INTI INTERNATIONAL UNIVERSITY

CRISIS OF MANPOWER RESOURCES IN MALAYSIAN CONSTRUCTION INDUSTRY

CHEN KOK WAI

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DECLARATION

I declare that the thesis is my own original work except for quotations and citations, which have been duly, acknowledge.

CHEN KOK WAI
22 NOV 2013
ABSTRACT

Recently, construction industry jobs are becoming unpopular among the working population in Malaysia. Therefore, the influx of foreign worker into the country serves to overcome the labour shortage. This study will be focus on the problems of engaging foreign worker and suggest methods that can reduce foreign worker in Malaysian construction industry. In the literature review has been conducted and qualitative case study method has been selected. The data was analysed through qualitative approach.

In conclusion, the major cause of employing foreign worker in construction industry is the foreign worker can easily recruited by the employer to minimise the manpower resources and prevent labour shortage. There have two ways to reduce foreign workers which are through new technology (IBS) and academic (ABM). Hopefully, these research finding will provide some indication to all the players who involve in the construction industry and give attention on foreign worker issues.
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<td>Malaysian Associated Indian Chamber of Commerce and Industry</td>
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<td>MTUC</td>
<td>Malaysian Trades Union Congress</td>
</tr>
<tr>
<td>MOHR</td>
<td>Malaysian Ministry of Human Resources</td>
</tr>
<tr>
<td>CIDB</td>
<td>Construction Industry Development Board</td>
</tr>
<tr>
<td>HRDF</td>
<td>Human Resources Development Fund</td>
</tr>
<tr>
<td>SOCSO</td>
<td>Social Security Organization</td>
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<td>EPF</td>
<td>Employee Provident Fund</td>
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<td>IBS</td>
<td>Industrialised Building System</td>
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<td>ABM</td>
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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The term of foreign workers means to a group of foreign nationals who were legally to work in another country where they have been recruited. These workers are hired to work in the host country. For over the past decade, Malaysia has over dependence on the foreign workers and the number of foreigners has increase gradually in Malaysia. According to the Economic Report by the Financial Ministry, there were 1.6 million register foreign workers in Malaysia, 37.7% were employed in the manufacturing sector, 1.6% in construction and 19.4% in the plantation sectors. The majority of foreign workers are from Indonesia, comprising nearly half of the total number of foreign workers (48.5%), followed by Nepal (17.7%), Myanmar (8.7%) and Bangladesh (8.5%). It is undeniable that the foreigners working in Malaysia have contributed to the economic growth of the country. In particular by alleviating worker shortages in selected sectors of the economy but they still bring a lot of disadvantages to the country in terms of employment opportunity for local workers and effectiveness roles of trade union movement.

Currently government has agreed to approve the recruitment of 45,000 foreign workers from India to meet the demand in 13 small-scale business sectors, which are facing manpower shortage in year 2011. Human Resources Minister Datuk Dr S. Subramaniam said the approval was given after considering the plight of businessmen in these sectors such as restaurants, grocery shops and the textile industry, which was
raised in a memorandum submitted by the Malaysian Associated Indian Chamber of Commerce and Industry (MAICCI) to the Prime Minister. However, the Malaysian Trades Union Congress (MTUC) said it opposes strongly the proposed mass recruitment of 45,000 foreign workers from India because it would edge out locals from the labor market. MTUC vice-president A. Balasubramaniam said that such a big influx of foreign workers could have a profound effect on the wages of Malaysians and endanger the government's high-income policy for them. Furthermore A. Balasubramaniam mentioned that the government needs to prioritize Malaysians school leavers, retrenched, unemployed, university graduates, and the poor before deciding to hire foreigners. He further highlighted the government should get inputs from trade unions before approving permits for foreign worker. In this situation, challenges facing by local employees in terms of salary scale due to current Malaysian foreign workers recruitment practices which emphasis in low salary scheme. One of the objectives of MTUC is to protect Malaysian unemployment in which standardization and coordination of foreign workers recruitment and the supply of local employability in Malaysia are vital. However, this approach was given after found the problem difficulty to recruit local workers as they are not attracted to low salary scale and working conditions introduced by the employers on certain sectors.

The objective of this paper is identifying the impact of current recruitment practices of foreign workers on local workers employability and trade Union rights in Malaysia. However, to date there has been limited research on the nature and consequences of employment of foreign workers in Malaysia and not been documented. This research would fill the gap on literature review in field of industrial relations.
1.2 BACKGROUND HISTORY

Since 1980s, the Malaysian government has started to depend on foreign workers but there is not a comprehensive policy regarding recruitment and placement of foreign workers. Nevertheless, legal employment of foreign worker was started in 1981 and was followed by signing of the 1984 Medan Agreement with the countries that were the primary sources of labour. (Kassim, 2005; Rahman.H.A et al, 2012) Malaysia is a multi-ethnic country due to significant in migration. (Castles & Miller, 1998; Dannecker, 2005; Rahman.H.A et al, 2012) In Malaysia, the perceptible economic growth among the country has created many jobs for the 28 million Malaysians and creating an 11.61 million-strong workforce. Nearly 20% of Malaysia’s workforces are involved by foreign workers and this is excluding illegal workforce. There is an additional 2.2 million illegal foreign workers working in Malaysian construction industry. Besides that, there is an additional 2.2 million illegal foreign worker working in Malaysia. (Amnesty International, 2010)

During the British colonial period in the early nineteenth century, Malaysia was a net receiver of foreign worker from different nationals which is from Indonesia, India and China, who work in construction sector. (Dannecker, 2005; Kaur, 2010; Rahman.H.A et al, 2012) At the end of the twentieth century, the population has approximated 22 million and ethnically diverse, consisting of 57% Malays and other indigenous peoples (collectively known as bumiputera), 24 Chinese, 7% Indians and the balance which are came from Indonesian, Bangladeshis, Filipinos and etc. (Andaya & Andaya, 2001; Rahman.H.A et al, 2012)
1.3 PROBLEM STATEMENT

The relationship between migration and development is multifaceted. The factors that influence the flow of migrants form a source country and the factors that attract a flow of migrants to the destination and recipient country have resulted in the huge influx of foreign workers, particularly illegal foreign workers, to Malaysia. In 1980s, the construction industry has been experienced in critical problem which is labour shortage. On that time, the demand for labour has been constantly increasing in the construction industry because of the high rate of developments (Serneels, 200; Rahman.H.A et al., 2012). Due to the labour shortages problem, the wage rates in all classifications of workers have increased, yet the supply of labourers has failed to increase acceptably to match the demand (Sambasivan & Yau, 2007; Rahman.H.A et al, 2012).

Nevertheless, some employers chose to employ foreign workers in times of labour shortage, rather than raising wages and improving working conditions to attract local workers (Narayanan, & Lai, 2005; Rahman.H.A et al, 2012). Such employers object to minimum wage levels for construction workers as this would reduce their competitiveness by increase their wage payments, and thereby increase overall construction costs.

There is a heavy dependency of foreign workers in local construction industry as it has not successful in attracting potential local youth to involve in this sector. This is mainly because of the ‘Dirty, Dangerous, Difficult’ image of construction industry given to the public (Construction Industry Development Board, 2007) Hence, local workers lose out in the competition with foreign workers for jobs, and the wage rate for local workers have remained low (Shafii, Musa, & Ghazali, 2009; Rahman.H.A et
al, 2012). As a result, local workers chose to emigrate to earn better wages. Foreign workers have substituted for these local workers within the construction sector.

The living standards and wage rates in the home country are the most influential factors influencing local workers to migrate to other developed countries in order to earn higher wages (Wells, 1996; Rahman, H.A et al, 2012). This would lead to local workers emigrating, putting further pressure on the system and increasing reliance on foreign workers (Sunderhaus, 2007; Rahman, H.A et al, 2012). Such a chain of events would hinder and frustrate efforts to attract local workers to the construction industry (Abdul, 2009; Azam, Abdul-Rahman, & Hanid, 2009). Locals can afford to reject working in the construction industry as there is available foreign workforce (Castles & Miller, 1998). Moreover, the participation of foreign workers in the construction industry is vital to offset the increasing construction costs as the wage rate of foreign workers is low (Lee & Sivananthiran, 1996; Rahman, H.A et al, 2012). Over-dependence on foreign workers will result in an outflow of currency, decline in productivity performance, and disturb the social balance and the economy. Furthermore, the large number of foreign workers is seen as a security threat as it is associated with rising crime rate and contagious diseases (Kanapathy, 2008).

The construction industry is already unattractive due to the overwhelming number of lowly skilled and poorly educated foreign workers already engaged in the industry. Easy access to the supplies of cheap foreign workers indirectly reduces the wages of local workers. Moreover, the willingness of foreign workers to accept low wages and poor working conditions has aggravated the problem by further depressing the wages of local workers (Narayanan & Lai, 2005). This further made the local workers and graduates shy away from pursuing careers in the construction industry. When this happens, the industry then recruits more foreign workers to meet the
industry’s labour requirement. Low labour costs have caused the construction industry to remain dependent on foreign workers for many years. The Malaysian Ministry of Human Resources (MOHR) instituted amnesty programs for repatriation of illegal foreign workers to their country of origin; these programs caused labour shortages amongst the small- and medium-sized enterprises (SME), construction, services, and plantation sectors of about 250,000 to 350,000 foreign workers (Human Resource, 2005). The Manpower Department of the Malaysian Ministry of Human Resources (MOHR) noted that the unhealthy situation correlated to the over-dependence of Indonesian workers should be given attention and contingency plans should also be proposed to source workers from other countries to solve the labour shortage. New legislation has reduced dependence on any one nationality (Wong & Anwar, 2003).

According to Chew, he is worried that the population of foreign workers is highly dependent on a single country, Indonesia, which is the leading source of labour and accounts for around 65% (Kanapathy, 2008; Kaur, 2010) or 62% (Department of Statistics Malaysia, 2010) of the total foreign workers. Sabah is heavily reliant on foreign workers as around 90% of the agricultural workers are of Indonesian origin (Kassim, 2005). Significant problems may arise if diplomatic relations between the two countries become strained and Indonesia calls on their nationals to return (Kassim, 2005), or if there are misunderstandings with source countries. If these situations occur, they may cause serious disruption in construction and adversely affect the economy (Narayanan & Lai, 2005).

The inflow of foreign workers into Malaysia has reduced labour shortage problems. Nonetheless, the present influx of foreign workers, especially from a single country, creates a number of major issues and has economic, social, and political implications on local communities. Therefore, it is useful to identify the needs,