

Branded

Mandatory EPF Contributions for Migrant Workers: Strengthening Malaysia's Workforce for a Sustainable Future

29 Dec 2025, 08:00 am



Malaysia's economic success has long been underpinned by the contributions of migrant workers. From factory floors and construction sites to essential services, non-citizen workers play a critical role in keeping the nation's industries moving.

Yet, while social protection for Malaysians has matured over decades, coverage for foreign workers has historically been fragmented, despite their deep integration into the country's economic fabric.

That is now changing.

Effective from the contribution month of November 2025, Malaysia has enforced mandatory Employees Provident Fund (EPF) contributions for non-Malaysian workers, marking one of the most significant social protection reforms in recent years. The move represents more than just a policy shift; it reflects Malaysia's growing commitment to building a labour market that is fairer, more resilient and aligned with global standards.

RECOGNISING THE BACKBONE OF LABOUR-INTENSIVE SECTORS

As of March 2025, non-citizen workers accounted for approximately 13% of Malaysia's 17.23 million workforce, according to the Department of Statistics. Nearly three-quarters are employed in labour-intensive sectors such as manufacturing, construction and services. Close to 80% originate from Bangladesh, Indonesia and Nepal—a reflection of Malaysia's dependence on regional labour migration.

Many of these workers are concentrated in so-called “3D” jobs—dirty, dangerous and difficult—which expose them to higher risks of workplace injury, chronic health conditions and economic vulnerability in old age. Without structured long-term savings mechanisms, large segments of this workforce have remained financially exposed, despite their contribution to national growth.

A CRITICAL STEP TOWARDS UNIVERSAL SOCIAL PROTECTION

The mandatory EPF contribution framework seeks to close this gap. Under the new policy, both employers and non-Malaysian citizen employees are required to contribute 2% of monthly wages into the EPF. At the minimum wage of RM1,700, this translates into a combined monthly contribution of RM68, a seemingly modest sum that compounds meaningfully over time through EPF's annual dividends.

The reform supports the national agenda of ensuring that all workers, regardless of nationality, have access to social protection, while fostering greater equity and fairness in the labour market in line with international labour standards.

It also builds on improvements made over the past decade. In 2015, public healthcare services—including outpatient, specialist and inpatient care—were opened to non-citizens at affordable, though slightly higher, rates. PERKESO extended employment injury coverage to foreign workers in 2019, followed by invalidity protection in 2024. The EPF reform represents the missing pillar: long-term retirement security.

WHAT THE POLICY COVERS

The new requirement applies to non-citizen workers (excluding domestic workers) who hold a valid passport, possess an employment-related pass issued by Malaysia's Immigration Department, and receive wages in monetary form.

These contributors will gain access to core EPF benefits, including:

- Retirement savings accumulation
- Partial withdrawals for housing, health and education
- Full withdrawal upon leaving Malaysia
- Annual dividends and the option to elect Simpanan Shariah
- The ability to transfer savings between EPF accounts

A MORE BALANCED AND COMPETITIVE LABOUR MARKET

From a business and economic perspective, the reform is equally strategic.

By narrowing the labour cost gap between local and foreign workers, the policy encourages employers to pivot towards productivity-led growth, fairer wage structures, automation and higher value-added activities. This, in turn, strengthens Malaysia's economy over the long term by reducing overreliance on low-cost labour and encouraging industrial upgrading.

It also promotes more sustainable business practices, reinforcing the nation's commitment to building a resilient and future-ready industry ecosystem—one that prizes governance, transparency and long-term workforce planning.

The requirement further incentivises formal employment, as only legally documented workers are eligible for EPF contributions. This is expected to mitigate the use of undocumented labour, improve compliance and strengthen workplace protections.

For employers, the reform is fiscally neutral in many respects: the 2% EPF contribution is deductible as a business expense under the Malaysian Income Tax Act 1967, much like contributions made for Malaysian employees.

WHAT EMPLOYERS NEED TO DO NOW

To ensure a smooth transition, employers who are not yet registered with the EPF are required to register their companies and update their payroll systems to comply with the new mandate. Early preparation will not only minimise compliance risks but also support smoother workforce management as the policy takes effect.

To date, a total of 1.3 million workers have successfully contributed through approximately 60,000 employers, indicating a positive start among compliant and responsible employers.

Employers are encouraged to process all contributions through KWSP i-Akaun (Majikan).

A SIGNAL OF LONG-TERM INTENT

Beyond compliance, the reform sends a powerful signal to the global investment community. It demonstrates Malaysia's readiness to align its labour practices with international benchmarks while strengthening domestic economic fundamentals.

Extending EPF coverage to migrant workers affirms that growth and fairness are not mutually exclusive. Instead, they are complementary pillars of a modern, competitive economy.

For more information, please visit:
<https://www.kwsp.gov.my/en/employer/responsibilities/non-malaysian-citizen-employees>