in 2009. At the national level, Malaysia employed the most foreign workers in the manufacturing sector (35.3 percent) in comparison to employment in other job sectors. In contrast, at the local level, more than half (53.9 percent) of foreign workers were employed in the plantation sector, and about a quarter in agriculture in Sabah. A further analysis reveals that of 519,008 million foreign workers in the plantation and agriculture sectors in Malaysia, 46.3 percent worked in Sabah in 2009. Foreign workers comprised of 80 percent of workers employed in the state's plantation sector (Lajiun, 2009). It should be noted that this data does not include immigrants of illegal status.

Table 6 Employment sector of migrant workers in Malaysia and Sabah, 2008 – 2009

Sector	Malaysia		Sabah	
	Number	Percent	Number	Percent
Domestic	213,360	10.1	11,027	3.5
Agriculture	177,544	8.4	75,352	24.1
Plantations	341,464	16.1	**165,104**	**52.9**
Construction	316,559	14.9	24,188	7.7
Manufacturing	**749,953**	**35.3**	19,782	6.3
Services	213,360	10.1	16,813	5.4
Total	2,122,931	100.0	312,246	100.0

Source: Economic Planning Unit, Malaysia and Sabah Immigration Department, 2009

Sabah manufacturing sector is relatively small. It is indicated by the number of foreign workers accounting for only 6.3 percent of the total Sabah workforce of 312,246 million. In contrast, at the national level, Malaysia has moved to manufacturing and services sector as the major contributor to its economy since the early 1990s (EPU, 1996), which accounts for the high percentage of foreign workers in the manufacturing sector as a whole. The table also depicts the labour shortage problem that is concentrated on low-skilled workers in critical job sectors at the national and regional level.

As concentration of foreign workers in the plantation and agriculture sectors in Sabah is often located in rural areas, it is therefore relevant to take a closer look at the Sabah population distribution by citizenship and location. Table 7 shows the increasing proportion of foreign population in Sabah over three decades. The total population in Sabah has risen 44.7 percent from 2000 to 2010, with 27.7 percent of the foreign population working in this state in 2010. It is apparent that a majority of them concentrate in Sandakan and Tawau Division. From the total foreign population in Sabah, 39.2 percent of them are located in Tawau while 45.8 percent in Sandakan in 2010, making these two divisions the most preferred destinations for foreign migrants.

Table 1.7 Distribution of citizens and non-citizens by administrative boundaries in Sabah, 1991, 2000, 2010

Administrative (Division)	**1991**		**2000**		**2010**	
	M'sian Citizens	**Non M'sian Citizens**	**M'sian Citizens**	**Non-M'sian Citizens**	**M'sian Citizens**	**Non-M'sian Citizens**
Interior Division	253,497 (85.7)	36,290 (14.3)	311,244 (84.0)	59,394 (16.0)	364,600 (85.9)	59,934 (14.1)
West Coast Division	527,201 (88.5)	60,891 (11.5)	737,868 (88.2)	98,630 (11.8)	892,457 (83.6)	175,132 (16.4)
Kudat Division	123,034 (95.9)	5,083 (4.1)	160,140 (94.8)	8,761 (5.2)	180,733 (93.9)	11,724 (6.1)
Sandakan Division	336,428 (64.7)	118,609 (35.3)	351,416 (61.5)	220,056 (38.5)	380,554 (54.2)	321,653 (45.8)
Tawau Division	493,979 (58.3)	206,128 (41.7)	427,993 (65.2)	227,983 (34.8)	498,619 (60.8)	321,336 (39.2)
Sabah State	1,734,685 (74.5)	425,175 (24.5)	1,988,661 (76.4)	614,824 (23.6)	2,316,963 (72.3)	889,779 (27.7)

Source: Population and Housing Census, Department of Statistic Malaysia, 1991-2010
Early report Population and Housing Census 2010, Department of Statistics, Sabah 1991 – 2010

The figures presented here does not includes the number of migrants with illegal status which means that the foreign population would be much larger with the inclusion of illegal immigrants. Commenting on the difficulties in acquiring accurate foreign population data in Malaysia, Kanapathy (2008a: 341) states;

> "Estimating the size of the migrant population in the country is a rather slippery task as the number of migrants in an irregular status varies greatly. The number of undocumented workers falls drastically following a crackdown or amnesty, but rises sharply thereafter."

The concentration of Indonesian and Filipino migrants in 3 decades is illustrated in Figures 7 and 8. In 1991, migrants dominated the north eastern area of Sandakan division topped by Kinabatangan, followed by Sandakan and Beluran with total foreign populations of 118,609 (35.3 percent) of the total population. Three decades later, the foreign population doubled and was heavily concentrated in Sandakan followed by Kinabatangan. On the other hand, Tawau recorded 206,128 foreigners (41.7 percent) of the total population in 1991 concentrating in Lahad Datu and Kunak, followed by Tawau and Semporna. In 30 years, the foreign population experienced a sharp increase dominating in Tawau followed by Lahad Datu.

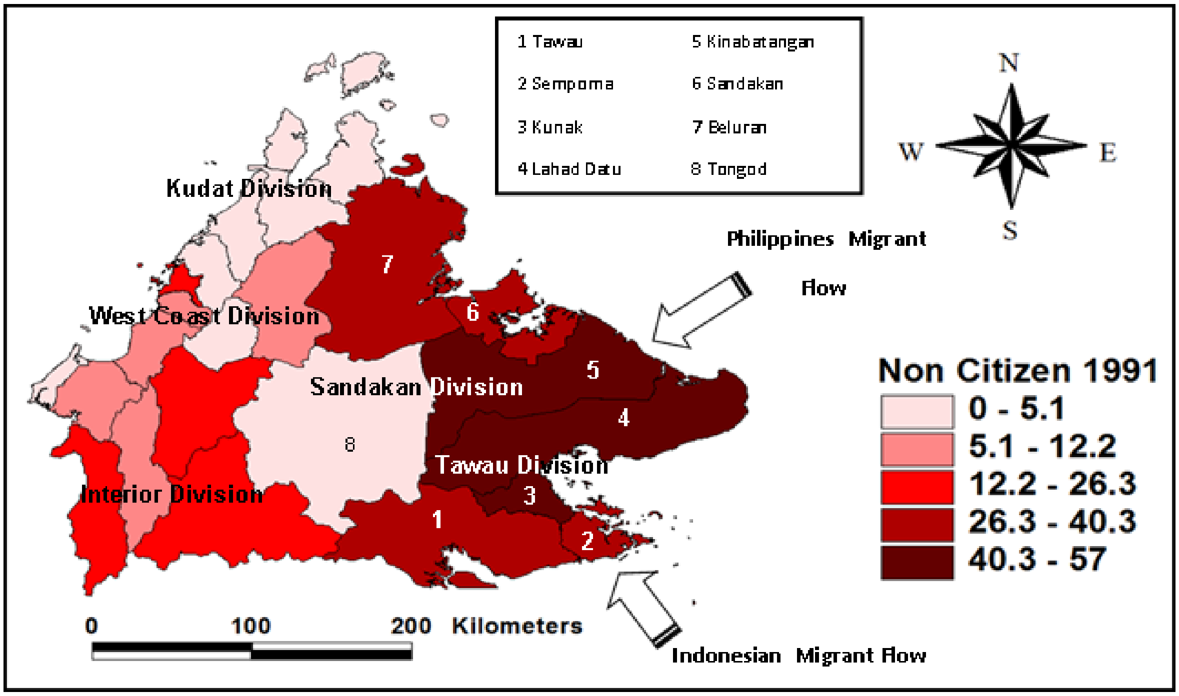

Figure 7 Foreign population distribution ('000) by Division 1991 and migrant flow to Sabah
Source: Adapted from Department of Statistics Sabah 1991

When these maps of the foreign population distribution are compared to the maps of planted area of oil palm (Figures 7 and 8), the overlapping of the two data sets can be observed. This comparison clearly demonstrates that foreign population in Sabah concentrate on areas largely planted with oil palm.

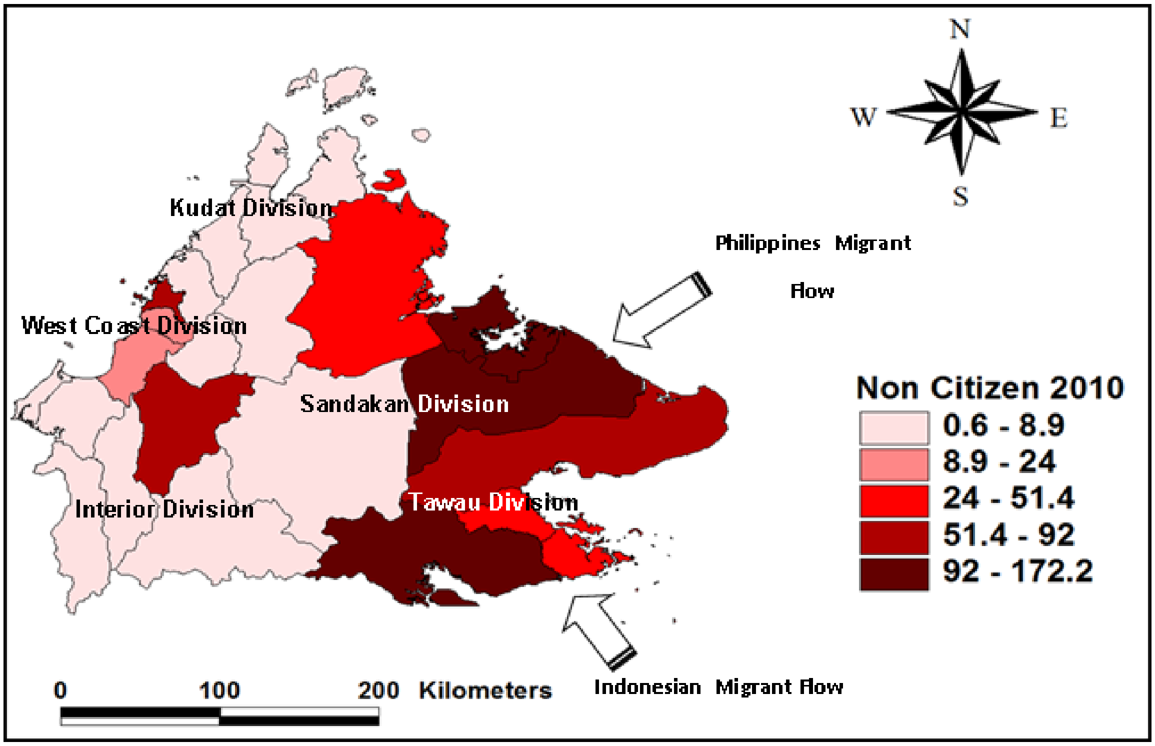

Figure 8 Foreign population distribution ('000) by division 2010 and migrant flow to Sabah
Source: Adapted from Department of Statistics Sabah 1991

Conclusion

Based on the discussion, the importance of Indonesian migrant workers in Sabah's economy that is highly dependent on the primary sector is well recognised. However, the presence of a large number of foreign workers, particularly those who overstay has important social and economic implications. No doubt, Sabah needs foreign workers to help generate its economy but the lack of good management results in many negative social issues. This will impact especially districts with high concentration of migrant workers such as Sandakan and Tawau Divisions.

The heavy influx of migrant workers has both positive and negative impacts on the state and the nation. Although importation of foreign labour has been taken as a short-term measure, given the state's development trajectory and improvements in education attainment of the population, Sabah will continue taking migrant workers to meet the demand in specific sectors of its economy. Therefore, improvement in policy, immigration act and labour act that monitor their flow, admission; as well as protects migrants in terms of their wages, work condition and health care should be worked on.

Some of the improvement and changes may include the following:

1. Encouraging legal admission among foreign workers will solve a lot of problems. Therefore, the complicated process in both, sending and receiving countries should be simplified and the cost

should be reduced.The benefits of becoming legal workers should be widely advertised to attract both, employers and foreign workers.

2. The 3 +1+1 contract is not convenient especially for foreign workers who live in rural plantations. The five-year contract should be re-introduced to reduce the number of foreign workers who turn illegal due to over-staying.
3. Harsher punishment should be imposed on illegal agents or brokers, illegal document providers and other players in intermediary industry. Problems of illegal migration will continue as long as these intermediaries offer their services.
4. Employers should be made responsible of the foreign workers' welfare. They should provide foreign workers with decent accommodation, health care and minimum wages.
5. Corruption among local officers who are involved in handling foreign workers should be curbed.They weaken the border security and are responsible for the weak implementation of migration rules and regulations.

In conclusion, good governance is the key to successful migration where the benefits for both, the receiving and sending countries are maximised. Migration issues and problems will not solved overnight but a little step if taken consistently may lead to a bigger impact. We cannot just keep quiet and let the problem continue without any solutions.

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