

Dependency of Foreign Workers in Malaysian Construction Industry

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ABSTRACT

The Malaysian construction industry plays an important role in generating wealth to the country and development of social and economic infrastructures and buildings. Due to unpleasant working conditions and availability of cheap foreign workers, majority of the construction companies preferred to hire them. Thus, the numbers of foreign workers has increased. In addition, employment of foreign workers has affected the economic growth, health and social problems such as malaria and cholera and robberies. This paper intends to identify the dependency factors of Malaysian construction companies on foreign workers in construction industry, the problems and also the effects of employment of them. The opinions and views of related construction companies were obtained from the questionnaire surveys and structured interviews which have been identified to give a clearer picture of the current situation of dependency level of foreign workers in Malaysia. It was found that low wages, longer working hours, higher education level by the local, availability of foreign workers and 3D's (dirty, difficult and dangerous) environment of site contributes to the problems of the foreign workers. It is important for the government to tighten the hiring rules of foreign workers and strengthening the national security, implementing the Industrialised Building System (IBS) and fully utilized the Construction Labour Exchange Centre Berhad (CLAB) and also the Construction Academy of Malaysia (CAM).

Keywords: Foreign workers, Dependency factors, Problems, Effects

INTRODUCTION

Construction industry in Malaysia, which is one of the productive sectors, has contributed significantly to the Malaysian economy as an enabler of growth to other industries. Although it accounts for less than 5% of Gross Domestic Product (GDP), the industry is an essential growth enabler because of its extensive linkages with the rest of the economy, for example, the manufacturing, professional services, financial services, education and other industries.

During the last few decades, the move of Malaysian workforce to jobs with better economic opportunities saw certain sectors such as construction, plantations, forestry and certain services experiencing labour "shortages". It means inadequate numbers of workers responding to the wage levels and conditions of employment offered by employers in the respective industries or sectors. This resulted in labour market vacancies being increasingly filled by foreign workers.

Based on Labour Force Survey Report, the number of persons in the labour force in the fourth quarter of 2007 increased to 10.99 million as compared to 10.73 million in third quarter of 2006. There were 1.84 million registered foreign workers in Malaysia, of which 33.3 percent were employed in manufacturing, 20.2 percent in plantation, 25.9 percent in services, which include domestic maids and 15.1 percent in construction. (Bernama, 2006).

Many Malaysian are no longer willing to perform jobs that they consider it as 3D's that contribute to the dependency on the foreign workforce. They are not interested working in a rough nature of work in site, which is needs more physical strength compared to working in air conditioned office. Furthermore, they are too choosy when making job decision and believe better qualification will give better job.

Based on 2006/2007 Economic Report released on September 2006 by Ministry of Finance Malaysia, Malaysia aims to reduce the numbers of foreign workers in the country from 1.84 million to 1.5 million by

year 2010. By that time, it is calculated that only 200,000 foreign workers will remain in the Malaysian construction industry.

The adviser to the Federation of Malaysian Consumer Associations (FOMCA), Professor Dr. Hamdan Adnan (2007) said two of the sectors that are highly dependent on foreign workers are construction and plantation. The construction sector employs approximately 9% (or 900,000) of the total workforce in Malaysia. However, there is still heavy dependence on foreign workforce especially from Indonesia and the Association of Southeast Asian Nations (ASEAN) region.

The use of foreign workforce has caused several problems on productivity of the Malaysian construction companies. The first of these is the low initiative to adopt more productive and modern methods of construction. Next is the availability of cheap foreign workers, which are cheaper, compared to employ the local workers. Nevertheless, many of these foreign workers do not have enough construction experience, thus resulting in low productivity and poor quality of work. Communication barriers between the employers and these foreign workers also may lead to the misunderstanding, which will decrease the level of work done of such project.

Many cases had been reported that some of the foreign workers were unable to cope with new environment of working in large scale projects because they do not have enough training regarding their works even not specialized in their works. The Malaysian construction companies also faced lots of problems when some of the foreign workers were absent during working hours and ran away after they reached Malaysia.

In addition, the influx of foreign workers has affected many socio politically and economically problems in Malaysia, from crimes to diseases such as malaria and cholera, prostitution and robberies. These affects and consequences arising from foreign workers can be addressed by greater and more open policy dialogue involving the key stakeholders such as government, local employers, workers, non-government organizations and independent policy analysts. This would help foster harmonious and equitable working and industrial relations based on economic facts and social justice.

FOREIGN WORKERS IN MALAYSIAN CONSTRUCTION INDUSTRY

The Government of Malaysia plays the important roles in the construction industry. The government has several particular objectives, which the main objective is to distribute the country's wealth to the population in order to raise the standards of living. This is done by improving the income of the population and also providing the employment opportunities. In conjunction of that, it is shows that the government has the right to directly control the demand of the industry.

Ahmad, K (2009) described that Malaysian construction industry is the industry that requires a high rate of workforce. Most of the construction processes need intensive employment of workers. Employment can be stated in the number of workers or in the total man hours. Figure 1 below shows the employment in the construction industry. It can be concluded that the fluctuation in the employment in the construction industry is directly proportional to the Malaysian economy and the construction industry.

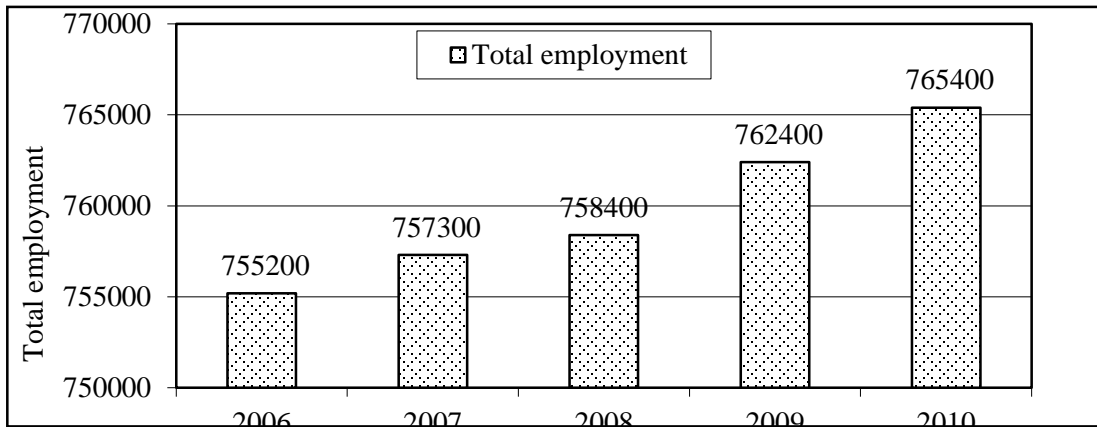


Figure 1: Employment in construction industry
(Source: Economic Report 2009/2010, Ministry of Finance)

The term of “foreign worker” defined as a person who comes from a welter of nationality groups, living, and working with diverse legal status in a particular country (Miller Mark J. (1991)). According to A. H. M. Zehadul Karim et al. (1999), “foreign workforce” is a group of foreign nationals who are legal to work in a country where they have been officially recruited. Besides, K. Rajkumar (2001) defined the “foreign employee” as general an employee who is non-citizen. Meanwhile, our definition of “foreign worker” is a person who is legal or illegal, skilled or unskilled worker, working in various industries in this country.

Statistics from Immigration Department of Malaysia shows that the trend of foreign workers working in Malaysia continued to increase from 2001 to 2007 (Figure 2). The numbers of foreign workers recorded in 2007 were more than 2 million workers, which is a 9% increase compared to 2006 (1.87 million) and 53% compared to 2003 (1.34 million). The lowest number of foreign workers was reported in 2001 (850 thousand workers), however the number had increase significantly by 25.6 per cent to 1.07 million workers in 2002.

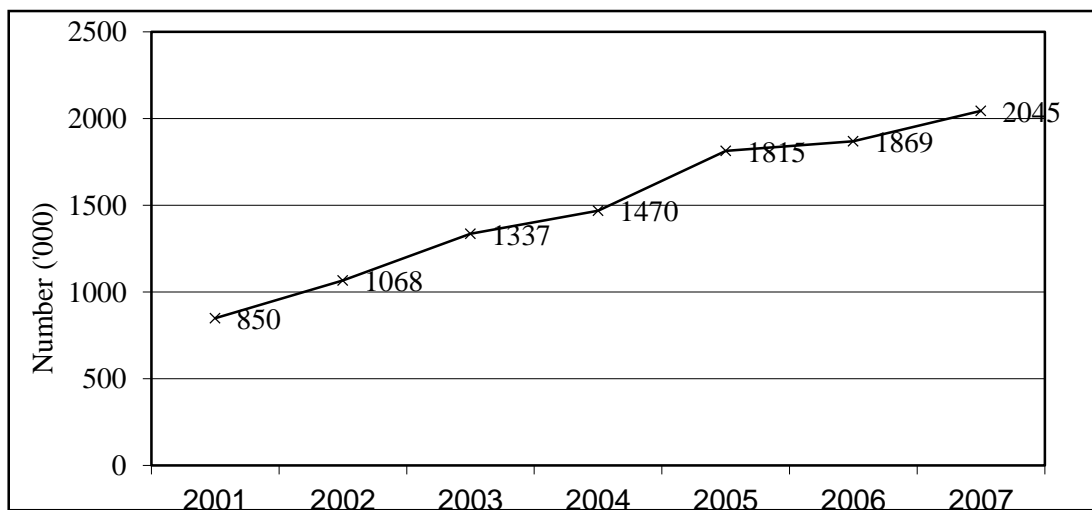


Figure 2: Numbers of foreign workers in Malaysia
(Source: Immigration Department of Malaysia, 2008)

Basically, the requirements of workers depend on size of project and economic situation. Nowadays, Malaysia is developing in all sectors; therefore the demand for workers is increased. In addition, the population in Malaysia cannot afford the total of workers need in construction industry. Furthermore, Malaysian citizen are not interested to involve in construction field. Thus, lots of foreign workers were

employed to fulfill this need. Basically, there are two (2) categories of worker in Malaysia (Figure 3), which are:-

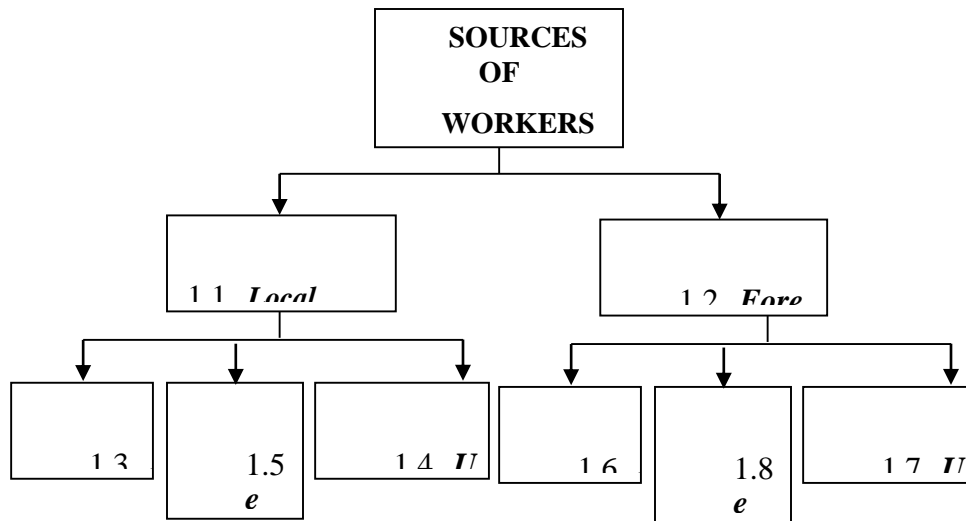


Figure 3: Sources of workers in Malaysia

(Source: Othman, N. (2003))

PROBLEM STATEMENT

The Malaysian construction sector employs approximately 9% (or 900,000) of the total workforce in Malaysia. However, there is still heavy dependence on foreign workforce especially from Indonesia and the Association of Southeast Asian Nations (ASEAN) region. The use of foreign workforce has caused several problems on productivity of the Malaysian construction companies. The first of these is the low initiative to adopt more productive and modern methods of construction. Next is the availability of cheap foreign workers, which are cheaper, compared to employ the local workers. Nevertheless, many of these foreign workers do not have enough construction experience, thus resulting in low productivity and poor quality of work. Communication barriers between the employers and these foreign workers also may lead to the misunderstanding, which will decrease the level of work done of such project. Many cases had been reported that some of the foreign workers were unable to cope with new environment of working in large scale projects because they do not have enough training regarding their works even not specialized in their works. The Malaysian construction companies also faced lots of problems when some of the foreign workers were absent during working hours and ran away after they reached Malaysia.

In addition, the influx of foreign workers has affected many socio politically and economically problems in Malaysia, from crimes to diseases such as malaria and cholera, prostitution and robberies. These affects and consequences arising from foreign workers can be addressed by greater and more open policy dialogue involving the key stakeholders such as government, local employers, workers, non-government organizations and independent policy analysts. This would help foster harmonious and equitable working and industrial relations based on economic facts and social justice.

The proposed research will be focused on the employment of foreign workers amongst approximately 500 contractors registered under Contractor Service Centre (PKK) or Construction Industry Development Board (CIDB) Malaysia in Klang Valley.

OBJECTIVES

The purpose of this research is to study and understand the dependency of foreign workers in Malaysian construction industry by identifying the factors that influencing Malaysian construction companies dependency on foreign workforces in their projects and to determine the problems arising by employing foreign labours and to analyse the effects of employment of foreign workers.

LITERATURE ON FACTORS THAT INFLUENCE THE EMPLOYMENT OF FOREIGN WORKFORCES.

There are five (5) major factors that have been identified by the researchers. There are availability of foreign workforce, working hours, wages, working environment and education level.

Availability of foreign workforce

Former Minister of Human Resources, Datuk Seri Dr Fong Chan Onn said that Malaysia currently has about 1.8 million foreign workers and at the same time, local employers are submitting a large number of applications monthly to the Home Affairs Ministry to employ more foreign workers. (Bernama, 2006). Therefore, it shows that it is easily for the employer to bring-in the foreign workers to the industry. Most of the reason, it is happened because there are highly demand for local workers in the industry since local citizens are not interested to work in this field.

Working hours

CIDB Singapore (1994c) considers "the standard working week" to be 44 hours and working in excess of 44 hours is considered as working overtime. Foreign workers are willing to works in exceed working hours compared to the local workers. Local workers are not being able to works overtime unless they are paid with extra wages. Usually, foreign workers are paid in lower wages even though they work for extra hours.

Wages

According to A. H. M. Zehadul Karim et al. (1999), the uncontrolled presences of foreign labours play a significant role in maintaining the lower wages level in construction industry. Malaysia will continue to face a labour shortage if it does not address its weak foreign labour laws and increase the minimum wages paid to Indonesian workers. (The New Straits Times Press (Malaysia) Berhad, 2010). The lower wages that paid to the foreign labours become the factor why the contractors hired these foreign labours that will minimize the contractors' expenditures.

Working environment

Construction industry is often been described as dirty, difficult and dangerous working environment by Malaysian. This is why less local citizens are willing to works in this 3D's environment. Moreover, foreign labours are not bothered on this lacking and willingly to take risky jobs on site. Thus, the employer preferred to hire more foreign labours on the construction site.

Education level

Most of the Malaysian citizens are very demanding to work in construction field. They tend to work in other sectors which give higher income instead of working in construction industry. In addition, our local youth feel that they will get better position or works with their academic qualification and this created more opportunities to the foreign workers to be accepted in the Malaysian construction industry.

Problems of employing foreign labours

Productivity, communication, attitudes, safety precautions and accommodation are the five (5) major problems that have been identified by the researchers.

Productivity

There are lots of problems that the Malaysian construction industry faces and one of it is productivity caused by the foreign workers. Many reports have referred to the relatively low level of productivity in construction related to them. This is due to lack of experience and knowledge of the foreign workers that affect the productivity of such project. Furthermore, some of them are unable to execute the work according to the specification and also did not have enough training on their trades.

Communication

Failure in communication between the contractors and foreign workers caused to the failure of the works in the construction site, which might lower the productivity and quality of the works. According to Toh, R. (1993), studies show that the main adjustment problem facing by foreign workers is language. Besides, foreign workers are unable to communicate among themselves as their origin countries are different from each other. A few of them are able to speak Bahasa and English while the rest are unable to do so.

Attitudes

Ofori G. (2000) said that the productivity of workers from the various countries is related to the ease of communication with them, their work ethic and attitudes, and so on. Therefore, attitudes of the foreign workers might cause a problem to the employers if they could not handle it. Normally, they are very poor in their discipline and the way they manage their personal hygiene or even the cleanliness of the site.

Safety precautions

Safety at a construction site requires the involvement of all construction parties especially to the foreign workers. Hinze, J. and Wilson, G. (2000) had pointed out that the most effective techniques of preventing a hazard are pre-planning for safety, safety orientation, safety training and a written safety policy. To prevent accidents from recurring, there is also the need to establish a post investigation of the causes. In an effort to enhance the competency of foreign workers, it has been suggested that it be made compulsory for construction workers to sit for a basic skills written examination on safety.

Accommodation

Foreign workers are provided with accommodation on or off-site by their employers. Besides, their accommodations are very poor. Some of foreign workers lived in "cramped, dirty and unhygienic conditions in this country. This sometimes gives a negative impact if their accommodation closed to the local citizens as they caused problems and crimes happened.

EFFECTS ON EMPLOYMENT OF FOREIGN WORKERS

Besides, there are four (4) major effects that have been identified by the researchers on the employment of foreign workers. The affects are as below:-

Economy

The employment of foreign labours affected the economic growth by contributed to the higher exchange currency to foreign countries. More than 50% from the foreign labours' salaries will be posted to their family at home. (Abdullah, M. A., 1996).

Politic

Abdullah, M. A. (1996) said this incoming foreign worker has enforced the government to exist a policy and acts regarding these foreign workers but these incoming foreign workers can make a good relationship between two countries. On the other hand, sending back the illegal foreign workers might loosen the relationship between Malaysia and other countries.

Social

Besides, there are social problems that affected this country such as prostitution, robberies, murder and many more. By employing these foreign workers also it contributed to the spreading of many diseases such as malaria and cholera. The ministry of Internal Security stated that the foreign workers have not only inundated the domestic employment market, but they are also filling up our jails, lock-ups and detention centers all over the nation. Therefore it is not strange if Malaysians feel uncomfortable with their presence. (Bernama, 2007)

Quality of Works

The quality of the works is depended on experience and skills that the workers have on the site either foreign labours and local labours. Previously, there is a case involved a mega project which is fungus attack in Hospital Sultan Ismail (HIS), Pandan, Johor Bharu that need to be closed on 26th September 2004. Former Minister of Works, Datuk Seri S. Samy Vellu said the damage of the building, which causes the attack of the fungus, is start from the failure of untrained foreign workers during the construction. Therefore, it can be concluded that the quality of works by labours can give negative affects toward the outcome product thus effect our country's development.

RESEARCH METHODOLOGIES

As mentioned earlier, research on the dependency of the foreign workforces is relatively new subject area in Malaysia; the availability of similar published research papers in Malaysia is unavailable. The main objective of the research methodology is to get an extra information and feedback, as an additional of the earlier published data (secondary data), so, the researchers had proposed to undertake two (2) folds research methodologies to obtain the necessary data, which are distribution of questionnaire surveys and selected interviews.

Distribution of Questionnaire Surveys

Questionnaire surveys were formed to collect extra information and to provide a relevant understanding on the research accordingly. A total of 120 questionnaires had been collected from the 500 questionnaires that had been distributed to the registered contractors under PKK or CIDB. The questionnaires were being distributed to the chosen contractors, either being posted or circulated around Klang Valley, Malaysia.

The questionnaire was divided into three (3) sections:-

Section A: Background of the construction company

Section B: Factors that influence the employment of foreign workforces

Section C: Problems by employing foreign labours

From the distribution of the questionnaires, the researchers can identify the factors and problems by employing foreign workforces.

Selected Interviews

The final approaches to obtain more information on the dependency of foreign workforces in construction industry, a series of interviews with selected contractors were carried out. The selected contractors must represent one or more interviewees based on the criteria:-

- a. Have knowledge regarding the dependency of foreign labours in Malaysia.
- b. Stable position in the companies with certain reliable caliber and reputation.

The interviews were conducted to seek their opinions and feedbacks on the level of dependency of employment foreign workers in Malaysia and also their recommendations on how to reduce the dependency level.

DATA ANALYSIS

Factors That Influence the Employment of Foreign Workers

Figure 4 summarises the factors of employment foreign workforces in Malaysian construction industry. From the survey, 23% of the respondents agreed that wages were the main factors that influent the dependency on foreign workforces. Besides, 20% of the respondents said working hours, education (20%), availability of workers (19%) and working environment (18%).

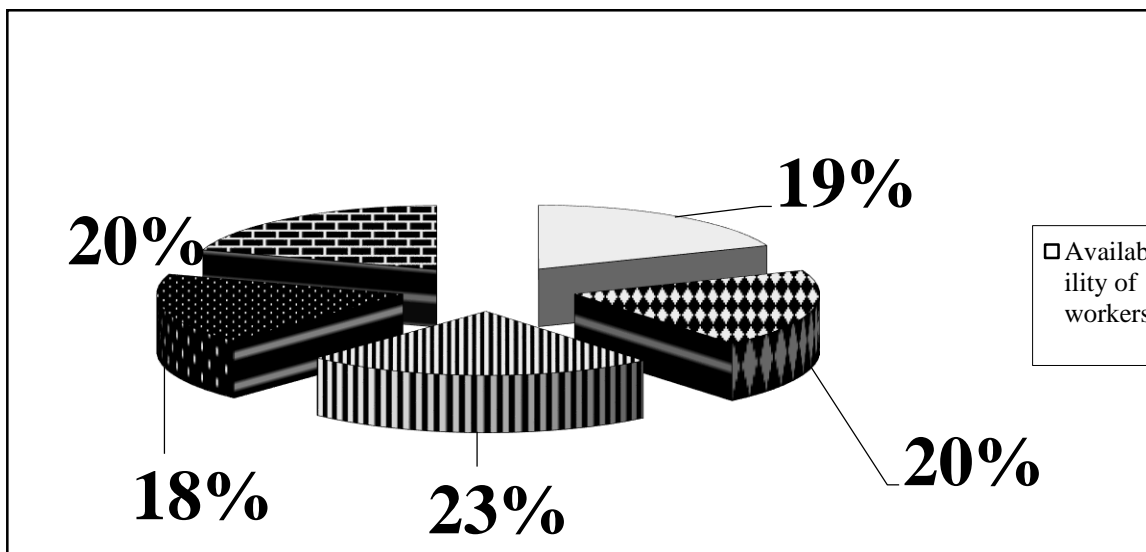


Figure 4: Summary on Factors of employment foreign workers

Problems of Employing Foreign Workers

According to Figure 5 that **Table 1: Effects on employment of foreign workers** summarizes the problems of employment foreign workforces in Malaysian construction industry, 22% of the respondents ranked productivity as the main problems. It followed by attitudes (20%), accommodation (20%), communication (19%) and safety (19%), which had been ranked, by respondents.

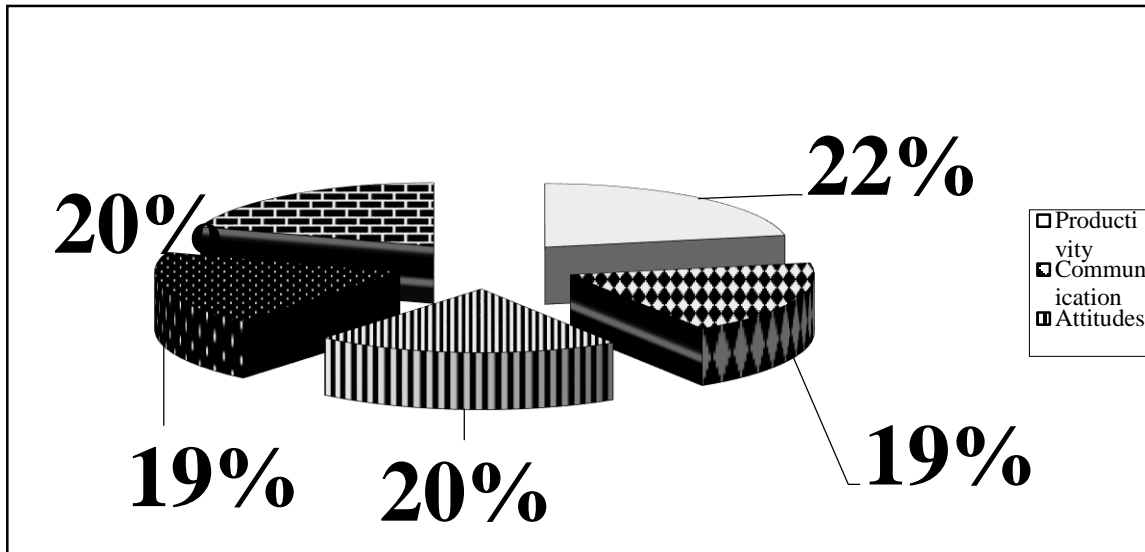


Figure 5: Summary on Problems of employment foreign workforces

Effects on Employment of Foreign Workers

From the interview held, the researchers could analyze the affect by employing the foreign workers. The dependency of foreign workers affects the Malaysian economy due to higher currency exchange to their home countries. Meanwhile, government of Malaysia had spent lots of money to send the illegal foreign workers back as prevention to control the surplus of them here. Moreover, it is found those Malaysian citizens are unsatisfied when lots of employers tend to hire foreign workers instead of local workers.

Most of the interviewees agreed that the social problems had increase since the surplus of their population in Malaysia. Based on police records, majority of robberies cases, murders cases, etc. involved the foreign workers. In addition, foreign workers had spread the disease such as malaria, cholera, etc. On the other hand, most of the construction companies also agreed that foreign workers are lack of skill and experience thus it affects the quality of end product. This influenced the effectiveness of the construction cost because the work done did not achieve the standard requirements.

CONCLUSION

INTERVIEWEE	ECONOMY	POLITIC	SOCIAL	QUALITY OF WORK
CONTRACTOR A	The dependency on foreign workers will affect Malaysian economy due to higher exchange currency to their country.	The employment of foreign workers caused uncomfortable environment to local citizen.	Increased the numbers of social problems and disease cases.	Some of foreign workers lacked with skill and experience thus affect the quality of work.
CONTRACTOR B	Lots of money will use to retain or send the illegal foreign workers to their home country.	The increasing numbers of foreign workers resulted less satisfaction amongst Malaysian citizen.	Robberies, murder cases, etc. increased due to the volume of foreign workers.	Foreign workers with lack of training will affect the quality of work.
CONTRACTOR C	Skilled foreign workers help to increase the economy by complete such job on time.	No comment.	It gave unsafe conditions to Malaysian citizens.	Some of them make many mistakes during execution of work that not only influence the quality of work but the construction cost of the project.
CONTRACTOR D	No comment.	The employment of foreign workers tightened the relationship between Malaysia and other countries.	Some had spread the disease such as malaria, cholera, etc.	Untrained foreign workers unable to execute the work precisely thus affect the quality of work.

It was found that low wages, longer working hours, higher education level by the local, availability of foreign workers and 3D's (dirty, difficult and dangerous) environment of site contributes to the problems of the foreign workers. It is important for the government to tighten the hiring rules of foreign workers and strengthening the national security, implementing the Industrialized Building System (IBS) and fully utilized the Construction Labour Exchange Centre Berhad (CLAB) and also the Construction Academy of Malaysia (CAM). In addition, the used of IBS in construction industry should be utilized widely, CLAB in controlling the numbers of foreign workers efficiently and CAM to attract and encourage existing local workers, youths or school leavers and contractors to enter the construction field.

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