

# Dynamic Linkages between Foreign Direct Investment Inflows, Economic Growth and Information and Communication Technology: Evidence from China and Malaysia

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## Abstract

Shortage of local involvement and high demand for labour in Malaysian construction industry led to the domination of foreign workers in the construction sector. However, Malaysia is now facing with numerous economic, socioeconomic, and political problems because of these foreign workers. The existence of foreign workers in this situation could result in social problems, an increase in crime, and a higher percentage of unemployment for locals. Considering these circumstances, the objective of the research is to identify the impacts of high dependency on foreign workforce in the Malaysian construction industry. The

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questionnaire survey was chosen as the research methodology to accomplish the research objective. The respondents for this research were G7 contractors within Petaling, Selangor. The data was analysed by using SPSS software and presented in tabulation form. Based on the data collected indicate that the existence of illegal workers has a significant impact on high dependency of foreign workforce in the Malaysian construction industry. The information gained from this research is expected to aid the country in its attempts to lessen the dependency on foreign labour in the construction industry and further support in raising the employment rate of local workers.

**Keywords:** High Dependency, Foreign Workers, Construction Industry, Malaysia

## **Introduction**

The Malaysian construction industry contributes significantly to economic growth by achieving various fundamental goals, such as output generation, employment creation, and income generation. This industry also plays a significant role in meeting fundamental physical and social requirements by providing infrastructure, shelter, and consumer goods. Besides, Malaysian economy has benefited from the construction industry's strong contributions, which also support the expansion of other industries. However, their contribution also depends on the resources' availability. Labour is one of the most crucial resources in the construction industry. Shortage of labour will have a significant impact on the entire construction process. Construction Industry Development Board (CIDB) chief executive Datuk Ahmad 'Asri Abdul said that the issue of labour shortage is a major national one that affects all sectors including construction (Theedgemarkets, 2022).

Mainly, construction industry needs the optimum amount of labour to execute construction project on time. Tough, the industry's major issue is obtaining adequate worker, particularly local workers. Basically, the dependency on foreign workers results from the local workers' unwillingness to participate in this industry. Therefore, it's difficult to attract local workers especially local youth to work on site. It was supported by Hamid et al. (2013) that local youth would rather be unemployed despite working in the construction industry due to the 4D's (dirty, dangerous, difficult, and demeaning) factor. They choose jobs based on their own demands and decline to work as construction workers. As a result, the contractors are prepared to bring in foreign workers to fulfil labour market demands in the construction industry. Normally, Malaysia is dependent on foreign workers particularly from Indonesia. However, Wai et al (2018) revealed that most of these foreign workers are coming from neighboring countries like Nepal, Indonesia, Vietnam, and Bangladesh. These foreign workers are employed on a temporary basis since the supply of labours from local has failed to fill the gap of the shortages. Though, the high dependency on foreign workers might have several impacts, both positive and negative. Hence, this research was conducted to identify the impacts of high dependency on foreign workforce in the Malaysian construction industry.

## **Literature Review**

### *Foreign Workers*

The definition of a foreign worker might vary depending on the research and academic emphasis. According to the US Legal (2020) foreign workers can be defined as a person employed in a country where they are not citizens. As stated in the Malaysian Employer Federation (2014), a foreign labour is expressed as the non-Malaysian citizen or the Permanent Resident (PR), nonetheless, the individual is allowed for employment and a short-

term stay on Visit Pass (Temporary Employment) – VP (TEVP) or Pas Lawatan (Kerja Sementara) – PL (KS). Mainly, the legal foreign labours are employed under the lawful Temporary Employment Pass distributed by the Department of Immigration (Ashaari et al., 2018). In other words, foreign workers are those who work abroad without having any plans to permanently migrate there and who do not receive any citizenship-related advantages.

### Foreign Workers in Malaysian Construction Industry

Construction industry is one of the industries that heavily relies on labour to fulfil works on site. Currently, Malaysian construction industry has been experiencing a critical labour shortage. This industry needs the optimal amount of manpower to ensure that the projects is completed within the time scheduled. It was affirmed by Construction Industry Development Board (CIDB) chief executive Datuk Ahmad 'Asri Abdul Hamid through email response to questions from The Edge said that as a short-term measure to alleviate the acute labour shortage that is hitting all sectors of Malaysia's economy, hiring of foreign workers should be allowed to expedite project delivery as well as to help in economic recovery. He also mentioned that currently the construction sector workforce comprises mostly foreign workers.

However, due to the Covid-19 pandemic strike the country, there are some declined in the number of foreign workers caused by the temporary closure of the country's borders and the closure of construction project site. The border closures and halting of application for the entry of a new foreign workers have affected construction activities (theedgemarkets, 2022). Table 1.0 below demonstrates the declined in the numbers of foreign workers from the trend of ownership of temporary employment visit passes (TEVP). This circumstance has an impact on the construction project's efficiency in terms of time and cost because hiring foreign workers and getting TEVP approval take time.

Table 1.0

*Number of Active TEVP by Year*

Year	Number of active TEVP (people)	Difference
2020	351,219	103,129
2021	248,090	

(Source: THEEDGE Malaysia)

### Impacts of High Dependency on Foreign Workers

*Increment Criminal Crimes and Social Problems*

The growing immigration of foreign workers, especially those working illegally, not only creates numerous social problems but also has a significant negative influence on health-related concerns. This is due to the possibility that they are infected with harmful or communicable illnesses including AIDS, leprosy, HIV, malaria, TB, and malaria. It was reinforced by Marhani (2012) that by employing these foreign workers also, it contributed to the spreading of many diseases such as malaria and cholera. As a result of this the health issues among the population of the nation have drastically (Wei et al., 2019). Such as, it is not surprising that Malaysian feel uncomfortable with their existence in this country.

Foreign workers are frequently related to the subjects on the increment of criminal crimes and social problem particularly perceived to be posed by the illegal foreign workers.

According to the Ministry of Home Affairs the crime rate involving foreigners was recorded at 42,451 cases in 2016 to August 2019. Besides, the Ministry had also verified that a total of 12,647 cases involved theft, 11,862 cases of burglary and 4,822 cases from motorcycle theft. (Bashah, 2021).

### **Existence of Illegal Workers**

The increasing number of foreign workers has also triggered a money drain from the country. As mentioned by Immigration Department of Malaysia (JIM) deputy director-general (control), Datuk Makhzan Mahyuddin in TheStar, a total 96,809 undocumented immigrants (PATI) have been deported on 20 August 2021 under the Repatriation Recalibration Programme. Pappusamy (2014) stated that the growths in illegal immigrants becoming a major issue and out of control. This causes an unhealthy financial drain towards the Malaysian economy and affects the value of Ringgit to depreciate (UKEssays, 2018). Besides that, government of Malaysia had spent lots of money to send the illegal foreign workers back as prevention to control the surplus of them here (Marhani, 2012). In other words, it is very difficult to measure the amount of money required to deport foreign workers to their country because it frequently includes very large transactions.

### **Increase Local Population of Unemployment Rate**

Malaysia's society is significantly influenced severely by the flood of foreign workers. Department of Statistic Malaysia recorded that the current population of non-citizen in Malaysia is 2.4 million and unemployment rate is 3.9%. Most of the non-citizen are from our neighboring countries, like Indonesia, Bangladesh, Nepal, and others. The increasing number of foreign labours threatens the employment rate of local labours and cause great competition for jobs (Mohamed et al., 2012). Ministry of Human Resource Malaysia (2010) mentioned that foreigners are more dedicated to their job, it is because their desire towards the wages. Normally, the wage of the foreign worker is cheaper compared to the local worker. The uncontrolled presence of foreign workers in the country has undermined the wage structure of the country as many of them are willing to work in any harsh condition for minimum wages (UKEssays, 2018). This means that, their existence basically threatens the local labour market and directly reduces the bargaining power of the locals in this country.

### **Productivity**

Generally, an increase in labour productivity will benefit an employer, the workers, the consumer, and the nation (Ismail, 2015). Unfortunately, Malaysian construction industry confronts many issues related with the foreign worker's productivity. This happens because of the inexperience and lack of understanding of foreign workers which may impact the overall productivity of construction projects. Besides that, some of them are unable to execute the work according to the specification and did not have enough training on their trades (Marhani, 2012). In addition, the contractor employs cheap and unskilled foreign workers to solve labour shortage in this industry also contributed to the low productivity of works. Following those matters, the quality of the works presented by foreign workers are depending on their experience and skills. However, over-reliance on foreign workers will result in a low-quality output and may affect Malaysia's construction industry image (Valitherm, 2020).

## Methodology

This research used a quantitative method as research methodology. The research was carried out by utilizing a questionnaire survey. The sample size for this research is determined through a stratified sampling technique where the population is segmented into subpopulations. The respondents received the formed questionnaire via online survey and Google Forms had been chosen as dissemination tool for the questionnaire.

The question survey was designed in multiple choices format using Likert Scale (1=strongly disagree 2=disagree, 3=neutral 4=agree, 5=strongly agree). The question was developed based on the objective of research and divided into two (2) sections. The first section asked the general information about the respondent. While the second section required respondents to answer four (4) variables on impacts of high dependency of foreign workforce in Malaysian construction industry. The rating scale was used to evaluate the variables. The descriptive analysis was employed to analyses all the data collected from the research. The data were analyzed by using the Statistical Package for Social Sciences (SPSS) software and displayed in tabular form for ease of comprehension.

## Analysis and Finding

Out of the 175 questionnaire that were distributed to the respondents, only 102 questionnaires were duly answered and returned. Table 2.0 below indicates that existence of illegal workers takes the first place in the ranking scale with mean index of 4.01. Nowadays, Malaysia is overrun by foreigners, particularly illegal immigrants who come here in search of better employment possibilities. The growths in illegal immigrants are seen to the out of control which is becoming a major issue (Pappusamy, 2014). It was reinforced by Othman (2016) that the increase in employment opportunities in Malaysia is attracting thousands of foreign migrants and among all the foreign migrants, some are illegal, and some are legal. Besides that, government of Malaysia had spent lots of money to send the illegal foreign workers back as prevention to control the surplus of them here (Marhani, 2012).

Table 2.0

*Impacts of high dependency on foreign workforce in Malaysian construction industry*

Variable	Mean	Rank
Increment criminal crimes or social problems	3.82	3
Existence of illegal workers	4.01	1
Increase local population of unemployment rate	3.88	2
Productivity is affected	3.77	4

## Conclusion

It cannot be denied that the existence of foreign workers in the Malaysian construction industry have been a great assistance in overcoming the labour shortage. However, high dependency on the foreign workforce will eventually harm the country's development in terms of economy, politic, social, and quality of works. Short term and long-term planning should be set up by Government in overcoming the labour shortage in critical industries like the

construction industry. Therefore, this research will provide beneficial insights for the Malaysia government in taking measures to lessen high dependency of foreign workforce on the local construction industry. Additionally, the findings of this research might be also boosting greater numbers of local workers' involvement in the construction industry which eventually lower the unemployment rate in Malaysia.

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