

THE MANAGERIAL PERSPECTIVE ON INFLUX OF FOREIGN WORKERS IN  
CONSTRUCTION COMPANIES IN PAHANG

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Thesis submitted in fulfilment of the requirement for the award of  
Bachelor of Project Management with Honours

Faculty of Industrial Management  
UNIVERSITI MALAYSIA PAHANG

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## **SUPERVISOR'S DECLARATION**

I hereby declare that I have checked this thesis and in my opinion, this thesis is adequate in terms of scope and quality for the award of the Degree of Project Management with Honours.

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## STUDENT'S DECLARATION

I hereby declare that the work in this thesis is my own except for quotation and summaries which have been duly acknowledged. The thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

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## TABLE OF CONTENT

<b>CHAPTER</b>	<b>PAGE</b>
<b>SUPERVISOR'S DECLARATION</b>	<b>ii</b>
<b>STUDENT'S DECLARATION</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT</b>	<b>iv</b>
<b>ABSTRACT</b>	<b>v</b>
<b>ABSTRAK</b>	<b>vi</b>
<b>TABLE OF CONTENT</b>	<b>vii</b>
<b>LIST OF TABLES</b>	<b>xi</b>
<b>LIST OF FIGURES</b>	<b>xii</b>
<b>LIST OF APPENDIXS</b>	<b>xiii</b>
<b>CHAPTER 1: INTRODUCTION</b>	
1.1. Introduction	1
1.2. Problem Background	2
1.3. Problem Statement	3
1.4. Research Objectives	4
1.5. Research Questions	5
1.6. Research Framework	5
1.7. Significance of the Study	6
1.8. Scope and Limitations of Study	6
1.9. Expected Result	7
<b>CHAPTER 2: LITERATURE REVIEW</b>	
2.0. Introduction	8
2.1. Construction Companies Social Responsibility	8
2.1.1. Construction Companies Characteristics	8
2.1.2. Social Responsibility Concepts and dimensions for Construction Companies	9

<b>2.2.</b>	<b>Contribution of Construction Sector to Malaysia Economy</b>	<b>10</b>
<b>2.3.</b>	<b>Involvement of Foreign Workers in Construction Companies</b>	<b>11</b>
2.3.1.	The Foreign Workers	11
2.3.2.	Why Foreign Workers in Construction Companies	12
2.3.3.	Basic Information on Foreign Workers	13
<b>2.4.</b>	<b>The Factor of Influx of Foreign Workers in Construction.</b>	<b>17</b>
2.4.1.	Construction jobs poor images, poor working conditions and local prefer easier jobs.	17
2.4.2.	Construction jobs known as 3D's jobs.	18
2.4.3.	Low Wage Structure for Construction jobs.	18
2.4.4.	High Education Levels.	19
2.4.5.	Employer can easily bring in and prefer employing Foreign Worker.	19
<b>2.5.</b>	<b>The Impact of Foreign Workers toward Social Economy</b>	<b>20</b>
2.5.1.	Social Problem	20
2.5.2.	Economic Issues	21
2.5.3.	Employment Opportunities for the locals.	21
2.5.4.	National Gross Domestic Product (GDP).	22
2.5.5.	Impact on Wages Rates.	23
<b>2.6.</b>	<b>The Positive Impact of Foreign Workers in Construction.</b>	<b>25</b>

### **CHAPTER 3: METHODOLOGY**

<b>3.1.</b>	Introduction	<b>27</b>
<b>3.2.</b>	Purposes of Study	<b>27</b>
<b>3.3.</b>	Research Design	<b>27</b>
<b>3.4.</b>	Sampling Processes	<b>28</b>
<b>3.5.</b>	Data Collection	<b>30</b>
<b>3.6.</b>	Selections for Respondent for Questionnaires	<b>31</b>
<b>3.7.</b>	Questionnaires Preparations	<b>31</b>
<b>3.8.</b>	Statistical Analyses.	<b>32</b>

### **CHAPTER 4: RESEARCH FINDING AND DATA ANALYSIS**

<b>4.1.</b>	Introduction	<b>34</b>
<b>4.2.</b>	Respondent Profile	<b>34</b>
4.2.1.	Age of Respondent	<b>35</b>
4.2.2.	Gender of Respondent	<b>36</b>
4.2.3.	Race of Respondent	<b>37</b>
4.2.4.	Work Experience of Respondent	<b>38</b>
4.2.5.	Academic Qualification of Respondent	<b>39</b>
4.2.6.	Position of Respondent	<b>40</b>
<b>4.3.</b>	Reliability Analysis	<b>41</b>
<b>4.4.</b>	Factor Influx of Foreign Workers in Construction Sector	<b>42</b>
<b>4.5.</b>	Impact of Foreign Workers in Construction Sector on Social Balance in Pahang	<b>44</b>
<b>4.6.</b>	Summary of Finding	<b>46</b>
4.6.1.	The Factor Influx of Foreign Workers in Construction Sector.	<b>46</b>
4.6.2.	The Impact of Foreign Workers in Construction Sector on Social Balance in Pahang	<b>47</b>

**CHAPTER 5: CONCLUSION AND RECOMMENDATIONS**

<b>5.1.</b>	Introduction	<b>48</b>
<b>5.2.</b>	Discussion of Result Finding	<b>48</b>
<b>5.3.</b>	Limitations	<b>50</b>
<b>5.4.</b>	Recommendation	<b>50</b>
<b>REFERENCES</b>		<b>52</b>
<b>APPENDIX</b>		
<b>A.</b>	Gantt Chart For Final Year Project 1	<b>54</b>
<b>B.</b>	Gantt Chart For Final Year Project 2	<b>55</b>
<b>C.</b>	Questionnaire Survey Form	<b>56</b>

## LIST OF TABLE

<b>Table No.</b>	<b>Title</b>	<b>Page</b>
<b>2.1</b>	Malaysia's GDP from Construction Sector (Million), 1975 – 2007	<b>10</b>
<b>2.2</b>	Unskilled foreign workers in Malaysia, 1997 – 2007	<b>14</b>
<b>3.1</b>	Determining sample size for a given population	<b>29</b>
<b>3.2</b>	Formula for determining sample size	<b>30</b>
<b>4.1</b>	Frequency Analysis on Age of Respondent	<b>35</b>
<b>4.2</b>	Frequency Analysis on Gender of Respondent	<b>36</b>
<b>4.3</b>	Frequency Analysis on Race of Respondent	<b>37</b>
<b>4.4</b>	Frequency Analysis on Work Experience of Respondent	<b>38</b>
<b>4.5</b>	Frequency Analysis on Academic Qualification of Respondent	<b>39</b>
<b>4.6</b>	Frequency Analysis on Position in Company of Respondent	<b>40</b>
<b>4.7</b>	Reliability Statistics	<b>41</b>
<b>4.8</b>	Frequency of factor drives constructions companies to employ the foreign worker in construction sector	<b>42</b>
<b>4.9</b>	Result of mean data for the factor drives constructions companies to employ the foreign worker in construction sector	<b>43</b>
<b>4.10</b>	Frequency of impact of the foreign workers in construction sector on social balance in Pahang	<b>44</b>
<b>4.11</b>	Result of mean data for the impact of the foreign workers in construction sector on social balance in Pahang	<b>45</b>
<b>4.12</b>	Summarize of the result of mean data for the factor drives constructions companies to employ the foreign worker in construction sector.	<b>46</b>
<b>4.13</b>	Summarize the result of mean data for the impact of the foreign workers in construction sector towards social development in Pahang.	<b>47</b>



**LIST OF FIGURES**

<b>Figure No</b>	<b>Title</b>	<b>Page</b>
<b>1.1</b>	Research Framework	<b>6</b>
<b>2.1.</b>	Increasing pattern of foreign workers to Malaysia, 1997-2007	<b>14</b>
<b>2.2</b>	Unskilled foreign workers according sectors, May 2011	<b>15</b>
<b>2.3</b>	Unskilled foreign workers according to sectors, 1997-2007	<b>15</b>
<b>2.4</b>	Percentages of unskilled foreign labour in Malaysia according their origin country, May 2011	<b>16</b>
<b>2.5</b>	Increase of Foreign Workers against National Product	<b>22</b>
<b>2.6</b>	Labour Market Equilibrium and Wage Rates	<b>24</b>
<b>4.1</b>	Age of Respondent	<b>35</b>
<b>4.2</b>	Gender of Respondent	<b>36</b>
<b>4.3</b>	Race of Respondent	<b>37</b>
<b>4.4</b>	Frequency Analysis on Work Experience of Respondent	<b>38</b>
<b>4.5</b>	Frequency Analysis on Academic Qualification of Respondent	<b>39</b>
<b>4.6</b>	Frequency Analysis on Position in Company of Respondent	<b>40</b>

**LIST OF APPENDIXS**

<b>Appendix</b>	<b>Title</b>	<b>Page</b>
<b>A</b>	Gant Chart For Final Year Project 1	
<b>B</b>	Gant Chart For Final Year Project 2	
<b>C</b>	Questionnaire Survey Form	

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## **ABSTRACT**

The construction sector is one of the key component that driving the Malaysia's economic growth and also the development for the nation. The construction sector can be categorises as labour-intensive businesses and the rapid expansion of the construction sectors creates a large number of employments in the country. But as there is a great scarcity of domestic labour force in the country, they have to depend largely on the migrant workers. The involvement of the foreign workers in constructions sector is increasing from time to time and have pose some positive and negative impact either directly or indirectly on the social balance in Pahang state.

## **ABSTRAK**

Sektor pembinaan merupakan salah satu komponen utama yang memacu pertumbuhan ekonomi dan pembangunan Malaysia. Sektor pembinaan boleh mengkategorikan sebagai sektor yang berintensif buruh dan perkembangan yang pesat di dalam sektor pembinaan telah mewujudkan jumlah guna tenaga yang agak tinggi di negara ini. Namun demikian, oleh kerana terdapat kekurangan yang besar daripada jumlah tenaga kerja tempatan di negara ini, kebanyakkan syarikat pembinaan terpaksa bergantung kepada tenaga buruh pekerja asing. Penglibatan pekerja asing dalam sektor pembinaan yang semakin meningkat dari semasa ke semasa dan telah menimbulkan beberapa kesan positif dan juga negatif sama ada secara langsung atau tidak langsung ke atas keseimbangan sosial di negeri Pahang.

## CHAPTER 1

### 1.1. Introduction.

The construction sector is one of the key component that driving the Malaysia's economic growth and also the development for the nation. The construction segment plays a very significant role to the social in Malaysia. They not only produce the building products to the society but also provide the community with a large number of opportunities for the occupations. Given the position of construction sector social status and purposes, its social responsibility has its own 'speciality' compared to other industries sector.

The construction sector can be categorises as labour-intensive businesses and the rapid expansion of the construction sectors creates a large number of employments in the country. This sort of construction development, obviously, generates a huge demand of the work force for immediate employment. But as there is a great scarcity of domestic labour force in the country, they have to depend largely on the migrant workers. The importation of migrant workers into Malaysia is a necessity when the country has been facing an acute shortage of labour force. Higher levels of foreign and domestic private investment played an important role as the economy diversified and modernized, Wikipedia (2012)

Most of their labours are among foreign workers from nearby neighbouring country such as from Myanmar, Indonesia, Thailand, Bangladesh, Philippine, India and others. The involvement of the foreign workers in constructions sector is increasing from time to time. There is no argument that huge influxes of foreign workers in these industries have some positive and negative impact either directly or indirectly on the social in Pahang state.

## **1.2. Problem background.**

Recently the statistic shows the increasing dramatically of foreign workers arrived in Malaysia and they were hired for various economic sectors in this country. As in February 2012, the employment of foreign workers had shown an increasing by 7.01 million compared to January on the same year, 6.87 million which show increasing by 2.2%, Principal Statistics of Labour Force, Malaysia, February (2012).

Most of the foreign workers do occupied almost the entire employment offer and this figure will increase as critical sector such construction industry having shortage of local worker forces, Noridah (2010). Based on the 2010/2011 Economic Report, there are about 1.8 million of foreign workers been registered under Immigration Department of Malaysia. However this figure did not reveal the real number as almost 3.1 million of foreign workers were recorded by government, whereby two-third of them entered this country illegally, News Straits Times (2012).

Malaysia Investment Development Authority (MIDA) had released that foreign workers may be employed in manufacturing, construction, plantation, agricultural, services and domestic help sector. Services sector consists of 11 subsectors which are restaurant, cleaning services, cargo handling, launderette, caddy in golf club, barber, wholesale/retail, textile, metal/ scraps/ recycle activities, welfare homes and hotel/resort Island. The approval is based on the merits of each case and subject to conditions that will be determined from time to time. Applications to employ the foreign workers will only be considered when efforts to find the qualified local labour and permanent resident have failed.

According to the Department of Statistics as June 2011, Malaysian Construction sector had employed 1.2 million labours or around 10 % of our total employment and about 70 % to 80 % was occupied by foreign workers, Department of Statistics (2011).

There is positively and negatively impact on this situation, for example the foreign workers can help to reduce the shortages of labour in various economic sectors of the country but in the same time will take away the jobs opportunity offer to the locals by the sectors. Based on statistic most of the foreign workers from various countries were hired in most of the construction sector.

### **1.3. Problem statement.**

The construction companies are binding with their social responsibility that is focusing on social development and community capacity building. This condition will create a space to explore the potential of local communities who will become the company's social capital to perform their operation. Besides that, it is also to create opportunities to be employed, this method also can build an image as a friendly and caring environment between companies and the society. Additionally, the increasing sense of trust by the community and has slowly developed from the community so that they feels that the company's existence in their area would be beneficial and accommodating.

The situations are totally different in the practical. Most of the opportunity employment in constructions sector was taken by the foreign workers especially as a general labour. Almost 80 % of the labour forces at unskilled level are from foreign workers. It's very limited to find the worker from local community to be employed as unskilled labour although the projects were constructed in those particular areas. Influx of foreign workers in construction sector today creates surplus supply of labour forces in the market today. It's may offer some advantages to companies and the possible short term action to overcome the shortages of general labour from local society. For instance, companies are free to choose the lowest labour cost as they want or at their effort since the major cost in the construction is cost for the labour in project.

We cannot deny that the foreign worker have certain level of impact to construction companies, but will happen if this scenarios is continuously in the future? Almost majority of the construction companies decides to hire the lowest labour cost for