1.1 INTRODUCTION

In this age of rapid growth of globalization, many construction firms focus on the effective use of Human Resource Management (HRM) practices to gain competitive advantage to achieve the organization's objectives and ensure optimal performances among the employees. In these recent years, construction organizations have been increased in emphasis to focus on client and market oriented that brings best values to the clients. The project success rate is a crucial issue to fulfill the needs of the market. In order to reach for the objective set by the organization to be on competitive edge and market oriented, many organizations intend to improve and reorganize Human Resource Management (HRM) system to deliver success outcome of the organization.

According to Byars and Rue (2006), Human Resource Management (HRM) is defined as a system of activities and strategies that focus on successfully managing employees at all levels of an organization to achieve organizational goals. Generally, Human Resource Management (HRM) can be interpreted as a systematic approach planned to manage the workforce by training, motivating, and retaining employees that results in employee and organizational performance through several human resource practices.

In order to improve human resource structure and system in the construction industry, Human Resource Management (HRM) practices are being developed and implemented as it is vital to the effect functioning and the success of projects in construction industry. Minbaeva (2005) also stated that HRM practices is a set of
practices to manage human resources through facilitating the development of competencies that are firm specific, develop complex social relation and generate organization knowledge to sustain competitive advantage.

Human resource management plays a significant role in managing construction projects because it involves high commitment and team work from project team and project manager to ensure success of the project. Loosemore (2003) mentioned that human resources mostly contribute to large portion of costs in construction projects. Therefore, the Human Resources Management (HRM) practices must be properly planned and executed among the employees to increase the effectiveness, productivity and performance of the projects in the construction industry. Due to the competitive and unstable economic market, the construction needs to develop better plan, strategies and practices to ensure the construction projects are successful.

1.2 PROBLEM BACKGROUND

Unlike other industry, construction industry is mainly project-based or matrix structure. The construction projects have the general characteristics of limited budget, schedule, and quality standards with a series of complex and interrelated activities. It requires the cooperation of all project participants that includes clients, directors, designers, contractors, constructors, project managers, project team and consultants. There are many human resource issues that will lead to poor performance of construction projects such as poor project work design and structure, shortage of qualified skilled employees, changing workforce demography, a high rate of employee turnover and high rate of burnout among construction workers.

The common issue that usually happens in the construction industry is the poor project work design and structure that cause potential conflicts and mistakes due to unclear requirements or information not readily accessible. According to Burke (2010), people will manage and perform the project, thus it is essential to develop an organizational structure that can reflects positively on the demands of the requirements of the project team, the project tasks, and the needs of the individual. The undeveloped or poor project work design and organization structure that could not determine who
will make decision or final say in the project will ruin the project and lead to project failure and decreased profitability.

The shortage of qualified skilled employees is also one of the common issues among the construction firms. According to Levy (2000), there is a “disturbing trend” in construction in which there is a “growing shortage of skilled workers and experienced managers”. He further claimed that “the scarcity of both skilled trades-people and experienced managers will place more emphasis on the need to increase the quality and quantity of training in order to produce more effective and productive workers” (Levy, 2000). Therefore, due to the lack of proper screening process, selection methods and poor recruitment procedure will affect badly on the success rate of the construction projects and therefore lead to low productivity and growth of the construction firm.

In the construction field, the labor market is always changing and modifying due to the demographic of the workforce. The labor market in the construction firm is always changing because of the reduction of amount of qualified workers and also due to the changing demographics of the workforce. One of the factors is due to the aging of construction workforce that is growing older over the long term. Therefore, human resource management has become more important to the construction industry to overcome the changing workforce demographics.

There is undeniably a high rate of employee turnover in the construction industry nowadays. Morrell, Loan-Clarke, and Wilkinson (2004) mentioned about theory of the two major factors that cause employee termination is “perceived ease of movement” and “perceived desirability” that related to employee’s career satisfaction. Employee voluntary and involuntary termination are mainly due to poor job performance, absenteeism or violation of workplace policies, firing or discharge, or leaves the company of her own volition, relocating to a new area or other reasons. The worst consequences of the high employee turnover are the loss of talent, loss of productivity, waste of time and cost to train a replacement. It is estimated that the cost is almost twice of an employee’s salary to find and train a replacement, and might cause damage morale among existing employees.