

PERPUSTAKAAN UMP



0000073596

THE STUDY LOCAL LEVEL MALAYSIA A CONSTRUCTION

INDUSTRY .

**STRATEGIES IN IMPROVEMENT**

**MD KHUSAIRI BIN BAHARUN**

**A project report submitted in partial fulfillment of the requirements for the  
award of the degree of Civil Engineering with Environmental**

**Faculty of Civil Engineering  
University Malaysia Pahang**

**June 2012**

## ABSTRACT

Labour shortage in Malaysian construction industry is due to The Study Local Level Supply In Malaysia Construction Industry :Strategies In Improvement. In Malaysia, local youth would rather be unemployed despite working in the construction industry. This is attributed to the archaic employment practices, outdoor work and prevalence of the temporary and casual labour. The industry has been forced to rely on foreign labour, mostly from neighbouring countries. The government of Malaysia aims to reduce the number of foreign workers in the country from 1.84 million in 2005 to 1.5 million by 2010. It is envisaged that by this time, only 200,000 foreign workers will remain in the construction industry. The objectives of this study are; to identify the factors that led to the poor participation of local labour in the construction industry; to identify the critical factors that led to the poor participation of local labour; and to identify strategies to improve the participation of local labour in the construction industry. The method of the study involved literature review, data collection and an Average Index method was used for analysis. The data were gathered through questionnaire and interview. In conclusion, the respondents agreed that the first three major factors that led to the poor participation of local workforce in construction industry were related to uncomfortable, unsafe and unhealthy working conditions and temporary employment status. Five major strategies for the improvement on the local labour participation were to focus on training and advancement, employment status, enhance the safety practice and procedure and image of construction workers and site accommodations and services.

## ABSTRAK

Masalah kekurangan pekerja bagi industri disebabkan banyak faktor dan salah satu daripadanya adalah kekurangan penglibatan tenaga pekerja tempatan. Di Malaysia, belia tempatan lebih rela mengangur daripada bekerja di dalam industri pembinaan. Ini disebabkan oleh kaedah tradisi yang masih digunapakai dalam proses pengambilan pekerja, melibatkan kerja-kerja luar, status pekerjaan sementara dan kontrak. Oleh sebab itu, industri ini terpaksa bergantung kepada pekerja asing yang kebanyakannya daripada negara jiran. Kerajaan Malaysia mensasarkan untuk mengurangkan kebergantungan kepada pekerja asing daripada 1.84 juta pada tahun 2005 kepada 1.5 juta pada tahun 2010. Pada masa itu hanya 200,000 pekerja asing akan dikekalkan dalam industri pembinaan. Objektif kajian adalah untuk mengenalpasti faktor yang menyebabkan kekurangan penglibatan pekerja tempatan; mengenalpasti faktor kritikal yang menyebabkan kekurangan penglibatan pekerja tempatan; dan mengenalpasti strategi untuk meningkatkan penglibatan pekerja tempatan dalam industri pembinaan. Kaedah kajian melibatkan kajian literatur, pengumpulan data dan kaedah Index Purata digunakan untuk tujuan analisa. Data dikumpulkan menggunakan kaedah soal selidik dan temuduga. Kesimpulannya ialah responden telah bersetuju bahawa keadaan tempat kerja yang tidak selesa, kurang selamat dan tidak sihat dan juga status pekerjaan yang sementara merupakan penyebab utama mereka tidak berminat menyertai industri pembinaan. Lima strategi utama untuk meningkatkan penyertaan tenaga kerja tempatan ialah latihan, status pekerjaan, meningkatkan amalan dan prosedur keselamatan, meningkatkan imej pekerja binaan, dan kemudahan dan servis di tapak bina.

## TABLE OF CONTENTS

CHAPTER	TITLE	PAGE
	<b>TITLE</b>	<b>i</b>
	<b>DECLARATION</b>	<b>ii</b>
	<b>DEDICATION</b>	<b>iii</b>
	<b>ACKNOWLEDGEMENTS</b>	<b>iv</b>
	<b>ABSTRACT</b>	<b>v</b>
	<b>ABSTRAK</b>	<b>vi</b>
	<b>TABLE OF CONTENTS</b>	<b>vii</b>
	<b>LIST OF FIGURES</b>	<b>xi</b>
	<b>LIST OF TABLES</b>	<b>xii</b>
	<b>LIST OF APPENDICES</b>	<b>xiii</b>
<b>1</b>	<b>INTRODUCTION</b>	<b>1</b>
	1.1 Introduction	1
	1.2 Background of Study	2
	1.3 Problem Statement	3
	1.4 Research Aims and Objectives	4
	1.5 Scope and Limitation of the Study	4
	1.6 Research Methodology	4
	1.7 Summary	7
<b>2</b>	<b>FACTORS THAT INFLUENCE THE STUDY</b>	
	<b>LOCAL</b>	<b>8</b>
	<b>LEVEL SUPPLY IN MALAYSIA CONSTRUCTION</b>	
	<b>INDUSTRY : STRATEGIES IN IMPROVEMENT</b>	
	2.1 Introduction	8
	2.2 Background of Labour Crisis in Malaysia	
	Construction Industry	8
	2.3 Construction in the Eyes of Workforce	9
	2.4 The Factors of Less Interested of Local	

Workforce in Construction	9
2.4.1 Economic Factor	9
2.4.2 Poor Image in the Eyes of Workforce	10
2.4.3 Lack of Training and Skill Formation	11
2.4.4 Outsourcing Labour Through Sub-Contractor System	11
2.4.5 Unattractive Jobs	13
2.4.6 Poor Site Accommodations and Services	14
2.4.7 Change in Education	14
2.5 Problems Highlighted by International Labour Organisation (ILO)	15
2.6 The Critical Factors That Influences to the Less Interested of Local Workforce	16
2.7 Summary	17

<b>3</b>	<b>THE CURRENT EFFORTS UNDERTAKEN TO ENCOURAGE LOCAL LABOUR PARTICIPATION IN CONSTRUCTION INDUSTRY</b>	<b>18</b>
3.1	Introduction	18
3.2	Definition of Skilled Labour	18
3.3	Definition of Semi-Skilled Labour	19
3.4	Definition of Unskilled Labour	19
3.5	Definition of Foreign Workers	19
3.6	Attracting Local Construction Workers	19
	3.6.1 Provide Skills Training	20
	3.6.2 Revolutionise the Conservative Labour Employment and Deployment System	20
	3.6.3 Promoting Health and Safety	21
	3.6.4 Skills Testing and Certification	22
	3.6.5 Upgrading the Construction Operation	22
3.7	Good Practices Listed by ILO for Construction Industry	23
3.8	Summary	25

<b>4</b>	<b>RESEARCH METHODOLOGY</b>	<b>26</b>
4.1	Introduction	26
4.2	Research Methodology	26
4.3	Literature Review	27
4.4	Data Collections	27
	4.4.1 Questionnaire Design	28
4.5	Analysis Method	29
4.6	Summary	30
<b>5</b>	<b>DATA ANALYSIS AND RESULTS</b>	<b>31</b>
5.1	Introduction	31
5.2	The Respondents Background	31
5.3	Result and Analysis	38
5.4	The Result of the Questionnaire Survey	40
	5.4.1 The Result of the Factors That Led to the Poor Participation of Local Labour to Work in the Construction Industry	40
	5.4.2 The Result of the Critical Factors That Led to the Poor Participation of Local Labour to Work in the Construction Industry	42
	5.4.3 The Result of the Strategies to Improve the Participation of Local Labour in the Construction Industry	44
5.5	Findings and Discussion	45
	5.5.1 Respondents Background	46
	5.5.2 First Objective: To Identify the Factors That Led to the Poor Participation of Local Labour to Work in the Construction Industry	46
	5.5.3 Second Objective: To Identify the Critical Factors That Led to the Poor Participation of Local Labour to Work in the Construction Industry	48

	5.5.4	Second Objective: To Identify the Strategies to Improve the Participation of Local Labour in the Construction Industry	49
	5.6	Summary	52
<b>6</b>		<b>CONCLUSION AND RECOMMENDATIONS</b>	<b>53</b>
	6.1	Introduction	53
	6.2	Conclusion	53
	6.3	Recommendation for Future Study	54
		<b>REFERENCES</b>	<b>55</b>
		<b>APPENDIX A</b>	<b>58</b>

**LIST OF FIGURES**

<b>FIGURE NO.</b>	<b>TITLE</b>	<b>PAGE</b>
1.1	Methodology Flow Chart	6
5.1	Respondent Current Job Sector	33
5.2	Respondent Education Background	35
5.3	Respondent Working Experience Background	35
5.4	Respondent Annually Income	36
5.5	Respondent Method of Income Payment	37
5.6	Return Questionnaire	38
5.7	Factors Influences of the Job Selection	40



## LIST OF TABLES

<b>TABLE NO.</b>	<b>TITLE</b>	<b>PAGE</b>
5.1	Respondent Background	32
5.2	Respondent Education Background	34
5.3	Respondent Working Experience Background	34
5.4	Respondent Anually Income	36
5.5	Respondent Method of Income Payment	37
5.6	Return Questionnaire	38
5.7	Factors Influences of the Current Job Selection	39
5.8	The Factors That Led to the Poor Participation of Local Labour to Work in the Construction	41
5.9	The Critical Factors That Led to the Poor Participation of Local Labour to Work in the Construction	43
5.10	The Strategies to Improve the Participation of Local Labour in the Construction Industry	44
5.11	The Factor That Led to the Poor Participation of Local Labour	46

**LIST OF APPENDIXES**

<b>APPENDIX</b>	<b>TITLE</b>	<b>PAGE</b>
A	Questionnaire Survey Form	59

## CHAPTER 1

### INTRODUCTION

#### 1.1 Introduction

Malaysia is presently experiencing a new era of prosperity. The government formulated and implemented a series of five year development plans and laid the foundation for the development in the country. From the 60s, Malaysian economy grew rapidly and many jobs were created in the agricultural and construction sectors. Towards the early 90s, Malaysia experienced a tight labour market and there was a shortage of labour in the manufacturing industries. The labour shortage later expanded to the construction sector and domestic services.

The shortage of skilled labour that the Malaysian construction industry is currently encountering has been perpetuated by several combination of causes. The economic change that Malaysia has seen for the last decade is one of the leading causes of the skilled worker shortage. The resultant labour shortage was made worse by the selective attitude of local labour due to expansion of education, improvement in living conditions and access to upward mobility.

## 1.2 Background of the Study

Malaysia has a labour force of 10.9 million in 2010 and nearly 11.1 million in 2011. While Malaysia offers a large workforce, there is currently a shortage of skilled workers in some industries.

Based on Labour Force Survey Report for 2010 there were 6.47 million employed persons in Malaysia of which 12.9 per cent were in construction industry, 673,900 were Non-Malaysian citizens and 8 per cent from Non-Malaysian citizens were in construction industry. As of June 2011, there were 1.84 million registered foreign workers of which 33.3 percent were employed in manufacturing, plantation (20.2 per cent), services (including domestic maids) (25.9 per cent) and construction sector (15.1 per cent) (Bernama, 2010).

Malaysia in recent years has absorbed large numbers of foreign workers to work in low-paying and low skilled fields. In general, low-skilled foreign workers are employed in positions that most Malaysian refuse to do it (Ames Gross, 2002).

Malaysian Trade Union Congress (MTUC) pointed out that in early 1990s all buildings including multistory buildings, highways even the East-West highway was entirely built by locals. It is obvious that the construction industry is taking unfair advantage of the understanding shown by the Government. The fact that more than 265,000 of the 322,000 illegal foreign workers were from the construction sector shows that they prefer illegals. Importing cheap labour is often the main cause of distortion between relative price of capital and labour. The demand for foreign workers is not due to genuine shortage but due to the desire of employers to pay lower wages (MTUC, 2002).

According to the 2010/2011 Economic Report released on September 2011, Malaysia aims to reduce the number of foreign workers in the country from 1.84 million to 1.5 million by 2012 . It is envisaged that by that time, only 200,000 foreign workers will remains in the construction industry.

A similar situation is found in some developed countries where construction works has for many years been undertaken largely by immigrants, or by the children of immigrants (ILO, 1995). In United States, where the wage advantage that construction workers have traditionally enjoyed over other industries has steadily eroded over the past 20 years leading to a leakage of skilled workers from the industry and difficulty in replacing them (Philips, 2000).

In China, construction work was ranked the lowest out of 69 occupations, in a poll of 2600 young people in 63 cities carried out in 1999 by Academy of Social Sciences (Lu and Fox, 2001).

In India, from the survey of 2600 people in five towns in India, 90 per cent were working in construction because they have no choice, but they don't want their children to work in the industry (Vaid, 1999).

### **1.3 Problem Statement**

When we talk about labour crisis in construction industry, number is not only issue impinging on the manpower development of the industry. Due to certain reasons, local workforce is less interested to work in the construction industry. This persistent situation may pose hiccups to the potential development of the industry. Local workforce is still thinking that the jobs in this sector are not dignified enough besides being labeled dirty, dangerous and difficult. Therefore as a last result to overcome the acute shortage of manpower, the industry hired foreign workers.

The group of foreign workers hired by the industry basically unskilled, acquires their work knowledge while assisting the more experienced workers, and thus is not meeting the industry's skill standards (CIDB News, 2002).

According to the Third Industrial Master Plan 2006-2020 (IMP3), labour intensive industries will be encouraged to plan their human resource requirements to progressively reduce their dependence on low-skilled labour, particularly foreign unskilled labour.

#### **1.4 Aim and Objectives of Study**

The aim of this study is to investigate the reluctant of local manpower to work in the construction industry and how to increase their participation rate. To achieve this aim, three objectives are being delineated. Those are as follows:

- 1) To identify the factors that led to the poor participation of local labour to work in the construction industry;
- 2) To identify the critical factors that led to the poor participation of local labour to work in the construction industry; and
- 3) To identify the strategies to improve the participation of local labour in the construction industry.

#### **1.5 The Scope of Study**

The scope of this study is narrowed down to simplify the process of information gathering, so it can be analyzed within an appropriate time limit. The aspects being considered are:

- 1) Focused on manpower at the construction site
- 2) The area of this study is in Klang Valley area

#### **1.6 Research Methodology**

The main focus of the study is to achieve earlier stated objectives through the collection of data using survey questionnaires and interviews, (Uma Sekaran, 2000). The methodology is set to gather the data to achieve the outlined objectives. The first step of study is to rationalize the issue to set up the topic of study. Then the statement of problems, aims and objectives were developed. This study employed several methods of data collection for the purpose of objective's achievement. For the knowledge acquisition phase, the literature in connection with the study to be carried out is reviewed through journals, books, conference papers, magazines, and websites.

From that information, a set of questionnaire form develop. The respondents are Malaysian Citizenship workforce. The data analyzed using statistical method. The final phase of the study is to define the conclusions and recommendation with reference to the objectives, subsequent to the analysis from the questionnaire. The Methodology Flow Chart is as shown in Figure 1.1 below.

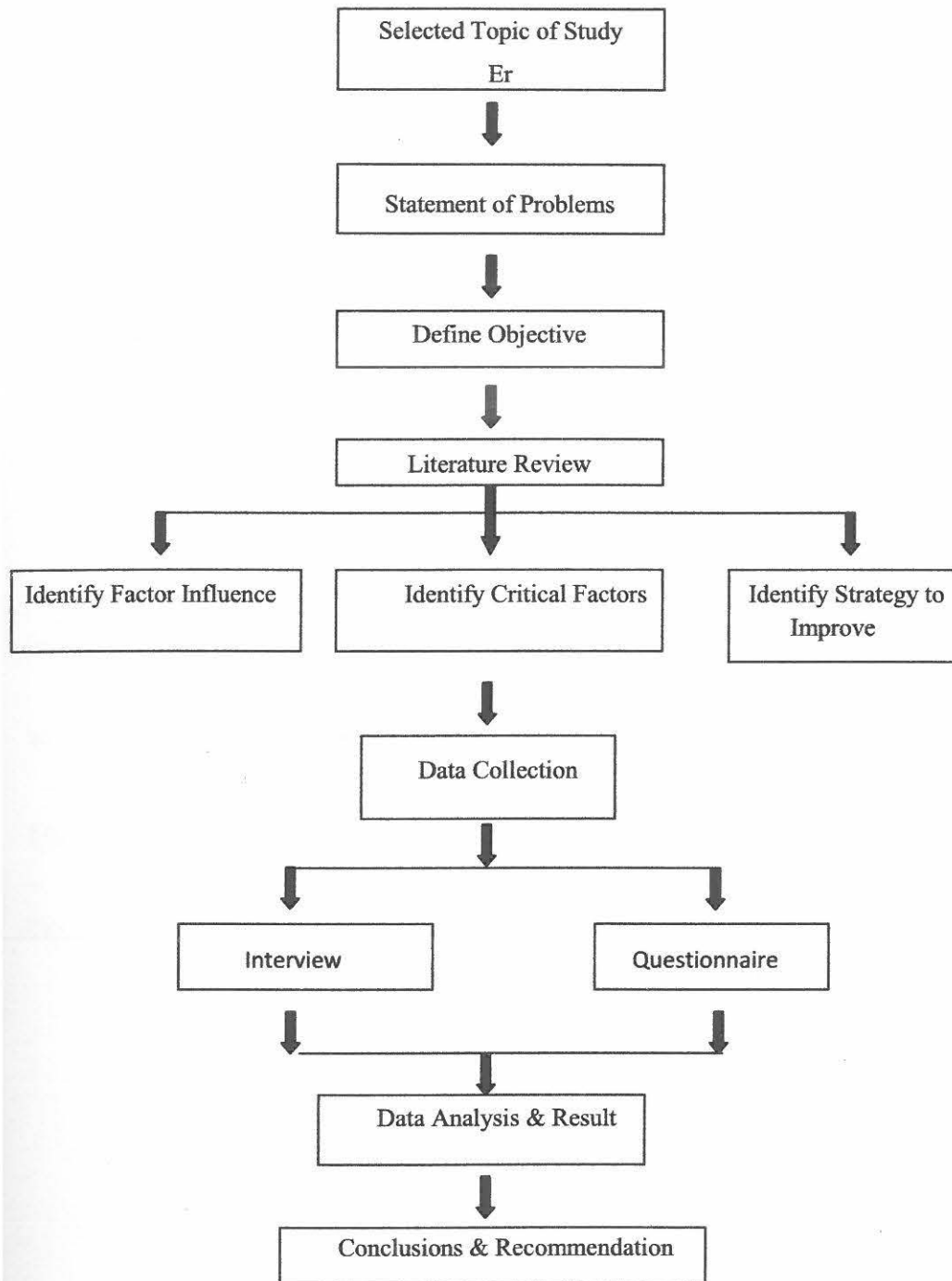


Figure 1.1 : Methodology Flow Chart



## 1.7 Summary

This study provides some valuable insights into the relative importance of the participation of local labour in the construction industry.

The First chapter is the introduction of the research, which include the statement of problems, the aim and objectives of the study, the scope and justification of the study, and research methodology.

The Second Chapter is on literature review; focus on the identification factors that influence the poor local labour participation.

The Third Chapter continue with the literature review on current effort undertaken to encourage local labour participation.

The Fourth Chapter is the Research Chapter that discuss the method of research.

The Fifth Chapter discuss the Data Analysis and Results of the study.

The Sixth Chapter is the conclusion and recommendation of the study.

## CHAPTER 2

### FACTORS THAT INFLUENCE TO THE POOR LOCAL LABOUR PARTICIPATION IN CONSTRUCTION INDUSTRY

#### 2.1 Introduction

This chapter identifies the factors that influence the local labour less interested to work in construction industry. The factors that influence the local labour less interested to be discussed related to economy, image, outsourcing labour through sub-contractor system, lack of training and skill formation, large number of foreign workers, poor site accommodations and services and change in education.

#### 2.2 Background of Labour Crisis in Malaysian Construction Industry

Labour crisis in Malaysian construction industry not only impinging on the manpower development of the industry but due to certain reasons, local workforce is less interested to join this industry. MTUC pointed out that in the early 1990s all buildings including multistory buildings, highways even the East-West Highway was entirely built by locals. It is obvious that the construction industry is taking unfair advantage of the understanding shown by the government.

Executive director of the Malaysian Employers Federation said that Malaysian workers are not willing to work on a plantation or construction site because it is hard

work under the sun. Many of the 26 millions Malaysian workers want white collar jobs (Bloomberg News, 2005).

The construction industry in Singapura used foreign workers as a necessary temporary measure to avoid the shortages which could hinder the nation's economic development. The long term intention is to reduce the reliance on such workers and effort is made to derived optimum benefit from those employed, for example by enhancing their quality by training.

Malaysia drew significantly on Singapore's experience in responding to labour shortage, revising the skill certification and public education systems and other policies to upgrade human resource development, as well as production management and industrial relations (Takeshi, 1998).

### **2.3 Construction in the Eyes of Workforce**

There is evidence from various parts of the worlds to indicate that construction workers do not view their employment in a very favorable light. Construction regarded almost everywhere as low status job. In many other countries, both rich and poor, people work in construction out of necessity and not out of choice. Almost universally they wish for better things for their children (ILO, 2001).

In Malaysia, young workforce would rather unemployed than work in the construction industry. Official estimates put foreign labours at 80 per cent of entire construction workforce in 1992 (Abdul Aziz, 2001).

### **2.4 The Factors of Less Interested of Local Workforce in Construction**

#### **2.4.1 Economic Factor**

The economic that Malaysia has seen for last decade is one of the leading causes of the worker shortage. The shortage of skilled workers is not

eased by the tight labour market situation either. Obviously because of the strong growth of the economy spurred by the influx of investments, job opportunities have increased resulting in the easing of the unemployment rate to about 4.3 per cent by the half 1992. It has now become an employee's market and therefore, workers can afford to be choosy. The tight labour market situations, however, has not reached critical proportions. But this does not mean that it is not serious. This situation needs to be monitored (Anthony, 1992).

#### **2.4.2 Poor Image in the Eyes of WorkForce**

The poor image of work in the construction industry is generally thought to stem from the nature of work, which is often describe as dirty, difficult and dangerous. But the real reason why construction work is so poorly regarded has much more to do with the term on which labour is recruited than the nature itself. For many construction workers around the world the term of employment have always been poor (ILO, 2001).

In Malaysia, accidents on construction sites are so common that everyone has come to accept them as an unavoidable feature of the industry. This situation is attributed to the casual terms of employment, the engagement of illegal foreign workers and the non-coverage of workers under national insurance scheme (Abdul Aziz, 1995).

The danger posed to personal safety by construction work is one of the reason why Malaysian are unwilling to take up careers in it. Statistics from the social Security Organisation (SOCSO) showed that on the average, five thousands accidents occurred in construction sites annually between 2000 and 2004. This figure represents about 5 to 6.5 percent of the total number of accident reported over the period. An average of eighty workers was killed in such accidents (Fong Chan Onn, 2006). Inspection conducted by Department of Safety and Health (DOSH) found that one of the main contributory factors of accidents at construction sites was the lack of commitment by employers to implement measures to improve occupational safety and health.

Construction sites rated as unsatisfactory were not managed in accordance to best practices. And most of the time, were not in compliance with the laws and regulations governing construction activities.

Accidents at the construction site do not only involve workers, but may also inflict injury or even cause death to the general public. Such accidents had tarnished the image of construction industry.

#### **2.4.3 Lack of Training and Skill Formation**

Lack of opportunities for training and skill formation contribute to the unattractiveness of a career pathway in construction industry. Attracting new entrants is a major problem in Malaysia where workers have alternative. In both developed and developing countries difficulties are experienced in recruiting young and educated workers.

In Malaysia, the problem noted that the passing on of skills through informal apprenticeship is often kept within family, clan or tribe and when circumstances dictate that skills should be transferred to outsiders they may be some dilution, with not all skilled passed on (Abdul Aziz, 2001). The high turnover of workers poses a considerable barrier to formal training in the construction industry. The contractors reluctance is also based on the fact that training cost money, which will raise the price of their bids and could make them uncompetitive.

#### **2.4.4 Outsourcing Labour Through Sub-Contractor System**

In many countries, the practice of recruiting labour through subcontractors and intermediaries is long established. Subcontracting is usually on a labour only basis and may go through several stages on a large, creating a multi-layer contracting system. A similar system of indirect employment, which allows contractors to cope with fluctuation in the demand for labour, has also been practiced in Malaysia for many years. Chief

Executive of CIDB, Datuk Hj Abdul Rahman Abdullah said that under this system, contractors who secure construction works normally sub-contract the works to sub-contractors known as kepala, who in turn hire construction labourers to undertake construction works.

The head system enables the contractor to avoid the large expenses of permanent workers and the necessary administrative personnel. The contractor also avoids investment in training and necessary incentive and motivational mechanisms. The system requires a large number of construction workers. The drawbacks of the kepala system are:

- i) Poor workmanship as the kepala does not invest in training and switches workers from site to site achieve the best return from the expenditure on them;
- ii) Wastage of materials as the kepala's workers are most concerned with the quickest, not necessarily the most efficient methods;
- iii) Improper usage of the main contractor's equipment by the kepala's workers;
- iv) The kepala's inability to retain workers or seek their improvement and welfare, leading to the failure to develop a core pool of construction workers; and
- v) Workers do not enjoy permanent employment; they also do not receive any perks and welfare benefits normally relating to such employment.

This system however, has not been effective enough to attract participant of local workers into the sector, partly because local workforce is still thinking that jobs in the sector are not dignified enough besides being labeled as dirty, dangerous and difficult (CIDB News, 2002). MTUC reported that a major construction company pays RM80 per day for each worker utilized by sub contractor where as the contractor, pay the worker only RM33 per day. More than 50 per cent of the payment meant for the worker is pocketed by the sub contractor.

Widespread contracting system in the construction sector has eliminated security of tenure and casualised employment status. This has

understandably compelled locals to shun such insecure jobs. There is complete lack of coordination which leaves thousands without work in some work sites and labour shortage elsewhere. Importing cheap labour is often the main cause of distortion between the relative price of capital and labour. The demand for foreign workers is not due to the genuine shortage but due to desire of employers to pay low wages (MTUC, 2002). Cheap foreign workers had drives down the wages of local workers. It also further erodes the attraction of careers in construction.

In Singapore, a key distinguishing of the construction industry is reliance on labour subcontractors. Even the larger companies do not normally employ full-time site labour, skilled or unskilled. This human resource management practice has been linked to the industry's labour shortage problems, as well as its low productivity and quality of workmanship (George). One of the issues of most concern to construction workers throughout the world is the insecurity of income that comes with temporary status. Providing adequate insurance against periods of sickness or unemployment as well as medical and retirement benefits, is of critical importance in attracting and retaining workers in the industry (ILO, 2001).

#### **2.4.5 Unattractive Jobs**

Another construction-related negative impact of the employment of large numbers of foreign workers is that it tend to set in motion a vicious circle. The image of the industry is already unattractive. As more foreign workers with low skills and poor educational background are engaged in it, Singaporeans might feel that such work is not for them. This would lead to locals shunning the construction industry, leading to further reliance on foreign workers (George). In Malaysia, official estimates put foreign labours at 80 per cent of the entire construction workforce in 1992 (Abdul Aziz, 2001). These situations also lead to local workforce shunning the construction industry and leading to further shortage of local workers in this industry.

#### **2.4.6 Poor Site Accommodations and Services**

In this industry, it is common practice for the contractor to provide housing on site for construction workers. This accommodation was less conducive to the average Malaysian workers. This is also the reason why Malaysian workers are shying away from the construction sector and consider employment in the construction sector as not dignified enough (CIDB News, 2002).

An added to problem in many developing countries is the poor state of site accommodation and services. It is common practice for contractors to provide housing on site for construction workers, particularly when they are migrants from the countryside or from overseas. In some countries, living conditions have deteriorated as subcontractors offer worse conditions than principal employers (ILO, 2001).

In Malaysia, where an estimated 82 per cent of foreign workers live on the building sites where they are working, the poor quality of accommodation (kongsi) was the second major grievance (after social security) of construction workers interviewed in 1996 (Abdul Aziz, 2001). Overcrowding, crude sanitation, uncontrolled surface water drainage and poor rubbish disposal are typical of many kongsi. In 1994, three Indonesian construction workers lost their lives when a kongsi collapsed (Abdul Aziz, 1995).

#### **2.4.7 Change in Education**

More recently, another change that has affected the inflow of new labour in construction industry is the educational change that has impacted younger generation. More people are seeking higher education in an effort to secure a more lucrative profession and consequently live a better life than their parents did. It appears that here, a stigma is being cast upon construction trades as dirty, dangerous and difficult. The term construction worker