

FOREIGN WORKERS IN MALAYSIA: AN EXAMINATION OF THE CONSTRUCTION INDUSTRY

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Industri pembinaan di Malaysia menyerap ramai pekerja asing. Tidak terlampau jikalau dikatakan yang tanpa mereka, sektor ekonomi yang penting ini tidak dapat berfungsi dengan lancar. Memandangkan penggunaan buruh binaan asing yang begitu tinggi di dalam negara, maka sememangnya tepat masanya kajian dilakukan ke atas sektor ini. Kertas ini menghuraikan sistem kontrak dan pengembelian tenaga kerja dalam sektor pembinaan yang kondusif untuk buruh asing. Keadaan kerja yang lapok tidak menggalakkan remaja tempatan berkerja dalam sektor tersebut tetapi ia tidak menyekat buruh asing yang gigih mencari pendapatan sebanyak mungkin sementara mereka berada di Malaysia. Boleh dikatakan buruh asing ini terserap ke dalam suatu sistem dan persekitaran kerja yang telah lama wujud, tetapi kesanggupan mereka menerima dan menanggung berbagai beban dan kesusahan membantut usaha-usaha pembaharuan sistem kerja dalam sektor pembinaan. Nampaknya, tenaga asing akan terus menjadi sebahagian penting daripada tenagakerja binaan Malaysia bagi tahun-tahun akan datang. Oleh itu, kerajaan dan industri perlu mengembelian tenaga untuk memastikan supaya pekerja tetamu ini dilayan sewajarnya.

The construction industry in Malaysia is a major absorber of foreign workers. It is no exaggeration to say that without them, this important economic sector which contributes immensely towards the physical development of the nation would not function smoothly. Given the incidence of high foreign construction labour utilisation in the country, it is therefore timely that an examination is made into this sector. This paper describes the contracting and recruitment practices of the industry which are conducive for the absorption of foreign labour. Antiquated conditions of work repels local job-seeking youths but not foreign workers whose desired goal is to earn as much as possible during their sojourns in Malaysia. While it can be argued that foreign site operators are merely being exposed to a work environment which has long been in

place, their willingness to face much hardship sets reforms even further back in time. Foreign labour will still be a part of the Malaysian construction workforce for years to come. The government and the industry should combine forces to ensure that the guests workers are duly treated.

INTRODUCTION

Whipped up by the media¹, the massive number of foreign workers in Malaysia has, of late, taken centre-stage in the political and public arena. In 1991, it was estimated that there were in excess of 1.2 million foreign nationals in the country (Pillai, 1992). Throughout 1996, official estimates of their number range from 1.2 million to 1.75 million, which translates to roughly 20 percent of the country's labour force (Azizah Kassim, 1996). Many in fact believe the official estimates as conservative due to the huge number of undocumented foreign workers. Perhaps on the high side, the Malaysian Trades Union Congress puts the figure at 3 million for the whole of Malaysia (*Sunday Star*, Sept 29 1996). Whichever figure one uses, the dependency of the country on foreign labour is all too apparent. Certain quarters (e.g. Azizah Kassim, 1996) have expressed concern over the fragility of the national economy which is substantially dependant on manpower imports.

Yet to-date, research on the absorption of foreign workers is still relatively lacking despite the gravity of the situation at hand.² In a small way, this paper attempts to make up for the dearth of literature. It examines the construction industry, notably the factors which have by and large enabled the unimpeded absorption of foreign labour. This economic sector has been singled out because of the high concentration of non-national workers: on all the construction sites which were randomly surveyed in the three major urban centres in Peninsula Malaysia - Penang, Kuala Lumpur and Johor Bahru - foreign site operatives comprise over 90 percent of the total labour force.³ Their ubiquity gives first-time visitors to construction sites an unusual sense of being in a foreign land. The Executive-Secretary to the Union of Employees in Construction Industry said that 80 percent of the nation's estimated

630,000 construction workers are foreigners (*Sunday Star*, 29 Sept 1996). Put simply, as their number is significant in proportion to the labour force, non-national workers are no longer the peripheral constituent of the construction workforce in Malaysia. Indeed, if anything at all, it is the locals who are the minority.

This paper draws upon the findings of a recently completed study commissioned by the International Labour Organisation (Abdul Rashid, 1995).⁴ The preliminary findings of a similar but expanded study which is still in progress is also referred to, so as to bring the entire discussion up-to-date. The second study is funded by Malaysia's Ministry of Science under the IRPA (Intensification of Research in Priority Areas) Programme.⁵ As is symptomatic of studies on immigrant labour⁶, precise information is lacking in this paper. Nevertheless, generalisations have been rendered possible as a result of direct observations, interviews and discussions with the various parties.

Labour void developed in the Malaysian construction industry as a consequence of two factors: uninterrupted double digit growths over nearly a decade and the rigid local labour pool which prevents concomittant expansion. As Table 1 shows, the Malaysian economy has been expanding at a healthy rate since it came out of an unprecedented recession in the mid-eighties. This growth is set against a backdrop of many countries around the world experiencing economic mire of varying degrees (World Bank, 1989). At the same time, fueled by public and private sector optimism, the domestic construction industry has been experiencing similarly good fortune, only even more pronounced. Table 2 indicates by the early 1990s, the stock of local tradesmen were already in short supply. The range of skills which are indicated in the table are indispensably required for most building projects. Such is the chronic widespread shortage of the local manpower which in the end prompted the industry to seek government approval for foreign labour importation to augment local manpower stock.⁷ Among the projects which could not otherwise have been commissioned include record-breaking feats in the building and civil engineering sectors respectively - Kuala Lumpur City Centre with its 88-storey twin towers (reputedly the tallest buildings in the world), and Kuala Lumpur International Airport (currently the world's largest single civil engineering project).

ANTECEDENT AND CONTEMPORARY FOREIGN LABOUR COMPOSITION

In truth, the presence of foreign workers in the construction industry is not a recent phenomenon. The employment of non-national workers in the construction industry actually dates back to the boom years of the 1970s, when Indonesians, and to a lesser extent Thai nationals, who were already recruited in the Malaysian agricultural sector, drifted into urban areas to work as site operatives (Azizah Kassim, 1986; Dorall and Paramasivam, 1992). Looking back into history, one would learn that as early as the late 1700s, construction activity was already dominated by immigrants from China and India introduced by the British colonial masters (Ma and You, 1960; Arles, 1970). Even today's commonly used phrases such as *kongsi* (workers quarters) and *kepala* (leader of a work gang) hark back to that bygone era (Blythe, 1953). And so, the contemporary presence of foreign workers in the industry is, in a sense, merely a reprise of people inflow - the one outstanding divergence being the originating countries of labour.

Tables 3 and 4 give some indication as to contemporary non-national labour composition in the Malaysian construction industry. Table 3 refers to detained illegal workers whereas Table 4 provides statistics on those who hold proper work permits. As clandestine foreign workers co-exist alongside those documented, the two tables have to be looked at in unison. Various efforts have been made by the government to regulate foreign labour, the latest being an amnesty exercise which ended on the 31 December 1996. Initial response to the latest government action by employers, most likely conditioned by the seemingly vacillating official stand on illegal foreign workers, was obdurately sluggish.⁸ Due to the significant number of undocumented foreign workers in the country, it is impossible to ascertain the exact number of site operatives by nationality.⁹

It is clear from the two tables that the main inflow of foreign site operatives currently originates from Indonesia and Bangladesh. The employment of the Indonesians in the construction industry in large numbers dates back to the boom years of the 1970s as a result of sectoral movement from the agriculture sector (Azizah Kassim, 1986; Dorall and Paramasivam, 1992). Concurrently, Indonesian entered the country,

mainly clandestinely, as the shortage of construction workers persisted. Even though the Bangladeshis have been coming to Malaysia since the 1970s (Azizah Kassim, 1986), their presence in Malaysia in significant numbers is a feature of the 1990s.¹⁰ The current stretch of buoyant construction demand has also attracted people, albeit in lesser numbers, from Thailand, Myanmar, India and Pakistan - even unlikely places such as Mali and Nepal.¹¹

CHARACTERISTICS OF THE CONSTRUCTION INDUSTRY

The influx of foreign workers to the Malaysian construction industry typifies the general phenomenon of 'guest workers' everywhere filling poorly paid unskilled and semi-skilled occupations (Bale and Drakakis-Smith, 1993). Additionally, there are several characteristics of the construction industry which makes it attractive to migrant workers (Gibson and Graham, 1986). These characteristics transcend national boundaries, thus giving rise to the migratory pattern taking on a global scale (ILO, 1995).

Despite mechanisation and pre-fabrication of building components, on-site construction activities still requires a lot of labour (Gibson and Graham, 1986; ILO, 1995). Site operatives must be able to withstand extreme climatic conditions, punishing work and even danger. Because of these, local residents who have other work options shy away from the industry. In addition, skills can easily be acquired through informal on-the-job apprenticeship arrangement. Anecdotes of poorly constructed buildings completed by novice foreign labour abound. Skill diffusion, however, does take place, and so unsatisfactory performance is merely a temporary phase. Since the construction process is location-tied by virtue of the immobility of the final product, it is the workers who have to be brought to the site. Naturally, as immigrants are the most spatially mobile, they make suitable employees.

CONTRACTING PRACTICE IN MALAYSIA

Main contractors today do not normally engage site operatives directly - except for a small team to do general house-keeping duties such as loading and unloading materials, cleaning and hosing down of lorry wheels at exit points. The number of these unskilled workers varies between projects, depending on the timing and size of contract. On a large project with 600 manual workers on site for example, only 60 workers may be directly recruited by the main contractor. The bulk of construction workers are engaged by trade and labour subcontractors, 'sub-subcontractors' and 'sub-sub-subcontractors'. It is these entities which effectively perform the construction tasks.

The hierarchy of subcontracting that prevails in the construction industry emerged due to the inherent characteristics of the industry (Ball, 1988). This system of indirect employment allows the main contractors to face the volatility of project workload. The problems associated with maintaining a constant workforce is transferred from the main contractor to the subcontractors, then 'sub-subcontractors', and possibly 'sub-sub-subcontractors.' There is a limit to the number of layers of subcontracting that can exist on even the largest construction projects due to diminishing profit margins the further the entity descends down the hierarchy. The survey found that four layers is about the maximum tenable limit.

The construction process is vibrant with a multitude of enterprises functioning at different levels of the hierarchy but all under the overall supervision of the main contractor. These various firms may provide input at different construction stages or times which do not permit interaction. On the other hand, the commencement of a work package by a particular firm may depend upon the completion of another package by a separate firm. In which case there is high serial inter-dependency between independent entities. Site operatives are grouped into work gangs which are headed by a leader (or *kepala*). (Confusingly, the subcontractor himself is also normally referred to as *kepala*.) The *kepala* is the link person between work gangs and subcontractors, and ultimately main contractors. Instructions and communication between the employer and

workers are made via the *kepala*. The same rigid demarcation also prevails at work. Work gangs do not interfere with each other's work tasks. At the end of the project, the complex on site organisational set-up is dissolved. The same contracting feature that had developed in Malaysia also prevails in many other countries such as Japan (Furusaka, 1990), Britain (Ball, 1988) and Egypt (Assaad, 1993), thus giving credence to the view that substitution of direct employment with subcontracting is industry-specific rather than country-specific.

The association between the various parties to the construction process may not be as temporary as one might imagine. While there is no permanency to individual construction projects, main contractors try their best to retain subcontractors who perform well. Very often, one finds a semi-permanent arrangement forged between the two sides which stems from years of continuous working relationship and trust. There is no explicit contract which dictates their alliance. Payments for completed work are negotiated, thereby eliminating bidding costs. While subcontractors tend to be more localised than main contractors, the field survey found that under certain circumstances, some are willing to work beyond their normal geographical zone just to maintain their relationship with main contractors. Main contractors draw a lot of strength from their subcontractors since construction work is actually done by them. The latter are therefore an integral component of the main contractors' competitive edge. For that reason, managing the stable of preferred subcontractors well is fundamentally important. It is therefore not surprising that some main contractors even become 'big brothers' to the subcontractors by looking after their needs (Navamukundan, 1992).

Studies (e.g. Borjas, 1986; OECD, 1990) have shown that immigrants have a greater tendency to seek self-employment opportunities than local people, since for many, entrepreneurship provides their best social ladder. The low entry barrier of the construction industry (i.e. minimal capital investment and low technical requirement) permits virtually any aspiring site operative to break out to become his own boss. The generations-old dominance of the Chinese community in the Malaysian construction industry is an attestation to this. Driven by the impulse for self-improvement, some enterprising Indonesians have upgraded themselves economically by working according to work packages rather than

working days, thereby effectively operating as 'sub-subcontractors' to the subcontractors. In this manner, they are able to earn more as payment is based on productivity rather than time. While Master Builders Association of Malaysia (MBAM), the trade association representing the leading contractors in the country, is not at ease with the ascension of the Indonesians¹², the local contractors and subcontractors interviewed conceded that it has been unstoppable. Fostered by the current climate of robust construction demand, some aspirants have already gone further up the economic ladder by being full-fledged subcontractors and even small contractors specialising in house renovation and such like. They can be seen going about their business in upmarket cars. For this select few, the dream of a good life in Malaysia has materialised.

For sure, the vertical mobility of the Indonesians to such height would not have been achieved if not for their assimilation into the local contractors' network of preferred subcontractors. As is usually the case, liaison with the Indonesian construction enterprises is grounded on trust, confidence, proven abilities and reliability. With ample money to be made from subcontracting (even the possibility of becoming millionaires, so pointed out one Indonesian entrepreneur), there is little need to become main contractors. On the other hand there are advantages by prudently providing support services to main contractors 'behind the scene.' For one thing, there is less likelihood of official detection and scrutiny.¹³ Prominence also may stir resentment from the general public and business community alike.¹⁴

The ascendancy of the Indonesians as employers is indeed significant as the utilisation of non-national migrants then becomes self-generating. For ease of purpose as well as kinship, these Indonesian bosses source cheap labour by tapping into their own network either at the other end of the migration stream (in which case the pool of migrant workers in Malaysia is increased), or from those already in the country (in which case employment is created for the immigrant community). While presently confined to the Indonesians, the worker-employer leap might one day become a trend among the other foreign nationality groups as well. When that happens, their participation in the construction labour force will also be sustained.

EMPLOYMENT PRACTICE IN THE CONSTRUCTION SECTOR

The indirect employment of labour by main contractors mentioned previously has an important bearing on the presence of foreign workers in Malaysia in another respect. As a consequence of large construction companies absolving themselves of the responsibility for the welfare of site operatives, antiquated employment conditions are perpetuated. The vast majority of site operatives are employed by subcontractors, 'sub-subcontractors' and 'sub-sub-subcontractors.' Note that many of these are small and even micro-enterprises operating within the informal economy and without fixed offices (freely available mobile phone technology obviates the need for them). Constantly struggling to survive with limited resources, these entities find great difficulty in providing even decent employment conditions. Employment arrangements are crude by current standards. Workers are employed on a casual basis without any legal employment contract. Labour laws are seldom upheld under this system. Navamukundan (1992) pointed out that the absence of employment contract benefits the employer as he is able to adjust his labour requirement by terminating employment with relative ease. Casualisation of employment has certainly contributed towards the depletion of local people in the construction industry. Discerning youths are disinterested to enter an industry which offers little job security and protection. Conversely, such denials do not have the same effect on migrant workers who in the first place do not consider themselves as a permanent constituent of the local construction workforce. For sure, reforms to working and employment conditions will be delayed for as long as small and micro-enterprises take charge of the bulk of the manual workers in the industry.

As with contractor-subcontractor relationships, employers try their best to retain good tradesmen for as long as possible by displaying overt concern for their personal welfare, such as covering for medical expenses. Indebtness also comes from providing loan to the workers¹⁵, and in the case of foreign workers initially paying for legalising costs (Lee and Sivananthiran, 1995). The gratitude of the site operatives to such treatment manifests in the form of continuous service. Inevitably though, ambitious skilled and experienced workers do leave to start their own business as subcontractors.

There is also a social dimension to consider: bonds of kinship, friendship and shared community origin between people of source and receiving areas leads to cumulative migration of particular nationals, even people from particular regions (Boyd, 1989). The informality of the employment arrangement makes social networks an important channel for sourcing labour. Unlike the manufacturing sector, job advertisements and interviews for manual operators are never resorted to by construction employers. Job availability is spread by word of mouth through relatives, friends and acquaintances of those in employment. Work gangs homogenously comprised of people from identical source countries or even communities develop with successive waves of in-migration. Incidentally since work gangs normally specialise in particular trade skills, a pattern of skills distribution according to nationality lines consequently emerges as well. The suffusion of foreign people in the local construction industry brought about by informal recruitment methods hinder Malaysians from penetrating and integrating with construction work groups. While it may not be obvious during the current healthy economic growth, this trend, should it continue during market downturn, would worryingly lead to foreign labour displacing rather than complementing local manpower.

WAGES OF SITE OPERATIVES

Construction manual workers are daily rated, and pay packets are issued every fortnightly. Wages are deducted for non-productive days, even due to medical reasons or work stoppage imposed by authority. From Table 5, it is clear that in the three sample locations, there is observable wage segmentation based on nationality. Interestingly, foreign workers do not make an issue of the differential mainly as their income levels in Malaysia are comparably much better by a wide margin than those at home.¹⁶

Several justifications were volunteered by participating construction executives for the cash earnings gap. Whether they are valid or lame excuses to suppress earnings of foreign workers is open to question. Most local workers are either supervisors, skilled or semi-skilled workers, and

as such command higher pay. Higher wages for locals has not only been attributed to the capabilities factor, but also to their generally longer service with particular employers. Local employers in contrast tend to be suspicious about the foreign workers' traits such as their professed expertise, roving disposition and trustworthiness. This prejudice partly accounts for the denial of wage parity. There is the argument that non-national workers receive lower pay to off-set the transaction (e.g. travel expenses and agency fees) and regularisation (e.g. levy and medical check-up) costs incurred by the employer.

Between the various nationalities, the Indonesians sit on the highest rung of the income ladder due to ease of communication, age-old cultural links, work attitude and their acquired skills. The Bangladeshis in general are positioned at the other extreme because of their inability to match the Indonesians in many respects. The wages of the other less prominent nationality groups are anything between what the Indonesians and Bangladeshis receive. Here only the characterisation of the Indonesians and Bangladeshis are made by virtue of their overwhelming number. The Indonesians have certain advantages over other foreign nationalities such as the commonality between Bahasa Indonesia and Bahasa Malaysia which facilitates communication, even with their Chinese employers. The ancestral and centuries-old communal links between the Malay populace of the two countries have contributed towards the acceptance of the Indonesian immigrants in this country (Hugo, 1993).¹⁷ Many Malaysian Malays can trace their geneology to Indonesia. The hegemony of the Indonesians over other foreign nationality groups nonetheless cannot be solely attributed to cultural ties. Indonesian workers have earned a solid reputation for their diligence, hardiness and desire to learn. Unlike local workers, they are willing to work overtime, even during weekends and public holidays. Today, the Indonesians have mastered the common construction trades, such as bar-bending, carpentry, concreting, plastering and screeding - although their work is considered by many as still rough. Despite the expectation at one time that Bangladeshis would one day replace the Indonesian workers, they have been found to be unable to withstand the rigours of work on site. They also lack the indomitable spirit which is the hallmark of the Indonesians. Consequently many are assigned to perform menial tasks.

It has been argued that illegal workers everywhere are the most exploited because of their vulnerability. (Warzazi (1986 p. 15))

They (the illicit migrant workers) are thrown into unhygienic shanties, have no fixed working hours, cannot claim social security benefits and are paid wages which are determined in a highly arbitrary manner. Very often their employers keep back part of their wages on the pretext that it is a guarantee for their social security benefits and the cost of their journey home, but the money is very rarely returned to them.

The field survey found that this generalisation is contextually inaccurate for the Malaysian construction industry. Apart from lower wages, other forms of discrimination relating to working conditions between illegal and legal workers could not be detected. Both categories of foreign workers for example are expected to work overtime to meet project deadlines (brightly lit construction sites late into the night is currently a common sight). Many foreign migrants in fact welcome overtime work as a source of additional income. In any case, illegal workers who eventually become acquainted with the local labour market turn itinerant to overcome suppressed wages (or irregular earnings for that matter). In a sense, clandestine workers are freer to move about as it is common practice for employers to unlawfully withhold the passports of documented employees as a safeguard against job-hopping. Utilisation of illegal workers in the industry has been rampant in the face of lax enforcement.¹⁸ For a combination of reasons - paperwork, bureaucracy and the time-consuming approval process - construction employers are not averse to recruiting foreign nationals without legitimate documents. Deploying cheaper illegals also has a direct repercussion on profit margin. There is substantial cumulative financial gain to be made from employing cheap illegals each time a project is secured. As a consequence, undocumented foreign site operatives are able to find employment with relative ease.

Kossoudji (1989) suggested that pay disparity is only a short-term phenomenon before local employers eventually get to know their workers rather well. This implies that over time, upward pressure on wages of

non-national workers would develop. And indeed, feedback from the industry indicated that this process has been taking place. Experienced Indonesian workers some of whom have been in Malaysia for close to two decades are already fastidious in terms of pay (overtime hours and acceptable danger limits as well). Docility is certainly one waning trait of the experienced foreign labour force. One local construction executive, however, candidly commented that despite the narrowing of wage gap, construction employers will always find excuses to maintain labour segmentation, however small. Nativism it would seem is also at play here. The bargaining power of foreign nationals is weakened by the common knowledge among Malaysian employers regarding poor job prospects in labour sending countries. Such a reasoning supports ILO's contention (1995) that skill formation is not the only wage-fixing determinant - standards of living and wages of source countries are equally influential. Wages are also shaped by the forces of demand and supply on the international labour market. Having said that, foreign workers are not indefinitely trapped in low wage positions. Financial dissatisfaction may in fact act as an inducement for seeking self-employment opportunities. The construction industry is one of the few economic sectors in which vertical job mobility to foreign nationals is possible, to the extent that they are able to become financially better off than locals.

In 1991, the government introduced a new policy to protect the interest of foreign labour (Zanifa, 1991). The policy clearly states that foreign workers are entitled to receive the same wages and benefits as their local counterpart.¹⁹ Clearly, there is bifurcation between legislative instrument and reality. Incidentally this policy is congruent with the International Labour Organisation Convention 97 on migrant workers to which Malaysia is among the few countries to have ratified.²⁰ But as rightly pointed out by Santhanasamy, Executive Secretary of the Union of Employees in Construction, ratification without enforcement has little meaning (*The Sun*, March 22 1996). The fieldwork even detected cases of employers who violate their contracts, or substitute the original contracts with less favorable ones. The Malaysian Trade Union Congress (MTUC) is confident that official reprisal against errant employers would have the consequence of making foreign workers less attractive to employ. Foreign labour inflow would thus reduce in volume.

MTUC has consistently protested against the foreign labour inflow, arguing that their high numbers in virtually all sectors of the economy has suppressed upward wage adjustments. It's contention is that there are pockets of unemployment scattered throughout Malaysia, especially in rural areas.²¹ MTUC would also like to see the government set a minimum wage ruling to stem the marginalisation of local people in the economy. By intervening in the labour market, the 'hidden' stock of local manpower would surface. Non-national workers are able to subsist on low wages because their families are left behind while they lead modest lives (Firman, 1994). In fact their frugality enables remittances to be made. The Minister of Human Resources revealed that over the last five years, recorded remittances amounted to RM1,929.2 million (*Utusan Malaysia*, Nov 8 1996). The actual figure is likely to be greater as cash transfers are often done personally, or through friends and relatives. The money is used for all manners of things; one foreign worker interviewed mentioned of the double-storey brick house which was built from his remittances.

ON-SITE ACCOMMODATION

Temporary site accommodation (or *kongsi* as they are normally referred to) is provided by main contractors for site operatives regardless of whoever engages them. Except for pre-fabricated mobile cabins, *kongsis* are built by the workers themselves using whatever building materials provided by the main contractor. Under worst conditions, these self-help shelters are no more than dilapidated huts. In general, only basic amenities are installed. Drainage, toilets, bathrooms and rubbish disposal tend to be crude and simple. It is unusual for beds and furniture to be provided. As many as 20-30 men may huddle in basic quarters which lack partitions (Gill, 1988). The Ministry of Health and Local Government has laid down the minimum standards for *kongsis*. But because follow-up enforcement is absent, main contractors provide site dwellings at the least expense. Inhabitants have been known to illegally tap into the electricity and water mains to overcome deprivation. Another widespread habit is to move into buildings still under construction where the living space is slightly more tolerable.

Foreigners make up the entire, if not the largest proportion, of *kongsi* dwellers. As hinted above, poor living conditions on site are not because of deliberate discrimination against foreign nationals but rather the main contractors' objective to drive down costs. Workers are free to choose where to live. The choice to live on site is made by these people so as to save even more of their hard-earned money. The Ministry of Health is concerned with the poor state of *kongsis*.²² For a start, construction sites around the country have been found to make ideal breeding ground for aedes mosquitoes. Crammed living space poses a risk to the spread of communicable diseases. The presence of foreign workers heightens this anxiety. Poor diet, again spurred by the desire to maximise savings, makes foreign nationals prone to infection. Another cause for concern is that instead of obtaining proper medical treatment, foreign workers prefer to seek the cheapest available treatment. The lack of immunisation among their children is reflective of their poor utilisation of medical facilities. What is additionally worrying is that some foreign workers have already been detected bringing into the country unfamiliar diseases such as *kala-azar*, or those which had been previously brought under control such as *filariasis*. This category of workers also displays palpable low hygiene standards, from the manner in which their food is prepared to their preference of using open ground over toilets. The Ministry of Health is even aware of their wife-sharing routines.²³ The occupants and main contractors are equally responsible for the unsatisfactory living conditions in *kongsis*.

Social structure prevails in the enclaves of foreign communities built around the *kongsis*. On some sites, the wives and young children live as family units together with wage-earning male members. Reasonably large construction projects have canteens, even makeshift sundry shops and 'cinemas' (comprising of a television, video player and several rows of benches) all run by foreigners - a case of foreigners serving their own people. There is a high level of camaraderie between people of similar nationality, and even regional origin. Bereft of family support, anxiety and hardship draw these people close together, perhaps more so than otherwise. For many, their illegal status reinforces the need to seek solace from their compatriots. Thus the Bangladeshis do not associate with the Indonesians. And among the Indonesians, the Bawaeans distinctly segregate their living space from the Javanese. There is little interaction

across the social divide, to the extent that a small ethnic group may opt to live in a neighbouring *kongsi* where the same ethnic population is larger. Each social cluster may be configured differently. In general however, there is a leader in each group who is more senior or knowledgeable about local conditions than the rest. The social order that is established by the leader is fashioned in the traditions of his village. Clashes between the different groups, sometimes resulting in deaths, are not uncommon. (Among the foreign workers, the Thais and those from the Indonesian island of Madura are well known for being physically violent.) This same cohesive horizontal ties between members of the same group also manifest in work gangs. The polarisation of foreign workers according to jobs has the effect of compounding tension whenever work disputes erupt, such as knock-on delays arising from the slow progress of preceding work packages. Horizontal ties therefore play an important function in the daily social and work affairs of the non-national workers.

The societal dynamics on construction sites are such that sizeable foreign labour even in the heart of urban centres goes largely unnoticed by the surrounding local community (at least not to the degree that it could be). Behind high barricades, foreign site operatives live in virtually self-contained environment despite scant amenities. Social interaction with the local populace is kept to the minimum. Similarly violence is contained within their own kind. Petty theft allegedly made by foreign nationals living in housing estates close to construction sites are never always proven. Public alarm over the introduction or reintroduction of diseases had been short-lived, once again perhaps because of their shadowed existence. In short, it is because of their inconspicuous and inoffensive lifestyle that the construction industry has been able to hire and retain them in large numbers all this while. To be assured of continued stay in Malaysia, the illegal workers are even more pressed to avoid intruding into the daily lives of Malaysian urbanites. Consequently, public perception is indifferent to the issue of illegality.

As on-site accommodation is transient by nature, long-staying foreign workers eventually opt for more stable living alternatives. Indonesian illegal squatter areas such as Kampung Bawaen and Segambut Luar which have sprouted all over the outskirts of Kuala Lumpur is a

manifestation of this shift (Azizah Kassim, 1988). The drift from *kongsi* to squatter dwellings is eased by the concentration of Malaysians of Indonesian descent (with staunchly defended ethnic dialect and identity) in certain areas who provide social support to the relatively more recent arrivals. There have been disquiet whispers of immigrant enclaves keeping very much to themselves while making no attempts to integrate with the mainstream Malaysian society. While segregation is not healthy in the long run for national harmony, it does for the time being delay the realisation of many Malaysians to the scale of foreign nationals on their home soil as their everyday lives remain unaffected.

SAFETY AT WORK

Accidents at construction sites are prevalent, so much so that virtually all parties to the construction process seem to accept it as an unpleasant but inescapable feature of the industry. In their haste to meet hectic schedules, main contractors and subcontractors have no compunction of relegating safety to a low priority. Mishaps tend to fall on foreign workers by virtue of their preponderance on construction sites. Hence safety issues are inseparable from the discussion of this paper.

Table 6 shows the construction industry's statistics for non-fatal and fatal injuries over a five year period. Its ostensibly decent record vis-a-vis the rest of the economy has to be treated with circumspection because of under-reportage which arises for a variety of reasons - the significant number of small construction outfits which operate in the informal sector, casualisation of employment, the dependency on illegal foreign workers and the desire to avoid official investigation.

To address unacceptably high industrial accidents throughout the economy, the government introduced the Occupational Safety and Health Act (OSHA), effective from February 1994. Under the OSHA 1994, the penalty for employers who fail to adhere to the set safety guidelines was increased to RM50,000 (approximately US\$19,400), or two years imprisonment, or both. Errant employees can be fined RM1,000 or three months imprisonment, or both. OSHA 1994 is premised on safety being self-regulating, that is to say employers should comply with the

regulations because of vested interest rather than official enforcement. Those who create the risks (i.e. management) and those who work with them (i.e. workers) should be the main agents in the consultative, co-operative and participative process in ensuring that workplaces do not jeopardise health and safety. OSHA 1994 has to be interpreted alongside the older and more prescriptive Factories and Machinery (Building Operations and Works Engineering Construction) (Safety) Regulations of 1967. Without the latter, OSHA 1994 which is much more general in the application of the law cannot be properly operationalised.

The impression from the fieldwork is that not all main contractors take heed of the government's new regulations. Some comply not out of concern for workers, but rather to safeguard against bad publicity. In extreme cases of deaths on construction sites, the Department of Occupational Safety and Health (DOSH) is empowered to impose stop-work order, which for contractors translates into 'unnecessary' loss of valuable time. DOSH conceded that time is required to make the industry more safety conscious.²⁴ To give added emphasis, special Task Force units have been formed in major cities to deal with the construction activity at its peak. In contrast, no other economic sector receives such attention. The government's intent to improve the safety performance of the industry can be further gauged from the 15-minute documentary repeatedly aired on television which educates the public on construction safety measures exclusively. Through continuous educational efforts, inspection supplemented by stiff penalty, tangible results are already observable - safety hardware such as lighting, loading platform and netting is being utilised with increasing frequency. Realistically a total industry-wide shift in safety attitudes will require a much longer gestation period. In the latest move to expedite change, the government has consented for errant contractors to be either temporarily or permanently deregistered with the Construction Industry Development Board (CIDB), thus effectively denying them future contracts.²⁵ Once the administrative procedures are ironed out, this provision will definitely enhance DOSH's enforcement powers.

The task of making construction sites safer work places is actually encumbered by the presence of foreign labour. Many foreign nationals are

unable to communicate with the locals; in the extreme case, communication is made through sign languages. Conducting safety meetings and even safety programmes therefore become an exercise in futility. Even if communication is not a hindrance, there is reluctance among foreign workers to adhere to safety measures due to a variety of reasons.²⁶ They are unaccustomed to wearing safety gear and therefore impervious to advice on safety. The discomfort it brings does not help either: helmets are uncomfortably hot, safety boots are bulky whereas safety harnesses restrict movement. Also, for foreigners whose sojourns in Malaysia are principally to earn as much as possible in the shortest time, safety becomes secondary concern. Otherwise, many, especially the illegals, might not even consider undertaking the long and treacherous cross-border journey. Local newspapers occasionally report of boats sinking off the Malaysian coast drowning their cargo of illegal aliens. If natural mishap does not rob them of their lives, rapacious labour syndicates and racketeers might after collecting extortionate fees. Occupational risks on construction sites pale in comparison to such life and death situations. Furthermore, the daily risks that the foreign workers are exposed to in Malaysia may not be comparably worse than those back home, despite their dissimilar nature. Falling from a tall building can be as equally fatal as being bitten by a poisonous snake in a paddy field. Clearly, given that the bulk of the construction workforce in Malaysia consists of non-national workers, bridging the language and cultural chasms indicated above are central to DOSH's efforts in infusing industry-wide safety consciousness.

On the question of compensation for injuries at work, local and foreign site operatives are given slightly different treatment. The Social Security Act, 1969, (SOCSO), makes it mandatory for construction employers to cover their local site operatives against industrial accidents. Monthly contributions are supposed to be made by both the employer and employee to SOCSO. However, blatant disregard for this legal provision is fairly widespread²⁷. It is the industry practice in Malaysia for main contractors to obtain, prior to commencement of construction work, the Workmen's Compensation Insurance Policy which covers every manual worker on site regardless of whoever the employer is. Thus, there is a 'safety net' for local site operatives in case of delinquent employers. On this note, it can be argued that because of this 'safety net', some

construction employers are loath to comply with the law, especially when claims can only be made from one source. Unlike their local counterparts, registered foreign site operatives cannot seek SOCSO protection. For them, there is only the Workmen's Compensation Policy. Those who work clandestinely are not eligible for any insurance coverage at all. And as undocumented workers readily acquiesce to working in hazardous conditions, it is they who are placed in the most precarious situation.

Compensation for injuries at work does not detract from the hazardous nature of construction work; the all too frequent reports in the media of deaths on construction sites is a stark reminder of the ultimate price of seeking construction-related occupation. The disproportionately high incidence of injuries certainly deters many Malaysians from entering the industry, a factor which foreign labour is not averse to.

CONCLUSION

Participation of foreign nationals in the Malaysian construction industry is high. The net effect of two way cross-border people movement seems to lead to a swelling rather than diminution of their numbers. The above account highlights the factors which culminate in the continued utilisation of foreign labour in such high volume by this important sector of the economy. One set of factors is inherently industry-related. Another set is intertwined with the manner in which large, medium and the innumerable small and micro-enterprises organise themselves. The final set emanates from the construction employers' regard of labour as a factor of production in the pure economic sense. Casualisation of employment, daily-rated wages, shabby site accommodation and low safety concern are manifestations of this antiquated viewpoint. It is the non-national workers that this perception is well reciprocated - the single-minded pursuit to maximise earnings prompt them to offer their labour as a commodity.

What will Malaysia's construction industry of the future be like? Will it continue to be dependent on imported labour? Extrapolations can be made based on the experiences of more developed countries. For sure, the exhaustion of local site operatives will continue due to attrition, and

unappealing working conditions. An OECD study (1993) found that foreign workers in selected European countries tend to converge on the construction industry, suggesting that while the characterisation of the industry may change through time, it will still retain its allure to these people. In this connection, the Malaysian Construction Industry Development Board may be overly optimistic in hoping to curb the dwindling local construction manpower.²⁸ The officials there talked of improving the image of the industry to attract the younger generation. Similar efforts in Singapore and Europe have basically failed (Wells, 1996). Attempts in France and other advanced countries to improve the conditions of work have fared no better (ILO, 1995). Judging from the situation in the West and Japan²⁹, it is too much to expect that automation, robotics and new technologies would somehow reduce the labour intensiveness of the construction industry. The latest official statistics show that for 1993 there were over 200,000 recorded foreigners in Germany's mature construction industry (Gross, 1994), while in Japan the number for 1992 was 128,000 (Takisawa, 1994). These figures do not reveal the many more clandestine workers absorbed by these two industrial power houses which lead in pioneering advanced technologies.

Higher utilisation of pre-fabricated building components and materials has also been seen as a way to replace on-site labour. For the moment, shop-floor production is often more uneconomic than in-situ casting. Even if the situation is reversed in future, there is still a limit to which buildings can be factory-produced. To sum up, the utilisation of foreign construction workers in Malaysia is unlikely to be ephemeral. That being the case, coming up with definitive policies and plans of action on how foreign labour should be treated would have far reaching impacts than attempting to impede the shrinking stock of local manpower. It is perhaps sad to note that despite more than a decade of contemporaneous experience with foreign workers, the government and industry have yet to earnestly initiate, let alone conclude, this undertaking.

TABLE 1: LABOUR SHORTAGE IN THE CONSTRUCTION INDUSTRY

Year	GDP (millions of RM)	Percentage growth	Construction in GDP (millions of RM)	Percentage growth
1983	53,582	6.3	2,867	10.4
1984	57,741	7.8	2,988	4.2
1985	57,093	-1.1	2,738	-8.4
1986	57,751	1.2	2,354	-14.0
1987	60,863	5.4	2,077	-11.8
1988	66,303	8.9	2,133	2.7
1989	72,409	9.2	2,380	11.6
1990	79,463	9.7	2,832	19.0
1991	86,345	8.7	3,240	14.4
1992	93,072	7.8	3,619	11.7
1993	100,838	8.3	4,023	11.2
1994	109,368	8.5	4,589	14.1
1995#	120,489	9.6	5,287	15.2
1996*	130,672	8.5	5,910	11.8

Table 1: Trends in Malaysian construction output and gross domestic product (GDP) (at 1978 prices) Source: Economic Reports, Ministry of Finance, various years.

estimate * forecast

TABLE 2: CATEGORIES OF CONSTRUCTION TRADESMEN WHICH MALAYSIA LACKS

Tradesmen critically in short supply, and for whom there is dependence on foreign workers	Other tradesmen in short supply
concrete carpenter bricklayer/mason plasterer and paviour painter tiler	bar bender joiner metal worker drainage layer plumber welder glazier sheet metal worker machinery maintenance operator wiremen

Source: Report of The Cabinet Committee on Training (1991) by the Economic Planning Unit, Prime Minister's Department.

TABLE 3: NUMBER OF ILLEGAL FOREIGN NATIONALS CAUGHT UNDER OPS NYAH (FROM FEBRUARY 1993 TILL AUGUST 1996).

Nationality	Plantations	Construction	Manufacturing	Services	Others	Total
Indonesians	13,606	47,948	2,786	5,055	8,705	78,100
Bangladeshis	2,842	11,130	3,849	2,041	12,111	31,973
Myanmars	307	1,290	271	402	10,178	12,448
Thais	950	600	113	274	4,324	6,261
Indians	172	616	16	145	1,077	2,026
Pakistanis	111	429	24	27	1,221	1,812
Others	1	34	48	25	669	777
Total	17,989 (13.5%)	62,047 (46.6%)	7,107 (5.3%)	7,969 (6.0%)	38,285 (28.8%)	133,096 (100%)

Source: Malaysian Police Force.

TABLE 4: NUMBER OF FOREIGN WORKERS ISSUED WITH TEMPORARY WORK PASSES IN PENINSULAR MALAYSIA (JULY 1992- DECEMBER 1995)

Nationality	Plantations	Construction	Manufacturing	Services	Others	Total
Indonesians	101,521	92,805	16,188	2,063	63,472	276,049
Bangladeshis	16,416	26,484	40,996	4,743	472	89,111
Myanmars	125	675	123	282	33	1,238
Thais	10,845	6,342	166	1,126	4,337	22,816
Indians	306	1,346	193	438	81	2,364
Pakistanis	183	1,121	672	67	5	2,048
Others	78	1,357	1,642	338	27,973	31,388
Total	129,474 (30.5%)	130,130 (30.6%)	59,980 (14.1%)	9,057 (2.1%)	96,373 (22.7%)	425,014 (100%)

TABLE 5: SURVEY OF DAILY WAGES OF CONSTRUCTION WORKERS IN SELECTED LOCATIONS IN MALAYSIA (IN RINGGIT MALAYSIA).

	Locals	Indonesians	Others
Georgetown, Penang			
skilled	50.00-60.00	35.00-40.00	30.00-35.00
semi-skilled	40.00-50.00	28.00-35.00	25.00-30.00
unskilled	30.00-40.00	20.00-28.00	20.00-25.00
Kuala Lumpur			
skilled	50.00-70.00	35.00-60.00	30.00-35.00
semi-skilled	40.00-50.00	30.00-35.00	25.00-30.00
unskilled	35.00-40.00	20.00-28.00	20.00-25.00
Johor Bahru, Johor			
skilled	55.00-65.00	45.00-50.00	40.00-45.00
semi-skilled	40.00-45.00	35.00-40.00	25.00-30.00
unskilled	30.00-40.00	25.00-35.00	25.00-30.00

Source: Abdul Rashid, 1995.

TABLE 6: STATISTICS ON REPORTED CASES OF ACCIDENTS AND DEATHS.

	1990	1991	1992	1993	1994
Construction					
Reported cases	3,123	3,377	3,615	4,207	4,311
Deaths	40	35	39	51	44
All sectors					
Reported cases	121,104	124,898	130,019	133,293	122,688
Deaths	390	363	541	653	644

Source: Department of Occupational Safety and Health.

NOTES:

- ¹ Rancour rose when the media associated foreign workers with illegal squatter areas, unwed mothers and baby dumping, prostitution, unfamiliar diseases or those that had been eradicated in the country.
- ² For a review of literature on foreign workers in Malaysia, see Liaw and Tey (1996).
- ³ A sample survey was carried out on 1,500 foreign workers in same three chosen geographic areas. The discussions below do not refer to this survey as the analysis is still incomplete.
- ⁴ The study for the ILO involved making field observations of construction sites in Penang, Kuala Lumpur and Johor Bahru. The fieldwork also consisted of in-depth interviews with main contractors and subcontractors to obtain their perception of foreign sites operatives, and also to uncover the manner in which foreign employees are treated.
- ⁵ The on-going study covers additional construction sites within the same chosen cities to corroborate previous observations. In all, more than 30 construction sites were examined. Various government agencies and non-government organisations were also approached under the two research programmes. They include the Police Force, The Task Force (which has been specifically assigned to deal with the immigration documents of foreign workers), the Human Resource Ministry, the Department of Occupational Health and Safety, the Health Ministry, the Bangladeshi and Indonesian Embassies, the Indonesian Migrant Workers Association and Tenaganita (a local NGO which deals with the plight of foreign workers), the Association of Foreign Recruitment Agencies, Master Builders Association of Malaysia (a local contractors trade association). I wish to express my indebtedness to Alip Rahim, Halim Salleh and Morshidi Sirat who make up the rest of the IRPA research team. The opinions expressed in this paper are those of the author, and do not necessarily represent the views of the other research members.
- ⁶ Malaysia (Lim, 1984) has not been spared from this global problem (ILO, 1995).
- ⁷ In this regard, two other economic sectors, i.e. plantations and domestic services, also sought government approval. See Azizah Kassim (1996).

- ⁸ Policy-makers swing from leniency to exigency. It is believed that, driven by political motives, the government had refrained strong action against illegal immigrants since many are Indonesian and Filipino Muslims (Martin, 1991). Their numbers help to increase the ratio of Muslims in Malaysia. On another note, reprisal against illegal aliens may jeopardise the completion of the government's pet mega-projects. Yet several rounds of effort have been expended to regularise illegal workers, beginning from the mid-eighties. In 1986, Malaysia extended amnesty for clandestine foreign workers. In 1989, employers in the agricultural sector were given a deadline to register their workers. In 1991, another grace period was granted for foreign domestic maids and construction workers initially, and later extended to other sectors.
- ⁹ What cannot be easily ignored is the disconcerting fact that illegals make rich picking for many parties, including individuals within the Police and Immigration Department. A spokesman for the Police Force admitted that just like in any organisation, there are bad hats among law enforcers who have given in to the temptation of making quick money from clandestine foreign workers.
- ¹⁰ This information was provided by the Labour Counsellor of the Bangladeshi High Commission, Mr Mohd Ismail Zabihullah, during an interview.
- ¹¹ According to statistics compiled by the Police Force on detained illegals found working in the construction industry.
- ¹² This expression was made by the spokesman of MBAM in an interview.
- ¹³ There are advantages to remaining in the informal sector. In the first place, it obviates the need to register with the Construction Industry Development Board, as required by the law. Two possible scenarios may arise when seeking registration: denial on the basis that foreign immigrants are not permitted to be self-employed, or alternatively facing the embarrassing question of how the applicant come to acquire blue identity cards which is the standard issuance for Malaysian citizens only. (The fieldwork came across many long-staying Indonesians who come to possess blue identity cards. Satisfactory explanation was never given by these people, thus fueling speculation that they were obtained through dubious means.).

- ¹⁴ There are other benefits from maintaining a low profile. The entrepreneur is not encumbered by the various laws which serve to protect the interests of the public and employees. And finally, they are not a formal party to the contract with the client. Thus there is every likelihood that they can get away with defective workmanship no matter how serious.
- ¹⁵ Navamukundan (1992) found that salary advances is the most common ploy of the employer to tie workers to them.
- ¹⁶ According to Mr Khairuddin Harahap who heads the Association for the Welfare of Indonesians, and an official from the Thai Consulate in Kuala Lumpur.
- ¹⁷ Lim (1984) opined that the common ethnic stock and language factors have been overplayed. Social tension and distrust between the local Malays and immigrant Indonesians are strong.
- ¹⁸ Main contractors and construction employers spoken to during fieldwork mentioned that with 'protection money', their sites are safe from police harassment. When queried, a spokesman from the Police Force did not deny this allegation. One government officer spoken to lamented that corruption within the government machinery is rife to the extent that it is 'safer for foreign workers to have money than passports.'
- ¹⁹ The Committee on Employment of Foreign Workers, Ministry of Human Resources will only recommend the issuance of work permits if the employer, among others, provide equal remuneration to local and foreign workers alike; see Lee and Sivananthiran (1995 p. 25).
- ²⁰ The convention stipulates that immigrants lawfully employed by the host country must be accorded treatment no less favourable than that which is extended to local people. For an elaboration of the Convention, see Warzazi (1986 pp. 43-45).
- ²¹ Encik Zainal Rampak of MTUC made this observation at the One Day Workshop on Foreign Workers in Malaysia organised by Universiti Malaya and the Institute for Policy Research held at Universiti Malaya on the 23 October 1996.
- ²² This information was revealed during an interview with officers of the Public Health Department within Malaysia's Ministry of Health.

- 23 Discussion with a few site managers supported this statement. Partitions in *kongsi* are removed to enable this practice to take place.
- 24 This information was revealed during interviews with various officers belonging to the Department of Occupational Health and Safety.
- 25 The Construction Industry Development Board was formed recently (December 1994) to oversee the general development of the industry.
- 26 This statement is made on the basis of comments delivered by several main contractors during interviews.
- 27 This impression gathered from the fieldwork is supported by the viewpoint of a SOCSO spokesman during an interview.
- 28 This information was revealed during an interview with officers of the Construction Industry Development Board.
- 29 Ostensibly some of the major contractors in Japan are vigorously looking into the possibility of using robotics and automation in the construction industry (Inoue, 1990). Bennett (1993) argued that research investments in this direction are merely to impress their giant manufacturing clients.

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