STRATEGIES AND EMPLOYERS DECISION TO REDUCE FOREIGN
WORKERS IN CONSTRUCTION INDUSTRY

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In the name of Allah, the Most Beneficent, the Most Merciful

Greatest praise to Allah S.W.T and salution upon Prophet Muhammad S.A.W for all the blessings and goodness in my life. This study was specially dedicated to my beloved parents and family members who always given me support and strength throughout my studies.

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ABSTRACT

Government is optimistic in its attempt to reduce the numbers of foreign workers in Malaysia to achieve high income and developed nation. However,the foreign workers influx creates some serious issues to the economic, social and political implication to the country and local communities.The purpose of this study is to determine the relationship of Industrialised Building System (IBS) implementation, government's wage incentives and levy system on employers decision making to reduce foreign workers in construction industry. This research is a quantitative study which the data is collected through survey. The questionnaires were distributed to CIDB grade G7 construction company. There were 50 sets of questionnaire completed and analysed using SPSS software through descriptive, inferential and reliability data analysis techniques. Research findings show that there is significant relationship between IBS implementation, government's wage incentives and strict levy system with employers decision making in reducing the employment of foreign workers. It is supported by the significant correlation and regression value obtained from the data analysis.

ABSTRAK

Kerajaan optimis dalam usaha mengurangkan bilangan pekerja asing di Malaysia untuk mencapai status negara pendapatan tinggi dan maju. Walau bagaimanapun, kemasukan pekerja asing menimbulkan beberapa masalah serius dan implikasi terhadap ekonomi, sosial dan politik kepada negara dan masyarakat tempatan. Tujuan kajian ini adalah untuk menentukan hubungan pelaksanaan Sistem Bangunan Berindustri (IBS), insentif upah dan sistem levi mengenai pengambilan keputusan majikan untuk mengurangkan pekerja asing dalam industri pembinaan. Penyelidikan ini adalah kajian kuantitatif yang mana data dikumpulkan melalui tinjauan. Soal selidik diedarkan kepada syarikat pembinaan gred G7 yang berdaftar dengan pihak CIDB. Terdapat 50 set soal selidik yang dilengkapkan dan dianalisis menggunakan perisian SPSS melalui teknik analisis data deskriptif, inferensi dan kebolehpercayaan. Hasil kajian menunjukkan bahawa terdapat hubungan yang signifikan antara pelaksanaan IBS, insentif upah dan sistem levi yang ketat dengan pengambilan keputusan majikan dalam mengurangkan pengambilan pekerja asing. Ini disokong oleh nilai korelasi dan regresi yang signifikan yang diperolehi dari analisis data.

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IBS	-	Industrialised Building System
GDP	-	Gross Domestic Product
CIDB	-	Construction Industry Development Board
CLMA	-	Construction Skilled Labour Risk Analytics
SPSS	-	Social Sciences Statistical Suite
LPPKN	-	Lembaga Penduduk dan Kemajuan Keluarga Negara
CITP	-	Construction Industry Transformation Programme

LIST OF SYMBOLS

r	-	Coefficient Correlation
R	-	Multiple R
R^2	-	R square
F	-	F value
sig	-	significance
ß	-	Standardized Coefficients Beta
H1	-	Hypotheses 1
H2	-	Hypotheses 2
H3		Hypotheses 3

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysian government is optimistic in its attempt to minimize the numbers of foreign workers in Malaysia in order achieve a high income and developed nation. This chapter will discuss background of the study on the Malaysia's foreign workers dependency and problems related to foreign workers influx. Strategies and government's efforts through IBS implementation, wage incentives and strict levy system will also be discussed further. The aims of this study is to determine the relationship of the strategies on employers decison making in order to reduce the numbers of foreign workers in construction industry.

1.2 Background of Study

Construction industry is one of the key sectors which has contributed significantly to Malaysia's economy. Although the shares are 3.1% of Gross Domestic Product (GDP) in Quarter 2 2020, the industry growth is essential for the linkage of the other sectors such as manufacturing, services and education. Contractors, construction workers, developers, clients, consultants, manufacturers, material suppliers, and plant contractors are components in construction (Mustafa Kamal et al.,2012). Up until today, contractors are still using conventional methods, which most of the task are to be done manually on site. This will provide the local community with vast employment opportunities since it requires massive amount of labour.

However, Malaysian are not interested to perform the jobs in construction because they have perceptions of the jobs as 4D's (dirty, dangerous, difficult and demeaning) (Hamid et al., 2013). This situation generates labour shortages in the industry and increases Malaysia's dependence on foreign workers. In the recent research by Marhani et al., (2012), the factors of foreign workers employment are availability, wages, working hours, working environment and education level. In the other study, education level, working experience, nationality, salary demand and work capability are the criteria for foreign workers selection among employers (Hamid et al.,2013). According to Department of Statistics Malaysia, the registered foreign workers in the construction industry as 30 June 2019 are 438,264 employees with a weighted percentage of 21.89 %, while total numbers of foreign workers in all sectors is more than 2 million.

1.3   Problem Statement

Foreign workers influx creates some serious issues to the economic, social and political implication to the country and local communities. According to Marhani et al., (2012), the overwhelming presence of foreign workers causes unsafe and uncomfortable atmosphere to the society. Some of the foreign workers involved in prostitution, robberies, murder cases. 42,451 criminal cases involving foreign nationals between 2016 and August 2019 was recorded by Ministry of Home Affairs between 2016 and August 2019. Whereas, 85,000 foreign workers had not undergone medical screening tests and some failed the tests were granted temporary working passes. It was later discovered that, 7,000 foreign workers were diagnosed with tuberculosis, and 1,800 workers were diagnosed with Hepatitis B.

Nevertheless, employers have faced some serious challenges by employing foreign workers. Among the problems are dissatisfaction of productivity level, communication barrier and poor working environment. Abdul Rahman et al.,(2012) stated that unskilled foreign workers lead to low productivity and quality assurance in the construction industry.The issue of communication breakdown has become one of the factors that contribute to accidents on site. Workers from Nepal, Myanmar,

India, Vietnam and Bangladesh are unable to speak local language with their supervisors leads to complication in the worksite (Mei Wei et al.,2015). The study by Marhani et al., (2012) summarized that 22% of the respondents rated productivity as the main problem of foreign worker employment followed by 20 % behaviours, 20% accommodation, 19% communication and 19% safety. Besides, the dependency will suppress overall wages, slow down the adoption of productivity enhancing efforts and impede the creation of high skilled jobs (Ang et al.,2017).

In order to achieve a high income and developed country, Malaysia aims to overcome its dependence on foreign workers. In five years, Malaysia's target to to decrease the numbers of foreign workers by more than 130,000 by turning to automation and encourage the employers to hire skilled Malaysians (Blomberg,2019). Numerous studies have been conducted on the strategies to minimise the numbers of foreign workers in construction industry. Research by Abdul Rahman et al., (2012) found out that the key platform that can be used to reduce the propotion of foreign workers would be an industry's broad support of industrialized building system (IBS). This would encourage local workers to consider joining the industry, as IBS would significantly reduce negative perceptions and reduce manpower usage (Jabar et al.,2013).

Besides that, Malaysia's government announced wage incentives for local hired workers and employers on Malaysia's 2020 budget as an effort to replace foreign workers with locals (Bernama, 2019). This will minimize the contractors expenditures and meet the locals salary demand. The government also will imposed stricter levy system to reduce overseas workers. Ajis et al., (2014) affirmed in his study that, government control and enforcement needs to be relevant to the current request so will not jeorpardise the national security.

However, these strategies will only produce positive outcomes and successful if the employers are willing to reduce employment of foreign workers and support the government's efforts to encourage local workers engagement in their projects. The contractors are the one who will directly employs and making the decision to reduce their dependence on foreign workers.

1.4   Research Questions

From the main issue of strategies to decrease the numbers of foreign workers in construction industry, three research questions were raised on the relationship of the strategies on employers decision.

i.   What is the relationship of IBS implementation on the employer's decision to reduce foreign workers?

ii.   What is the relationship of government's wage incentives on the employer's decision to reduce foreign workers?

iii.   What is the relationship of strict levy system on the employer's decision to reduce foreign workers?

1.5   Objectives

The aims of this study is to determine the relationship of the strategies on employers decision to reduce the numbers of foreign workers in the construction industry. In order to achieve the aims, three main objectives are outlined as follows :

i.   To examine employer's perception towards implementation of IBS system, government's wage incentives and levy system on their decision to reduce foreign workers employment.

ii.   To examine the correlation between IBS system, government's wage incentives and levy system on employers decision to reduce foreign workers employment.

iii.   To determine the relationship of IBS implementation, government's wage incentives and strict levy system on employer's decision to reduce the numbers of foreign workers in construction site.

1.6 Research Scope

This research focussed on the state of Kuala Lumpur, where current development and construction are on-going. According to the Department of Statistics Malaysia, the number of foreign construction workers in Kuala Lumpur is 129,699, the second highest compared to other states. This study is a quantitative study which the data collection method is by the distribution of questionnaire. The target respondents are top management and construction site technical team in the construction companies, Grade G7 contractors registered with CIDB. G7 contractors have been chosen because they have unlimited tendering capabilities.

1.7 Significant of Research

The over reliance of the construction sector on foreign workers is not desireable and government has initiated few strategies and efforts to minimize the dependence.Employers support and actions is crucial in order to achieve a significant results. Therefore, this research will find out the relationship of the strategies on employers decision to reduce foreign workers in the employers perspectives . This will benefit the employers and government in choosing the most efficient ways to solve the problems of foreign workers inflow and optimizing results.In addition this study will enhance the previous study on possible approaches to reduce Malaysia's dependency on foreign workers.

1.8 Defination of Terms

1.8.1 Foreign Workers

Kumar Moona Haji Mohamed et al., (2012) defined foreign worker as a person who employed in a country on a contract basis and not a citizen of that country. Meanwhile, in this study "foreign worker" is referred as documented and

documented, skilled and unskilled foreign citizen working in construction industry in Malaysia.

1.8.2 Industrialised Building System (IBS)

The adoption of the Industrialised Building System (IBS) is becoming progressively important in order to reduce Malaysia's dependency on foreign workers. Rapid adoption of IBS is a result of encouragement strategies made by the Malaysian Government. IBS is a system of producing building components in a mass production on or off site, the components is then transported and installed into a structure at the site (Thanoon et al.,2003).

1.8.3 Wage Incentives

According to the National Commission of Labour, wage incentives are monetary or financial motivation given to the employees. The incentives are intended to encourage the employees by rewarding them based on the time rated remuneration, for improved performance in the present or targeted outcomes. The Malaysian Government is proposing to provide wage and hiring incentives to employees and employers to address the country's youth unemployment rate thus reduce Malaysia's dependence on foreign workers.

1.8.4 Foreign Worker Levy

Levy is the infringement of a fine or a tax. Consequently, foreign worker's levy is the implementation of a fine or a tax on an employer for employing immigrant workers. The government of Malaysia has imposed an annual levy on the employment of foreign workers since 1992.

1.8.5 Employers Decision

Decision making was defined as the thought process of thinking about choosing a logical choice from the options available. When making a good decision, employers must weight the positive and negative aspects of each option and consider all the alternatives. In order to make effective decisions, employers must also be able to predict the outcome of each option and, on the basis of all these items, determine which option is the best for their organisation.

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