

CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysia is a highly open, upper-middle income economy. According to The World Bank on its latest update, Malaysia was one of the 13 countries identified by the Commission of Growth and Development in its 2008 Growth report to have recorded average growth of more than seven percent per year for 25 years or more. In its annual report titled “Malaysia Economic Monitor: Immigrant Labour”, the global fund projected that an influx of ten migrant workers into a state’s sector results in 5.2 jobs for Malaysians and a 1.1 percent net increase to the gross domestic product (GDP) (World Bank, 2016).

However, as the country had undergone a rapid economic growth throughout the years, Malaysia had undertaken a parallel fast growth rate and huge influx of foreign workers; in fact, among the largest volumes, globally. The relentless growing presence of foreign workers in Malaysia has been prolonged by several combinations of causes. The economic change that Malaysia has seen for the last decade is one of the main causes of the skilled labour shortage. The resultant labour shortage was made worse by the selective attitude of local labour. Local youth would rather be unemployed despite working in the construction industry due to the 4D’s (dirty, dangerous, difficult, and demeaning) factor (Hamid et al., 2013). They have their own demand in choosing work and refuse to work as a construction labour. Thus, the industry has been forced to rely on foreign workforce from neighbouring countries.

1.2 Background of Study

On 25th June 2015, Malaysians has been shocked by the press release held by the Deputy Prime Minister and Home Minister, Datuk Seri Dr Ahmad Zahid Hamidi on the issue of importing 1.5 million immigrants from Bangladesh to work in Malaysia.

According to him, this action is taken due to the demand of the industries and not the government decision (Astro Awani, 2016). Minister of Human Resources, Datuk Seri Richard Riot said that, the total number of registered foreign workers is 2, 135, 035 with a ratio of eight unregistered foreign workers for every ten registered foreign workers as of December 2015. He added that there are 282, 287 Bangladeshi in Malaysia including 148 workers from Sarawak; comprises of 109, 743 workers in construction industry, 104, 311 (production sector), 32, 609 (service sector), 21, 125 (plantations) and 14,371 (agriculture) (Utusan Online, 2016).

The recent inflow of immigrant workers had raised serious issues and has significant implications for the nation. The employment of these foreign workers has caused, indirectly, many socio politically and economically problems in the country, from crimes to diseases such as prostitution and robberies, malaria and cholera (Marhani et al., 2012). Some of them were involved in high profile crimes as well (Hamid et al., 2011). The Malaysian construction companies also faced lots of problems dealing with the foreign workers even though the wages paid to them are cheaper than to the local workers. These group of foreign workers hired by the industry are basically unskilled and do not have enough construction experience, resulting in low productivity and poor quality of work. Communication barriers between the employers and these foreign workers also may lead to misunderstanding, which will decrease the level of work done of such project, thus is not meeting the industry's standards.

1.3 Problem Statement

The economic growth and change that Malaysia has been undergoing for the last decade is one of the leading causes in the worker shortages issue. This shortage was further escalated by combination of reasons and among them is attitude of local workers, revision of government education policy, improvement in living standard and ambitions to move forward. In order to overcome the shortage of workers, the government has implemented and introduced various policies on foreign workers decades ago; for example the "Foreign Worker Rationalization Programme" (Mohamed et al., 2012). These policies were formed with the intention to control the entry of foreign workers but this situation seems to be getting worse as the total number of foreign workers has been increasing uncontrollably annually (Ajis et al., 2014). Numbers of foreign workers are increased from year to year whereby assisting companies to save costs by employing

labours with lower scale salary. However, this has caused unemployment rate to increase among the local workers and thus uncertainty is possible at the same time by increased in such activities like crime, culture and illegal strikes. Besides, it will be a challenge for Malaysia in preparing the nation towards high income country. Thus, this study was conducted to help provide information to the government, construction industry and also related parties in overcoming this issue.

1.4 Objectives

The objectives of this study are as follows:

- i. to study the current scenarios related to the employment of foreign workers in the construction industry
- ii. to investigate and identify the factors that influence the employers to employ foreign workers rather than local workers, and
- iii. to identify the most important factors that influence the employers to employ foreign workers rather than local workers

1.5 Scope of Study

In order to achieve the objectives of this study, the scope of study is only focusing on the development of construction industry in Kuantan, Pahang. As the state capital of Pahang, Kuantan is the ninth largest city in Malaysia. Kuantan's population in 2010 is approximately 607778 composing of 55.02% Bumiputera, 34.04% Chinese, 10.5% Indian, 0.2% other races and 0.24% non-Malaysian (Department of Statistics Malaysia, 2010). In 2009, Kuantan has been launched as a Special Economic Zone (SEZ) by Prime Minister, Dato' Sri Haji Mohammad Najib Tun Haji Abdul Razak. Along with the rapid development of the city, the construction industry is also boosting in order to transform and modernize Kuantan. For the purpose of this study, grade G4 to G7 contractors are chosen.

1.6 Methodology

The main focus of the study is to achieve earlier stated objectives through the collection of data using survey questionnaires and interviews. 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