

MANPOWER NEEDS IN CONSTRUCTION
(FOREIGN LABOUR ISSUES)

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ABSTRACT

The growth of Malaysia's economic makes growing construction industry. However, employment in the construction sector less attractive to local workers. Due to this problem, the provision of foreign workers used to curb the shortage of workers and recruitment of foreign workers is becoming increasingly important to meet the needs of workers in the construction sector. This research is more likely to service the needs of the foreign workers issue. In this research, the cause of foreign workers as well as ways to reduce the use of foreign workers in the construction sector discussed in more depth. Review of literature was conducted and a questionnaire survey was used to obtain the information needed to meet the requirements of this inquiry. The questionnaire was distributed to 61 respondents and 47 respondents are responding with the survey. The distribution was involved registered contractor in Kuantan area where it is involve grade one (1) until seven (7). From the questionnaire survey, the analysis shows that the three (3) most factor of employer hiring foreign labour is Foreign Labour Can Be Easily Bring In, Higher Educational Level, And Low Wages For Construction Jobs. Meanwhile second objective is ways to minimize the reliance of foreign labour, the data analysis shows that three (3) most best ways is Tighten Hiring Rules, National Vocational Training Council (NTVC), and Green Card System. In conclusion, Foreign labour can bring easily in construction industry where their just accept even the offer with low wages and also willing to working long hours make employer more easier in to fully the demand of construction industry. Furthermore, Low wages was offered by employer in construction field, certain few local willing to working in construction industry. With tighten hiring rules in over supply of foreign labour is needed to enforceable by government to avoid the damping of foreign labour. Besides that, National Vocational Training Council (NTVC) was disclosed for young local generation with provided program with skills training for fully the demand construction industry intensive to new or modern technology.

ABSTRAK

Kepesatan ekonomi di Malaysia menjadikan industri pembinaan semakin berkembang. Walaubagaimanapun, pekerjaan dalam bidang pembinaan kurang dapat menarik perhatian pekerja tempatan. Disebabkan masalah ini, perkhidmatan pekerja asing digunakan bagi mengekang masalah kekurangan perkerja dan pengambilan pekerja asing menjadi semakin penting bagi memenuhi keperluan pekerja dalam sector pembinaan. Penyelidikan ini lebih cenderung kepada isu keperluan pekhidmatan pekerja asing. Dalam penyelidikan ini, punca pengambilan pekerja asing serta cara untuk mengurangkan penggunaan pekerja asing dalam sector pembinaan dibincangkan dengan lebih mendalam. Kajian kesusasteraan telah dikendalikan serta kajian soal selidik telah digunakan bagi memperoleh maklumat yang diperlukan bagi memenuhi keperluan penyelidikan ini. Pengagihan melibatkan kontraktor berdaftar di kawasan Kuantan di mana ia melibatkan gred satu (1) hingga tujuh (7). Daripada kajian soal selidik, analisis menunjukkan bahawa tiga (3) faktor majikan menggaji pekerja pekerja asing ialah Pekerja Asing Mudah diBawa Masuk, Tahap Akademik yang Tinggi, Dan Upah yang Rendah Untuk Pekerjaan Pembinaan. Sementara itu Objektif kedua adalah cara-cara untuk mengurangkan kebergantungan pekerja asing, analisis data menunjukkan bahawa tiga (3) cara yang paling terbaik adalah mengetatkan perauran dalam pengambilan pekerja, Majlis Latihan Vokasional Kebangsaan (NVC), Sistem Kad Hijau. Kesimpulannya, buruh asing boleh dibawa dengan mudah dalam industri pembinaan di mana mereka menerima walaupun tawaran itu dengan gaji yang rendah dan juga bersedia untuk bekerja berjam-jam membuat majikan lebih mudah dalam memenuhi keperluan industri pembinaan. Tambahan pula, gaji rendah yang ditawarkan oleh majikan dalam bidang pembinaan, hanya sesetengah pekerja tempatan yang sanggup untuk bekerja dalam industri pembinaan. Dengan mengetatkan peraturan dalam pembekalan ke atas pekerja asing, peraturan perlu dikuatkuasakan oleh kerajaan dalam pengawalan lambakan buruh asing. Selain itu, Majlis Latihan Vokasional Kebangsaan (NTVC) perlu dihebahkan kepada generasi muda tempatan dengan menyediakan program latihan kemahiran untuk memenuhi permintaan dalam sector pembinaan dengan intensif kepada teknologi baru atau moden.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The Malaysia country industry has revamped its employment of foreign worker beginning the third quarter 2002. Labour force and outside labour in Malaysia on 2012 it is 20,017.0 ('000) and 2013 working population it is 20,335.4 ('000). From that labour force on 2012 is 13,119.6 ('000) and outsider labour force 6,897.4 ('000) and it shows the labour participation rate 65.5%. The rate of participation increase to 67% on 2013 when labour force increase to 13,636.6 ('000).

The data shows how Malaysia has growth up development in industry. Labor Force Participation Rate in Malaysia increased to 494 percent in February of 2015 from 457 percent in January of 2015. Labor Force Participation Rate in Malaysia averaged 92.78 percent from 2010 until 2015, reaching an all-time high of 506 percent in October of 2014 and a record low of 62.30 percent in November of 2010. Labor Force Participation Rate in Malaysia is reported by the Department of Statistics Malaysia. (Malaysia Labor Force Participation Rate 2010-2015).

In Malaysia, construction industry can be known as major productive sector since the construction started in the early 1990s with the development of mammoth projects (Abdul Razak *et al.*, 2010). Low and Tan (1994) stated that quality development unit (QDU) in Singapore has adopted ISO 8402 defines quality as “*the totality of features and characteristics of a project or service that bear on its ability to satisfy stated or implied needs*”. Quality of construction can be consider as poor or fail in construction content when the project objectives cannot be accomplished, customer’s needs are not satisfied and specification cannot met.

Malaysia construction industry as the “wet trade” construction approach at present relies heavily on the large number of foreign labour when manpower it need more in construction industry. Development of construction industry was increase when the immigration of foreign labour to fully the construction demands to recruitments for skilled and semiskilled workers. In construction Malaysia industry using two method of construction it is conventional method and Industrialised Building System (IBS). In Malaysia, conventional method is use wisely and directly need more manpower to perform construction work at site. So, the growth up population or immigration of foreign labour increased.

1.2 BACKGROUND OF STUDY

Malaysia will ban foreign workers from serving customers at all its airports in a bid to reduce migrant labour in the country, according to a report on Wednesday. The move comes after calls by unions to halt the hiring of foreign workers at airports, saying they could pose a security threat. "All airports, especially the Kuala Lumpur International Airport (KLIA), are to only use local manpower in jobs involving interfacing with tourists," Deputy Prime Minister -The News Straits Times newspaper. Home Affairs Minister said the ban was part of plans to cut the nation's reliance on foreign labour. "This is... one of the steps towards reducing our dependency on foreign workers," he was quoted as saying by the paper.-(AGENCIES Jan 9, 2008).

A group of foreign nationals who were legally to work in another country where they can be call 'foreign workers' team. (Zehadul etc. al), 1999. Person come from a welter of nationality groups, living and working with diverse legal status in a particular country is called by term 'foreign workers' Miller (1991). To local, 'foreign workers' who are coming in their country with illegal way and don't have right to stay in the country.

The rapidly growth of economic in Malaysia has caused an increasing demand on manpower to perform in each sector industries but the demand is high and the local labour cannot to fully the demand. It caused the developer, or employers choose easy way to solve their problem with import foreign labour as employees. Malaysia starts to import foreign workers into our country since 19th century for plantations and mines. Foreign workforce is needed in every sector of industries were mostly recruited from China, India, and Indonesia to work in mines, rubber estate, and plantation.

But on era 2002, Malaysia have the rapidly growth up with construction industry. So, the lacking participation from local labour plus the increase of demand, the manpower it is not enough to recover the demand. So, from that, the immigration from foreign labour increased in construction (19%) on May 2011 and the government plans to reduce the number of foreign workers to 1.5 million in three years. The trend on employment of foreign workers has keep going high and increases. (Minister of Home Affairs)

Singapore cannot shut its doors on foreign workers, who are a mainstay of the country's labour force, though it is assuring locals of first priority in employment- (Minister for Manpower and Minister for Social and Family Development). The government cannot to shut its doors to foreigners because to balancing the ratio between foreign and local workers was a "tricky issue" Acting. Singapore was used foreign labour their developed industry and the government has received complaints from local workers about being discriminated by companies favoring foreigners addressing issues related to increasing number of foreign workers in recent years. Singapore desire to help

the local resident to employee by employer's in local professionals, managers and executives in employment.

The government decisive to control the dumping of foreign labour in their country when the government want try impose to relax work permit requirement for hiring foreign workers. The government would continue to tighten the inflow of work permit holders when the increase in the number of foreign workers on work permit has slowed down to a group that has the greatest bearing on foreign workers in Singapore, even though they were filling jobs that locals shun. In construction industry, work permit is issued to non-professional or non-managerial position holder who usually works in the low end jobs. In 2007 have increase from the number of work permit holders has increased to 9,70,600 last year from 7,57,100. Work permit holders account for seven in 10 of the nearly 1.3 million foreigners working in the city state of over 5 million people. Singapore can't exclude foreign workers.

1.3 PROBLEM STATEMENT.

Construction industry has been experiencing an acute labour shortage since the eighties. Development of construction industry cause the demand of labour becoming increase and the lacking participation of local cannot to fully the demand. Manpower is one of the most constrain challenge facing by Malaysian construction industry as we rely too heavy on large number of foreign labour workforce. Economic Report 2011/2012 stated that total employment of foreign labour force was about 12,645,700 while 768,800 were involved in construction sector.

It has been widely recognized that human resources are important for construction organizations. Yet, it is tough to forecast and plan the manpower requirements in construction industry (Fellows, Langford, Newcombe and Urry, 1983). Human resources are one of the most pressing challenges facing by Malaysian construction industry. There was around 40 percent of more than 1.8 million legal foreign workers are in the manufacturing sector, followed by construction (20 per cent), plantation (14 per cent), housemaids (12 per cent), services (10 per cent) and the rest in

the agriculture sector (Hamisah Hamid, 2010). The illegally employed foreign labours in Malaysia are likely to double (Ministry of Home Affairs 2011). Professional, skilled, and unskilled labour among the characteristic of foreign labours growth mainly concentrated in the manufacturing, construction, and agriculture sectors (Central Bank of Malaysia 2011).

An extensive use of semi-skilled and unskilled foreign labour will inhibit the use of new technologies within firms since it is much cheaper to engage in labour intensive tasks using older technology. Agricultural, mining and construction sectors among resources for economic to growth up involving the extensive use of foreign labour, will have lower growth due to the unskilled and less productive foreign workers. According to a labour force survey conducted in 2010, foreign workers make up 32% of the country's total workforce of 4.37 million.

The numbers likely do not account for the illegal foreign workers who are also hired because of the lack of manpower (Raphael Wong, 2014). Indonesia, the Philippines, Nepal, and Bangladesh are mainly hired by employees in Malaysia as a labour. In recent years, there has also been an increase in the number of migrant workers from Myanmar and Cambodia, according to a report titled Immigration in Malaysia: Assessment of its Economic effects and a Review of the Policy and System released by the World Bank in collaboration with the Human Resource Ministry last year.

One of the many sectors that are heavily dependent on foreign labour in Malaysia it is construction sector. The desperate call for foreign workers to fill the current void clearly flies in the face of the perceived waning of our dependence on them. According the Immigration Department, as at Aug 31, 2012, there were 1.5 million foreign workers with temporary working visiting pass (PLKS). The Human Resource Ministry also estimated that there were about 1.3 million more workers who had entered the country illegally.

Lacking of participation of local youth which are willing to join the construction industry causes due to the complexity of the construction project. The reason of cause of problems is start when they think that construction industry was dirty, dangerous and difficult job. At the end, all foreign workers had filled local construction industry jobs or job opportunities in construction field such as a site supervisor.

Given the strong demand for relatively cheap and unskilled foreign labour, many firms may tend to resort to adopting less sophisticated and less advanced technologies. However, this may harm the long term growth of the company, industry and the country in general. There is a need to foster industrial transformation away from labor-intensive industries and towards more technology and knowledge-based industries- World Bank report.

Jobs in the Malaysian construction industry are becoming unpopular when more foreign labour in that field and working population in newly industrialized. In the construction industry, foreign labour has helped to reduce the shortage of workers because they are intensive, often difficult and to some extent. Construction industry has been experiencing an acute labour shortage since the eighties. This problem should act effectively to solve the problems related reduce the dependency on foreign workers and he related department which should be responsible and to increase the awareness of Construction Company on the negative impact which bring along with amount of foreign workers. Foreign labour may bring the implication aspects to Malaysian Construction Industry.

1.4 OBJECTIVES

The aim of this research is to investigate the advantages and disadvantages of foreign labour employment towards local construction projects. This aim is supported by the following objectives:

- 1) To identify factors of employer hire foreign labour as an employee at construction.

With develop of construction field in Malaysian, most of the construction processes need intensive employment of worker. From that the foreign labour was used wisely in construction and was be issues because the dumping of their. The foreign labour are from neighbors country it is Myanmar, Indonesia, Bangladesh and Philippine.

- 2) To identify and establish ways to minimize the reliance on employing foreign labour.

To minimize the reliance on foreign labour, participant from government, non-government is very important where it involve economic, political and environment.

1.5 SCOPE OF RESEARCH

This research is only targeted on Malaysia's construction industry and is not related with all other countries. This research is conducted among local construction company in Kuantan where Kuantan is due to the rapidly growth of construction sector also had many construction projects. Kuantan construction industry mostly using conventional method and it need more manpower compare installer precast concrete (IBS). From that, the data of the foreign labour can be analyzed and achieve the study objectives.

Thus there is a limitation of getting more proper and specific information from internet and online articles. In this research, will be concentrated on to identify factors of employees hire foreign labour as an employee at construction, to identify and establish ways to minimize the reliance on employing foreign labour. The targeted study population for this survey questionnaire is local construction companies rather than foreign workers. This is because foreign workers may be illiterate and they do not able to answer the set of questionnaire accordingly. This will cause the answers to be lack of accuracy. Furthermore, construction companies are the employers of the foreign workers, so their answers will be more precise and accurate.

Questionnaires will be generated and distributed randomly to the local construction company which is registered with Construction Industry Development Board (CIDB) and located in Kuantan area. The list of respondents can be obtained from relevant professional boards such as Construction Industry Development Board (CIDB), Master Builders Association Malaysia (MBAM), and Malaysia Builders Directory.

1.6 SIGNIFICANT OF STUDY

The problems faced by the employers in hiring the foreign workers were due to the lengthy procedures and also the requirements of the law. The need of the foreign workers is due to the low salary being paid to them and the low expectation of their welfare. The demand of the foreign workers will still exist as long as the locals are not interested in working in the construction industry and willing to receive the similar wages as paid to the foreign workers. Collect information on the structure and distribution of labour force, employment and unemployment will be identified with few methods. The comprehensive and systematic approach in the data collection and processing has been maintained over a period of time with the aim of obtaining comparable time series data.

Foreign workers are part of Malaysian in society when their population is high and make cause to local population. Day by day problem arising out of foreign labour (legal) employments, but these measures is at times in contradiction with each other. From the study, factor influencing the increase in numbers of foreign workers at the construction site it was found that the main factors that influence the numbers of foreign workers are due to the travel policy which do not restrict the movement of foreign workers.

This might be due to unethical and nontransparent practices by the authority and the practice of current economic policy namely 'borderless world' which motivate outsider willing to come to Malaysia legally or illegally. In addition, some workers agencies and employers were really into making money out of the work permits loopholes instead of looking at the foreign workers supply and demand figures.

This research is aim to investigate foreign labour issues in the existing Malaysian construction industry. Factors employed in construction industry and solution or ways to minimize reliance from the foreign labour issues are the aim in this research. In this research are to identified the understanding of the employing about the manpower needed in construction industry among the problems and stress on foreign labour. Next, from this survey finding hoped will provide some indications to the parties involve on construction industry on foreign labour issues.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Construction industry in Malaysia, which is one of the productive sectors, has contributed significantly to the Malaysian economy as a catalyst of growth to other industries. The government of Malaysia is act the important role 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 combination of that, it is shows that the government has the right to directly control the demand of the industry.

2.2 DEFINITION OF LABOUR

A foreign worker is a person who employed in a country on a temporary basis to which the person is not a citizen. Foreign workers are hired by the company, employments agency or hired whilst they were job seeking in the country to supplement the workforce of the country for a limited term or to provide skills on a contractual basis that the country seeks. Those International Journal of Academic Research in Business and Social Sciences October 2012, Vol. 2, and No. 10 ISSN: 2222-6990 532 workers are including skill and unskilled, legal and illegal workers.

The United Nations Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families legally describes a migrant employee as a "person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national". This Convention has been authorized by Mexico, Brazil and the Philippines (between several other states that supply foreign labor) but it has not been authorized by the United States, Germany and Japan (amongst other nations that depend on cheap foreign labor).

Potential workforce born in Malaysia was defined by Local workers in Malaysia. Citizen have extraordinary is also certain declared who as Malaysian Permanent Resident. Workforce also can be defined as when the local labour into a smaller scale of workforce which is manpower is needed in a particular area of employment. Recruiting process of local workers has few methods either can be recruited directly by the employer or by recruitment agency to recruited the local labour. By the way, those local workers are including skill and unskilled qualification. Local workers are being governed by Employment Law Act 1957 and Industrial Relation Act 19.

These acts protect the well-being and welfare of the local workers from wrongly acts of an employer. In Malaysia, local workers are hired by the government known as public sector civil domestic and private sectors. By the way have significance difference in government and private employees when hiring manpower. Government and private hiring is the employees in public sector authorized for government pensions when the manpower retired. However, in private sector, employees were not entitled to government pensions, to a large scope, and this matter is still valid until today. To handle this problem and to ensure that employees from private sector, Employees Provident Fund (EPF) was introduce where it a scheme to use as are financially secure after their retirement.

"Employer" means any person who has entered into a contract of service to employ any other person as an employee and includes the agent, manager or factor of such first mentioned person, and the word "employ", with its grammatical variations and cognate expressions, shall be construed accordingly; "foreign employee" means an employee who is not a citizen;

2.3 FACTORS EMPLOYEE EMPLOYED FOREIGN LABOUR

2.3.1. Construction Jobs Poor Images, Poor Working Conditions

In construction field, the image is very important because is more recognized as hazard work environment. It occurs where local always more in prefer to work in easier jobs where in their mind that in construction field have poor descriptions and poor working environments. In construction field, citizen knows that on the lower end and tough jobs, it was mostly involve the foreign labours.

Comfortable environment such as working in air condition, proper or tidy attire and in working place make most of the local manpower more desire to work in. local citizen more prefer to working in office jobs where they was offered them white-collar jobs and the images is more tidy. Moreover that, employed in environment involve of construction field is very actual poor. Less in security, shortage of job development, lack in management system and it will make these all will be the reason by local labour in to refuse to working in construction field (Ling 2005).

2.3.2 Low Wages Offered In Construction Sector

Low wages and high risk jobs in construction field is among of the reasons why local manpower tries to escape involving in construction industry. In manufacturing field, payment for those who work in that sector is higher than payment for manpower in construction field is relatively lower than that. In encourage more foreign labour to join in the company, the companies are purposely in to turnover of local workforce when they to keep the salary in low level to allow higher turnover of local. Maintain a relatively low wages can avoid the participation of local labour where foreign labour was significantly in their uncontrolled presence. It can caused the problem where less of the participant of local labour to involve in construction field in the future because that problems. (Zehadul et al., 1999).

By increase of overall construction cost and also increase wage payment, employees of company can reduce employers object to minimum wage level for construction works where reduce their competitiveness. When wage rate of local workers have stayed is low, it can affect the competition in local worker when they will lose out in the competition with foreign workers for jobs. (Shafi et al. 2009).

Mainly in term of income, the skill of labour is very important where it can be determined as unstable jobs especially in construction field. Among of company such as main contractor also sub-contractor is needed to less of greedy with not to prioritize their benefit such taking indirect unemployment. This problem shows where they to avoid large expensive in low wages when they hiring permanent staff administration personnel. (Shazwani et al. 2011).

According for skill worker, they wages was paid by particular of day. They will get their payment only they have work for that particular day and this problem will lead to them. However, poor paymaster (MBAM, 2007) was being issues in the construction field. Unluckily, the status of the skilled labour can have continuity of work cannot be ensure because by the environment of the construction field itself. This problems will affect the income of skill worked where they do not have stable income because the payment of wage systems.

2.3.3 Higher Education Level

The stable growth up of educational and with rapidly of educational improvements are critical to this process. However, this revolution makes labor lacks which can only be occupied by low-skilled foreign employees. To destabilizing an economy, we need to performed with strong resilience to face the crisis of global where the economic was generate by development of manpower in few sector in Malaysia. So with manpower the economy will be generate but Malaysia need their obtainability also various of employer and, potentially by entire field, maybe gone or loss in carry away various jobs in Malaysia.

Nowadays, there are more and more people who getting a higher educational level like diploma, degree or even master degree. For them, they gain a higher of education level is to avoid themselves from being working on dangerous or high risk jobs, example like working in construction site. Therefore, the reducing of local youth to join in construction sector is going less. This happened and gave more opportunity for importing foreign labour by the employer to fill in the gap to make sure their construction run smooth. Most of the foreign labours were coming from our neighboring countries such as Indonesia, Vietnam and etc.

The Malaysian educational standards are educating nonstop all the way through the years, assisting the generation currently to attain enhanced learning. Where the Malaysian is educational, they will develop with more educated, in obtain profitable jobs, they try tending to identify and the purpose is to match with the qualifications they hold and make them eventually to choosy and exacting in picking kinds of work. Are often creature as low status jobs in construction field, a low status was being apparent as lack of prestige, class and respectability. Regarding the problems, it can affect them to shy away from the industry (CREAM, 2011). Rather stay as unemployed is assumption by young workforce in Malaysia than to labor in the construction industry (ILO 2001).

In foreign labour mind and also their wish is to improve their quality and value of their lifecycle regarding the work based on the necessity. It happened because they desire can provide bright future to their children where their willing as a foreign labour,

(ILO 2001). Beside that the foreign labour are lower in choosing and also to demand regarding jobs environment. It shown where they willing to working in tough environment where the time working is long where the wages is rather low but they still want to working.

Furthermore, it plus the local labour is more choosy and demanding also is more attentive for their rights when they tend to inquiry and challenge their employers. It is shown when they dare to ask regarding any unfair management to them. It opposite with foreign labour where they only obey the rule, instruction given and be more obedient where they accept the jobs without complaint and just assigned as long their get the jobs and they have payment on their work.

Hence, the foreign workers will be much attracting and more satisfactory by employer to hiring them compare the local workers because foreign labour has resilience where it show when they agreeable to working in every tough environment even though the wages is minimum but they still obey and tend to be lack in demand.

2.3.4 Migration and Development

Immigrants seem quite monopolized sectors of employment in the country. Economic development and political governance in Malaysia are also factors that attract foreign workers. Malaysia's dependence on foreign workers is very high, especially in the service sector, construction, agriculture, and manufacturing. The situation is very beneficial to both parties, namely Malaysia and migrant workers who come from various countries such as Indonesia, Nepal, Myanmar, Bangladesh, Vietnam, China, Sri Lanka, Thailand, Cambodia, Pakistan, and many others.

As we know, the employment of foreigners not only focused on the professional sector of the construction workers and even the professional sector as well as the science and technology sector. What we can see here is a very contradict each other. As a citizen of Malaysia, the numbers of undergraduates in Malaysia categorized as dumping is causing many of them are unemployed because there are no jobs.