

The hunt for talent

By **KIRENNESH NAIR**

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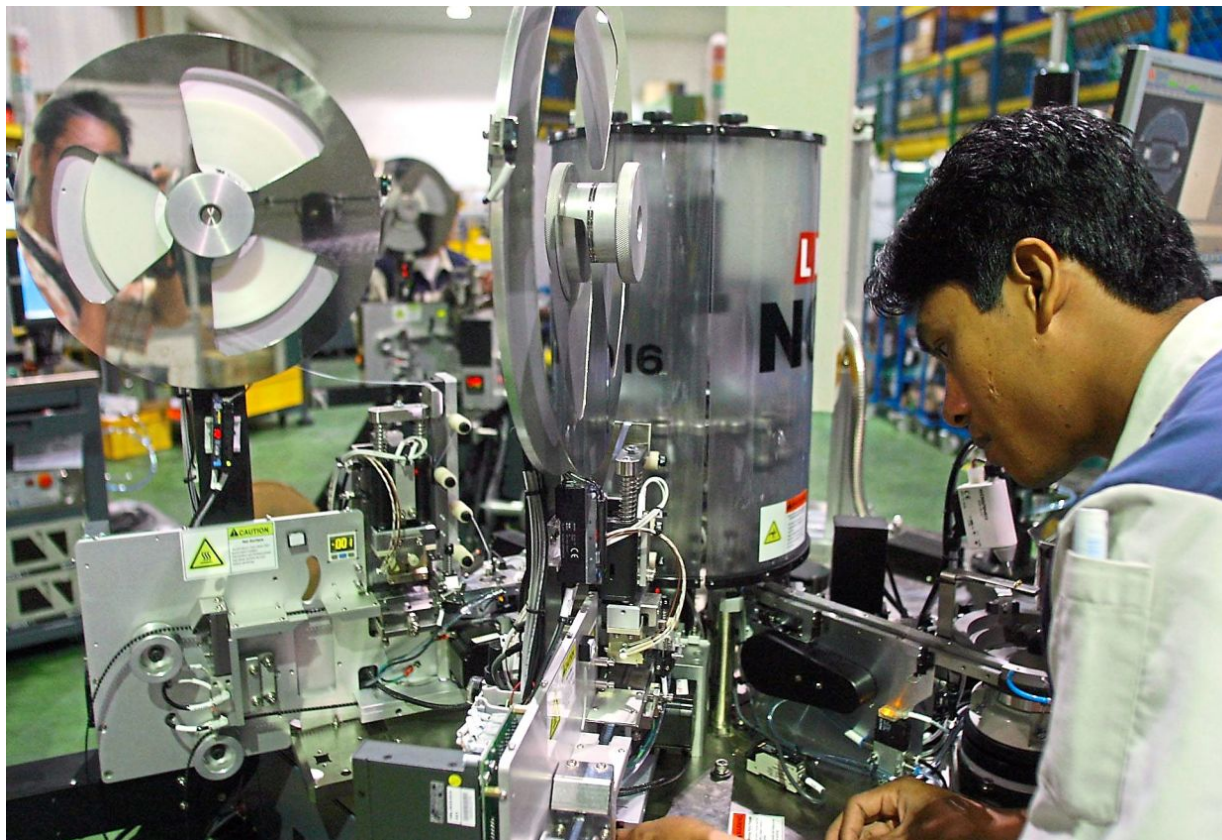
THE government's recent decision to roll out a premium visa programme (PVIP) is aimed at attracting the rich into the country with the hope that they will spend and invest here.

The idea is not novel. Many countries around the world have been doing this for a long time. Portugal, for example, launched its "golden visa" programme some 10 years ago, and currently rates as one of the more successful destinations for such a programme. It has garnered around 27,000 successful applications since launching the programme.

Regionally, other countries like Thailand and Singapore are also in the game.

While such schemes do attract the rich – Malaysia's PVIP has already attracted 20,000 applications going by the Home Ministry – what is more crucial for Malaysia today is the need to attract more skilled labour into the country.

This is because there is a severe shortage of skilled labour in Malaysia today.



Labour crunch: A worker in action at a semiconductor factory in Penang. Samenta says the northern state is short of a whopping 50,000 engineers and technicians.

Penang, the hub of the country's semiconductor sector, which incidentally has been experiencing a boom in recent years, suffers from a severe shortage of engineers. The Small and Medium Enterprises Association (Samenta) says that the northern state is short of a whopping 50,000 engineers and technicians.



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INSP Mihas connects Malaysian businesses to over 400 international buyers

The view is echoed by Tan Sri Soh Thian Lai, the president of the Federation of Malaysian Manufacturers (FMM), who says that the shortage of skilled labour has been a longstanding problem in the country.

"There are many investors coming in. And every year, the need for skilled workers is increasing, but the supply is not sufficient," he says.

More importantly, Soh reckons that over the last eight months, this persistent skilled worker shortage may have caused the manufacturing sector in the country to lose out about RM50bil worth of

business opportunities.

“With the opening up of borders, we could have tapped into opportunities and taken advantage of the global supply of skilled workers. With enough workers, export volumes would have definitely achieved more,” he says.

Lee Yun-Han, consulting director of Deloitte Southeast Asia says that skilled workers in Malaysia today make up about a quarter of the Malaysian workforce. “This is falling short of the country’s target to have 35% skilled workers by 2030. The pandemic has seen the shortage worsening, as we saw skilled foreign workers leave due to restrictions, while locals moved to other fields or markets.

“This shortage has been detrimental to many industries locally, leading to lower production and the stopping of work altogether in some industries,” he says.

The shortage of having sufficient skilled labour has a significant impact.

Economist Carmelo Ferlito says, “In general, countries with an open market for talent will attract dynamic and growing businesses, which in turn contribute to economic growth and create job opportunities for locals.”

Malaysia University of Science and Technology economics professor Geoffrey Williams shares a similar view. “A better skilled workforce is key to raising the value add of economic output, moving from commodity-based activities and lowly-paid jobs to higher-value jobs perhaps in technology, digital sectors or professional and financial services. This adds to economic growth and long-term economic development,” he says.

Comparison of residence by investment programmes			
Country	Applicant criteria	Participation fee	Benefits
Malaysia • Premium Visa Programme (PVIP)	<ul style="list-style-type: none"> • Minimum income of RM40,000 a month. • Minimum RM1mil in fixed deposit. 	<ul style="list-style-type: none"> • One-off fee of RM200,000. • RM100,000 for each dependent (this includes spouse, children, parents, in-laws and housekeepers). 	<ul style="list-style-type: none"> • Visa approval of up to 20 years. • Permission to study and purchase real estate. • Can conduct investments and start businesses.
Singapore • Global Investor Programme (GIP)	Investment of S\$2.5mil (RM8mil) in: <ul style="list-style-type: none"> • New business or expansion of business. • GIP funds that invest in Singapore companies. • Singapore-based family office with a minimum assets under management of S\$200mil (RM641mil). 	<ul style="list-style-type: none"> • Application fee of S\$10,000 (RM32,000). 	<ul style="list-style-type: none"> • Singapore permanent resident (PR) status for applicant and family. • Parents and children above 21 years old are eligible to apply for a long-term visit pass.
Portugal • Golden Visa Programme	<ul style="list-style-type: none"> • Real estate purchase of €280,000 (RM1.26mil) or €350,000 (RM1.58mil) for refurbishment of residential properties. • Purchase of investment funds of €500,000 (RM2.25mil). • €250,000 (RM1.13mil) in support for arts and restoring cultural heritage. • Investments in research activities of €500,000 (RM2.25mil). • Capital transfer of €1.5mil (RM6.76mil). • Business investments of €500,000 (RM2.25mil) with five new job creations. • Opening a company with creation of at least 10 jobs. 	<ul style="list-style-type: none"> • Application fee of €533 (RM2,400) per applicant. • Additional €533 (RM2,400) for each family member. • Once approved, a Golden Visa issue fee of €5,325 (RM24,000) for applicants and each family member is required. 	<ul style="list-style-type: none"> • Visa-free travel to Schengen countries. • Stay in Portugal without limits. • Obtain non-habitual resident status in Portugal for 10 years, which allows resident to not pay taxes on global income in Portugal, with tax rate for income earned in Portugal reduced to 20%. • European Union citizenship in five years.

Source: Home Affairs Ministry, Singapore Economic Development Board and Portuguese Immigration and Border Service. *TheStar* graphics

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“The skills can and should come from anywhere. Talent does not have a nationality and does not depend on the colour of your passport. Diversity across talent, skills and expertise is essential. Malaysia must be more open to anyone to contribute to the deepening of its talent pool,” he adds.

The problem seems to be the lack of immigration incentives for skilled foreign labour to work and live in Malaysia.

“The general view seems to be that local jobs should be protected (from foreigners). However, the counter view is that if you bring in an expert in a promising field and give him citizenship, his presence here could boost business and in turn help create more jobs for locals,” points out an industry official with experience of how other governments like Singapore handle these issues.

Experienced human resource specialist Reza Ghazali says, “Malaysia seems to be attracting more low-skilled workers than skilled professionals as compared to other countries. There are many expatriates who work here and once they do, often they love it here due to our people, culture and pace.”

Reza, who is a client partner and head of board services for Asean at Pedersen & Partners, adds, “However, it is our bureaucracy with work permits and visas that deny these professionals their quest to stay and work here longer. We should be more liberal towards allowing spouses to also work here.

“Malaysia has got all the right ingredients to be an attractive country to attract talent and investment. But it is our policies that are not progressive and competitive. Sadly, it is our Malaysian attitude and mindset that does not seem to change with the times to stay competitive.”

Tan Keat Meng, immigration director of Deloitte Malaysia, believes in the need for more transparency in Malaysia’s immigration work pass framework.

“For example, it has been challenging for companies to register at the Expatriate Services Division (ESD) and obtain approval. Quotas for skilled foreign talent were also denied, leading to delays in project start dates, resulting in financial losses,” he says.

Tan notes that along with the decline of the ringgit, Malaysia is even more attractive for foreign investments.

In fact, Bank Negara reported the highest quarterly net inflow of foreign direct investment (FDI) for the first quarter ended March 31, 2022 (1Q22) amounting to RM24.4bil.

Meanwhile, for 2Q22 the central bank reported a net FDI inflow of RM17.3bil, bringing the net FDI inflow for the first half of 2022 (1H22) to RM41.7bil.

In comparison, for 2021, the net inflow of FDI in Malaysia amounted to only RM48.1bil.

Tan thinks the current immigration processing framework needs to be reviewed for an overhaul to compete with other countries that are introducing even more attractive passes.

Having the same opinion, Williams says, “Old-style work permits which restrict skilled workers to a single employer and removing the right to move between different companies is a big problem.”

Williams also highlights another challenge – skilled workers do not seem to have sufficient protection under the laws.

“Employment law protection for foreign skilled workers is basically non-existent. The industrial court is too slow, secondment contracts are not recognised in Malaysian courts and so there is no effective remedy when you are in dispute with an employer. The default for an employer is to terminate your work permit with or without your knowledge and then you lose residency status and cannot pursue a case,” Williams says.

Williams suggests removing restrictions, allowing transferable work permits and strengthening legal protection to attract more skilled workers into the country.

Comparison with Singapore

Inevitably, in discussions about attracting foreign skilled workers, a comparison is often made with Singapore, which is seen to be a country that has successfully secured the right foreign skill set to boost its economy.

When asked which country should be a role model in attracting skilled workers, Deloitte Malaysia's Tan says: "Singapore, without any doubt, owing to its clear framework and point system assessment. "Malaysia can equal that attractiveness if the overall processing is enhanced and transparent," Tan adds.

So, what is Singapore offering that attracts skilled workers?

Under its skilled labour pass, also known as S Pass, designed specifically for working mid-level skilled workers with a minimum salary of S\$2,200 (RM7,056), Singapore offers permanent residence (PR) status after four years of job stability.

The idea of obtaining a PR status is definitely a key factor for skilled workers as to why they opt for Singapore.

Commenting on the matter, Williams says: "Malaysia is too restrictive on PR compared to Singapore and many people feel aggrieved by this after working here for many years."

In Singapore, though, there are controls put in place to ensure that not too many foreigners are employed. For example, the number of S Pass holders in service industry businesses is limited to 15% of the total staff. In other industries, the limit stands at 20%.

Interestingly, employers in Singapore are also required to purchase medical insurance for S Pass holders. Shortcoming in education system

Part of the problem of the shortage of skilled manpower in Malaysia lies with the shortcomings in the education system.

The FMM acknowledges the need for greater student participation in the fields of science, technology, engineering and mathematics or STEM.

FMM's Soh says: "Supposedly, 60% of students from universities in Malaysia should be from the STEM background. However, currently, the enrollment is only 40% from STEM, causing the supply of skilled labour to be insufficient for the country."

The need for skilled workers does not only apply to the manufacturing sector.

Kartina Abdul Latif, the people and organisation tax services leader at PwC Malaysia, points out that the need for more graduates from STEM extends to almost all sectors in support of automation activities, in accordance with FMM's surveys over the past year.

The quantum of skilled workers also plays an important role in the country achieving its ambition to be a developing nation.

“The Malaysian Employers Federation (MEF) has also emphasised the need for at least 45% of the country’s workforce to be skilled workers by 2030 to achieve the goal of becoming a developing nation,” Kartina says.

“The introduction of the PVIP is able to enhance Malaysia’s readiness in reaching this goal,” she adds. She says although the PVIP is aimed at attracting rich people into the country, the spillover of that could be new businesses being started by these individuals which in turn could attract more skilled workers into the country.

Analysis of the PVIP

Going back to the PVIP, will it be successful in at least attracting foreign money, if not skilled personnel, into the country?

A quick look at the comparison between Malaysia’s PVIP and programmes by Singapore and Portugal (see table) shows two key points. One is that while Malaysia’s programme only offers residence visas, the other two countries offer PR and even citizenship.

Secondly, the participation fees for PVIP is way higher compared with the fees for Singapore’s Global Investor Programme or GIP or even Portugal’s Golden Visa Programme or GVP as shown in the table.

Economist Williams expresses his concerns on the PVIP participation fees as he says: “This is a very worrying scheme because the costs are so high and one has to ask what type of person would buy this.

“It might well attract the wrong type of people, tax exiles, oligarchs, speculators and so on,” he adds.

Ferlito has the same opinion and says, “Usually, you do not ask investors to pay a fee for entering your country. Instead, you offer something so they can put money in businesses that create positive spillover effects.”

However, despite having a high application fee, the PVIP successfully garnered 20,000 applications on the first day of its launch.

Home Minister Datuk Seri Hamzah Zainudin said, earlier this week, that for the first phase, there is a limit of not more than 25,000 applications.