

# STRATEGIES IN ATTRACTING LOCAL LABOURS INTO MALAYSIAN CONSTRUCTION INDUSTRY

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**Abstract:** *With the expansion of the construction industry, there is a need to increase the volume of construction workers to meet the demand for construction industry development. However, many of the workers on the construction site are foreign labours. The overreliance on foreign workers makes Malaysia less independent and affects the Malaysian economy and society. Therefore, the aim of this study is to investigate the strategies to attract local construction workers into the Construction Industry. The objectives are to investigate the dependency factors of Malaysian construction companies towards foreign labours in the construction industry and to determine strategies in attracting the involvement of the local construction workforce. To achieve the best results for the study, a set of questionnaires has been distributed to the contractors in Malaysia. The result from the study has found that majority of the respondents agree with the variables set out for the factors to the over-reliance of foreign labours such as the shortages of local labours, low salary demanded by foreign labours and bad economic situation in their native country that leads to the increment of low-wage jobs. Therefore, broadening advertisement or marketing strategies by Akademi Binaan Malaysia (ABM) for locals to participate in Malaysian construction industry, Increase the minimum monthly salary, provide allowances, and overtime payment and provide additional benefits are the top strategies that has been agreed by the contractors to attract local labours to get involve into construction industry.*

**Keywords:** *Construction Labours, Construction Industry, Local labours*

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## Introduction

Nowadays, the world is witnessing the migration of people who have moved away from their home country across national borders to other countries for a variety of reasons, including poverty, seeking employment, knowledge, protection, escaping political oppression, ethnic conflict, religious conflict, social factors and environmental changes and many more (Castelli, 2018). Malaysia is also experiencing the same. It was reported that the net migration rate in Malaysia in 2021 is 1.538 per 1000 population, a 1.22% decline from 2020 due to many factors (Malaysia Net Migration Rate 1950-2021, 2021). With the expansion of the construction industry, there is a need to increase the volume of construction workers to meet the demand for

construction industry development. However, many of the workers on the construction site are foreign labourers. The locals are uninterested in working on construction sites (Abdullah, 2021). Over the last few decades, the migration of Malaysian workers to jobs with better economic prospects has resulted in labour "shortages" in sectors such as construction, plantations, forestry, manufacturing, and certain services. It refers to an insufficient number of workers responding to wage levels and employment conditions offered by employers in the respective sectors and industries. As a result, foreign workers have increasingly filled labour market vacancies (Marhani et al., 2012). The over-reliance on foreign workers makes Malaysia less independent and also affects the Malaysian economy and society. The objectives of this paper are to investigate the dependency factors of Malaysian construction companies towards foreign labours in the construction industry and to determine the strategies in attracting the involvement of the local construction workforce.

## Literature Review

### **Dependencies Factors to The Existence Of Foreign Labours In The Construction Industry**

The influx of foreign labourers into Malaysia is not taboo anymore. It happens every year and increase by year to close the gap of labour shortages in Malaysia. Malaysia's construction industry is growing as demand for residential and commercial structures rises (Sulaiman et al., 2021). Because of the influx of foreign labour, the size of Malaysia's labour force has increased.

### **Shortage and insufficient skilled and unskilled local labour**

Malaysia's construction industry is labour intensive, a labour shortage has emerged as a significant constraint that could prevent the industry from growing and becoming sustainable (Sulaiman et al., 2021). In addition, the skilled labour shortage has positively affected the performance of the construction project (Yusoff et al., 2021). On top of that, the lack of participation from young locals has contributed to the shortages of labourers (Najib et al., 2020). As stated previously, they prefer to be unemployed than work in the construction industry (Mohamed et al., 2012).

### **Wage rate of foreign labour in Malaysia**

According to Hamid, et al., (2011), the demand for foreign workers arose due to the low wages offered to them and the low expectation of their welfare. The low rate of foreign labours is one of the contributing factors to the existence of foreign labour in Malaysia. Undoubtedly, employers would hire cheaper labourers, so the cost will decrease and mark up the margin profit. Hence, they preferably hire foreign workers (Said et al., 2020).

### **Foreign workers' work ethic**

The employer tends to hire more foreign workers as they are very flexible in working hours. They are capable of working seven days a week even though they are offered salaries, unlike the local labour who is always searching for new job opportunities that will offer better pay (Achim et al., 2021). Their willingness to work long hours, especially during peak hours and holidays, demonstrates their dedication (Md Isa et al., 2021). In a recent study, researchers discovered that foreign employees' employment did not provide any cost advantages, but rather that their flexibility and availability of time at work encouraged local employers to hire them as part of their workforce (Achim et al., 2021).

### **The easement of bureaucracy for the application of foreign labour to enter the construction industry**

Since the 1980s, the Malaysian government has been dependent on employees from other countries, but there is no comprehensive policy regarding recruitment and placement of foreign workers (Abdul-Rahman et al., 2012). The lenient government policy on the application of foreign labour to enter construction industry leads to the fast growth of the number of foreigners in Malaysian construction industry (Sulaiman et al., 2021). Malaysia has become a popular destination for foreign workers from lower income countries in the area, including Indonesia, Bangladesh, Pakistan, Myanmar, India, the Philippines, Nepal, and Vietnam, owing to the country's geographic advantage and cultural proximity. Malaysia has also seen rapid and steady economic growth and a higher old-age dependency ratio than most of its neighbours (Md Isa et al., 2021)

### **People Perception Towards Construction Industry**

Locals are not interested in working in the industry's harsh nature, such as on construction sites, where they must exert more physical strength than in an office where it is not hot but rather a comfortable, conditioned environment. Furthermore, they are too demanding regarding employment choices, and they assume that higher qualifications would result in a better job. (Mydin et al., 2014). The fact is supported by the study from (Ang et al., 2018), where the researchers stated that approximately 40 per cent of the 200,000 daily commuters from Malaysia to Singapore were working in mid-to low-skilled jobs, driven mainly by high wages.

### **Strategies In Attracting Local Labour To Enter The Construction Industry**

Many initiatives by the government have been implemented to reduce the influx of foreign workers, such as tightening the policy of immigration, suing the foreign labour who migrate to Malaysia illegally, introducing Industrialised Building System (IBS) and Building Information Modelling (BIM) (CIDB, 2009).

Akademik Bangunan Malaysia has introduced many incentives and development programmes such as Program Latihan Kompetensi Kemahiran Pembinaan, Penilaian Kompetensi Kemahiran and more. However, the programmes information was not reached to everyone especially the one who lived in the rural area. This has closed the opportunities for the ones who lived in the rural area. Broadening the advertisement or marketing strategies of the incentives programmes for locals to participate in Malaysian construction industry is one of the strategies to attract locals to enter construction industry.

In a study from (Manap et al., 2018), the researcher found that salary increment ranks the first in attracting the local labours. Salary is one of the critical factors' individuals look at when considering a job.

### **Research Methodology**

A set of questionnaires designed for respondents to complete. The total population of G7 contractor firms located within Klang Valley registered with Construction Industry Development Board is 3057 companies. Simple random sampling method is used by distributing approximately 310 questionnaires either by hand or online survey via google forms. 56 contractor firms responded the survey with the response rate of 18%. The data from the questionnaires survey analysed using the descriptive analysis. The data was analysed using Statistical Product and Service Solutions (SPSS) version 26.0 and be tabulated into tables.

## Findings

### The Factors to the Over-Reliance of Foreign Labours

**Table 1: The Factors to the Over-Reliance of Foreign Labours**

The factors to the over-reliance of foreign labours				
	Mean	Std. Deviation	Average Index	Rank
Shortages of local labours	4.07	0.970	Agree	1
Low salary demanded by foreign labours	3.79	1.155	Agree	2
Bad economic situation in their native country that leads to the increment of low-wage jobs	3.71	0.970	Agree	3
Bad working environment - negative perception by locals towards construction working environment	3.61	0.908	Agree	4
Low education requirement	3.57	0.783	Agree	5
The easement of bureaucracy for the application of foreign labour to enter the construction industry	3.50	0.739	Agree	6
Political issues in their native country that leads them to migrate and seek protection in Malaysia	3.46	1.026	Uncertain	7
Low demand for local labours by the employer	3.46	1.279	Uncertain	8

From the table 1, there are eight (8) variables that have been identified as the dependency factors on the reliance of foreign workers in the Malaysia Construction Industry. Table 1 shows the ranking of the factors based on the average index range. The first in the ranking is the factor of shortages of local labours in our construction industry. This was supported by Sulaiman, et al., (2021) as he stated that, our construction sector is a labour-intensive based, and labour shortages have arisen as a key constrain that might hinder the industry from developing and being sustainable. Followed by the low salary demanded by foreign labours, and bad economic situation in their native country with the mean of 4.07, 3.79 and 3.71 respectively. The low education requirement by our construction industry factor that leads to the over-reliance of the foreign labour with the mean of 3.57 fall to the fourth rank and the fifth rank is the easement of bureaucracy for the application of foreign labour to enter the construction industry with the mean of 3.50. Political issues in their native country that leads them to migrate and seek protection comes right after that with a mean 3.46. The last factor is the low demand for local labours by the employer with the lowest mean of 3.46.

## Strategies In Attracting Local Labours in Construction Industry

**Table 2: Strategies in Attracting Local Labours in Construction Industry**

Strategies in attracting local labours in construction industry				
	Mean	Std. Deviation	Average Index	Rank
Broader advertisement or marketing strategies by Akademi Binaan Malaysia (ABM) for locals to participate in Malaysian construction industry	4.39	0.562	Agree	1
Provide additional benefits (additional leave, medical insurance, financial allowances)	4.32	0.606	Agree	3
Increase the minimum monthly salary, provide allowances and overtime payment	4.32	0.543	Agree	2
Awareness of career opportunities for local labour in industry	4.25	0.694	Agree	4
Incentive programme for local participants (Program Latihan Kompetensi Kemahiran Pembinaan, Penilaian Kompetensi Kemahiran Pembinaan)	4.25	0.694	Agree	4
Skill development programmes (Program Latihan Kompetensi Kemahiran Pembinaan)	4.25	0.745	Agree	5
Increase awareness among local to participate in Malaysian construction industry	4.21	0.780	Agree	6
Improve labour's welfare	4.18	0.606	Agree	7
Employer must provide bonuses (reward)	4.04	0.785	Agree	8
Improve the labour's accommodation	4.00	0.809	Agree	9

Based on the analysis presented in table 2 above, the strategies in attracting local labours into construction industry can be ranked accordingly based in the average mean of each variable and all the variables are in 'agree' level of agreement. It is shown that the first rank for the strategies is boarder advertisement or marketing strategies by ABM for locals to participate in Malaysian construction industry with 4.39 mean. The result of the survey is parallel with a study by Abdul-Rahman et al., (2012) where they found out that programmes designed to encourage local people to enter the construction industry by offering them unique economic incentives. Next is to provide additional benefits such as additional leave, medical insurances and financial allowances that recorded 4.32 mean. This is in line with the previous study from Manap et al., (2018), they also found that the top strategies to attract the local skilled labour is by salary increment. The third and fourth rank share the same mean but the third has the number of standard deviations nearer to one. The third and fourth strategy is to increase the minimum monthly salary, provide allowances and overtime payment and to increase awareness of career opportunities for local labour in industry with the mean of 4.32 both. The fifth and sixth strategy also share the same mean with 4.25 mean. The fifth and sixth strategies are to increase incentive programmes for local participants and increase skill development programmes. Increase awareness among local to participate in Malaysian construction industry came to the seventh

strategies in attracting more local labours into construction industry with the mean of 4.21. The last three ranks of the strategies are improved labour's welfare with mean average 4.17, providing bonuses with mean 4.04 and lastly improve labour's accommodation with the mean of 4.00.

### Conclusion

In conclusion, all the important things used to identify the dependency factors of Malaysian construction companies on foreign workers in the construction industry, the effects of employing foreign workers and the strategies in attracting the involvement of the local construction workforce has been explored in this research. Based on the literature review that has been done in the early stage, the strategies to attract local construction workers in the Construction Industry has been carried out accordingly. The addressed dependencies factors with the initiatives by government and private sectors need to be continuously execute in order to reduce the excessive number of foreign labours and attracting local labours to work in Malaysian construction industry

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