

# Investigation of Influencing Factors in Construction Labour Management of Indonesian Migrant Labour in Malaysia

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## Abstract

*Labour is one of important elements influencing continuity and good implementation of construction projects. Construction labours requirement of a country sometimes is fulfilled insufficiently by local labours. It makes labours from other countries required (migrant labours). Malaysian's construction sector is highly dependent on migrant labours, especially Indonesian labours. Therefore, this research is aimed to identify construction labour management problems and to elaborate existing condition of construction labours sent to Malaysia.*

*Data collecting have been done through interview and questionnaire to Indonesian Labour Service Firm (PJTKI) in Central Java which is still active sending construction labours to Malaysia. Data processing and analysis have been done by Structural Equation Modeling (SEM).*

*The research result identifies 4 main problems in construction labour management, they are : low quality, lack of skill training, poor policies implementation, and lack of coordination between institutions related.*

*Influencing factors to the success of Indonesian construction labour management among others are availability of human resource, skill trainings, training institute and policies of Indonesian construction labours working in Malaysia. The most influential factor to success of Indonesian construction labour management is policies of construction labours (T value = 2,381).*

**Key words** : construction labour, influencing factors, labour management

## 1. Introduction

Construction sector has a strategic role in the development of a country. Recently, construction sector is having rapid development and growth. This development influences the elements related to the requirements of construction service sector. One of them is labour. Labour is one of the important elements influencing continuity and good implementation of construction project (Agapiou, 1995).

Indonesia is a country having a great number of construction labours. Lack of employment in Indonesia makes construction labours attempt to look for job opportunity from other countries (Kasim, 2003). Malaysia is country which most requiring Indonesian construction labour. According to Abdul-Aziz (2001), there are 130.130 foreign labours in Malaysian construction sector, which 71,3% of foreign labours are from Indonesia. Based on skill level, more than 50% of Indonesian construction labours are categorized as unskilled labours.

In the future, Malaysian construction sector will lead to equipment/machinery usage in order to decrease dependency of foreign labours (Majid, 2007). Availability of job opportunity for foreign labours in the future is for skilled labours. Work skills are parts of work competence. However, work competence improvement will affect to wage rate and labour competitiveness (Furqan, 2007).

High quality labours will produce high quality goods and service (Simanjuntak, 2004). High quality labour is one of the keys to win competition in international market. In construction sector, we require good management to produce skilled labours. Construction labour management involved some factors, such as human resource availability, competence standard, policies and institution (Saleh, 2004).

This research is expected to offer a better management system, especially to increase competence standard of construction labours. Moreover, a better management also useful to increase competitiveness of Indonesian construction labours to fulfil Malaysian construction sector vacancy.

## 2. Material and Method

### Construction Foreign Labours In Malaysia

The impressive growth of the Malaysian economy in the 1980s and 1990s has been matched and often exceeded by the growth in the construction sector. Much of this growth has been achieved by employing migrant labours (Narayanan & Lai, 2005).

Malaysian construction industry is highly dependent on foreign labours. It takes almost 70 % of its workforce. Malaysian workers of Chinese descent were the primary source of labour in the construction sector until the early 1980s. The construction boom of the late 1970s and early 1980s resulted in a labour shortage at the prevailing wage rate (Gill, 1988). The fact that construction work was less permanent in nature and was carried out in trial conditions did not help induct new entrants. Matters worsened when employers were reluctant to make upward corrections in wages and terms of employment (Narayanan, 1992). Rather than raising wages in response to the shortage, employers resorted to using illegal immigrant workers from the neighbouring Indonesia around 1982. They were not only easily available, but were also less likely to be detected on account of their similarities to the predominant Malay community in Malaysia.

Regarding skill level, most of foreign labours at construction project in Malaysia are dominated by unskilled and semi-skilled labours. Indonesia and Bangladesh are most countries sending unskilled and semi-skilled labours at construction sector in Malaysia. The profile of foreign construction labour based on skills level is shown in Table 1.

Table 1 Skills Level of Foreign Labours in Construction Sectors

Country of origin	Number	Unskilled (%)	Semi-skilled (%)	Skilled (%)	Supervisor (%)	Total (%)
Philippines	1,160	8.3	41.7	41.7	8.3	100
Thailand	6,342	18.2	54.5	18.2	9.1	100
Myanmar	1,290	19.4	47.2	30.6	2.8	100
Indonesia	92,805	23.2	50.1	25.1	1.5	100
Bangladesh	26,484	33.6	47.4	17.5	1.5	100

(Source : Abdul-Aziz, 2001)

Unskilled labours should change by quality. Site operation can expect them to eventually master their work in time, provided they have sufficient willing to work and the desire of self-improvement.

### Indonesian Construction Labours in Malaysia

The Indonesian construction labours in Malaysia were largely uneducated, poor, and inexperienced in construction. However, they could work for meager wages and under harsh conditions (Gill, 1988; Azizah, 1988; Navamukundan, 1992). Once immigrant labours gain a foothold, the booming construction sector proved to be a strong magnet, drawing labours in huge numbers, both legal and illegal.

Generally, Indonesian construction labours in Malaysia begin their work as worker assistant or servant, then they get work specialization after working for 3 months. The work area of Indonesian construction labour are namely : worker assistant, carpenters, bricklayers, plumbers, plasterers and painter (Furqan, 2007). Percentage of this work area is shown in Figure 1.

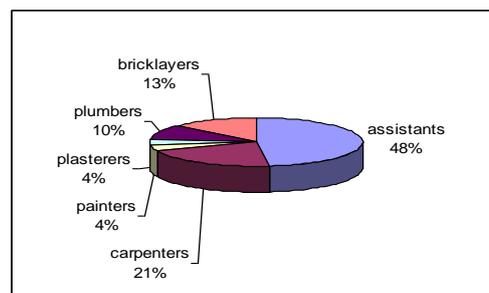


Figure 1 The Trades of Indonesian Construction Labours in Malaysia

(Source : Furqan, 2007)

Based on the above figure, 48% of Indonesian construction labours are unskilled labours, so they are placed as worker assistant. Generally, they don't have job experience in construction project and never participated in job skill trainings.

### Competence of Indonesian Construction Labour

Construction labour ability improvement requires sustainable assistance to produce high-quality labours. One of the steps of a good assistance is creating competence standard of construction labour skills in each trade (Saleh,2004). There are 4 important factors to get international recognition of competence standard, they are:

- a. Professional human resource in accordance to international job market demand
- b. Skill training process
- c. Profession training institution and accredited competence certification institution
- d. Regulation peripheral / policies

All factors are interconnected each other in attaining labours competence that must be fulfilled by country seeking job opportunity from overseas.

### Analysis Data Method

Data were collected through questionnaire survey. A five-point Likert type scale was used to rate the condition levels identified by the respondents; a rating of one condition is represented very low, while five are represented very good. Correlation between independent variable and dependent was analyzed by Structural Equation Modeling (SEM) method using software Smart PLS.

## 3. Result and Discussion

Based on data processing using Smart PLS, there are some parameter estimation factors in construction labours management. The following table presents data processing result covering subdivision of construct and indicator construct, loading factors, outer model and inner model.

### a. Construct and Construct Indicators

Variables are measured by a set of question to respondent and applied to measure unobserved variable. Each construct has indicator construct (manifest). Indicator construct in question form using Likert is scaled on 5 (five) answer categories. Construct and indicator construct shown at Table 2.

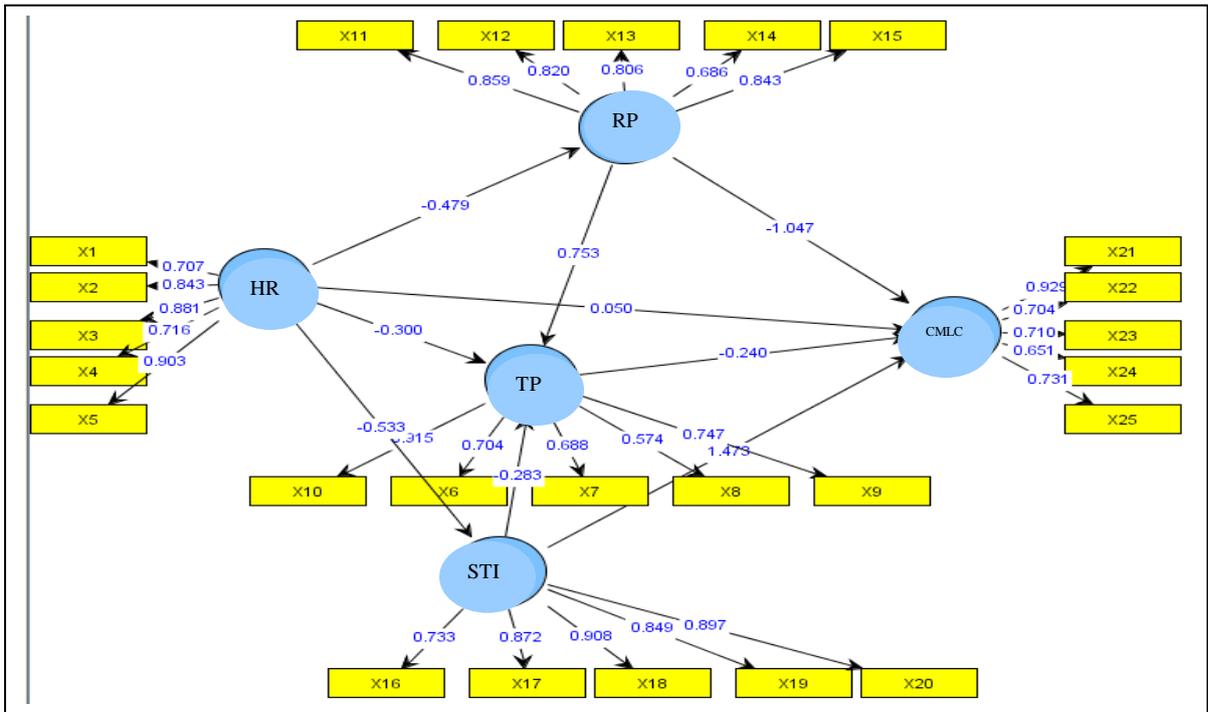
Table 2 Construct and Construct Indicator

Construct	Construct Indicators	Symbol
Human Resources	Education level	X1
	Job experience	X2
	Requirement completeness	X3
	Ability and skills of work	X4
	Work skills certificate	X5
Training process	Selection process	X6
	Training Curriculum	X7
	Training facility	X8
	Skills certification test	X9
	Application of skills training	X10
Regulation and policies	Competence standard regulation	X11
	Skills training organizer regulation	X12
	Skills training regulation	X13
	Wage rate regulation	X14
	Implementation of regulation	X15
Skills Training Institution	Training institutions function	X16
	Skills certificate application	X17
	Certification institutions	X18
	Training institutions coordination	X19

	Relationship with training institutions in Malaysia	X20
Construction labour management condition	Skills labour availability	X21
	Skills level	X22
	Wages rate	X23
	Demand level	X24
	User satisfaction	X25

**b. Loading Factor**

According to Chin (1998) an indicator is said to have good reliability if loading factor value is bigger than 0.70. Loading factor 0.50 - 0.60 can show a model of development stage. According to this criterion, all indicators in this research have fulfilled the criterion with loading factor value more than 0.50. Figure 2 show the result of loading factor value.



(Source : Data analyzed, 2008)

Figure 2 Loading Factor Result

**c. Outer Model or Measurement Model**

Outer model is seen from construct's composite reliability. Result of construct's composite reliability is shown in the following table.

Table 3 Composite Reliability

Construct	Composite Reliability
Human resources (HR)	0.907
Training process (TP)	0.851
Regulation & policies (RP)	0.902
Skills Training Institute (STI)	0.931
Construction Management Labour Condition (CMLC)	0.864

(Source : Data analyzed, 2008)

Each of construct in this research is reliable because of having composite reliability more than 0.8.

#### d. Inner Model

Inner model is applied to know correlation between construct with significance value and R-square value as shown in Table 4.

Table 4 *R-square Value*

Construct	R-square
Human resources (HR)	
Training process (TP)	0.483
Regulation & policies (RP)	0.230
Skills Training Institute (STI)	0.284
Construction Management Condition (CMC)	0.498

(Source : *Data analyzed, 2008*)

R-square value above explains construct variability as follow:

- Variability of training process construct can be explained by the value of Human resources, regulation and policies, and skills training institution constructs of 48,3 %.
- Variability of regulation and policies of construct can be explained by the value of human resources construct of 23,0%.
- Variability of skills training institute construct is explained by the value of human resources construct of 28,4%.
- Variability of construction labours management condition construct is explained by the value of human resources, training process, regulation and policies and also skills training institutions constructs of 49,8%.

Table 5 shows the significant correlation value between human resource, skills training process, regulation and policies and also skills training institutions with construction labour management condition.

Table 5 *Estimasi Parameter Model Struktural*

Construct	Original sample estimate	Standard deviation	T-Statistic
HR → CMC	0.050	0.146	0.343
TP → CMC	-0.240	0.233	1.032
RP → CMC	-1.047	0.440	<b>2.381</b>
STI → CMC	1.473	0.717	<b>2.054</b>

Source : *Data analyzed, 2008*

Based on correlation test of influence factors on construction labour management condition, there are 2 influential factors at significance level of 0.05 ( $T_{table} = 1.96$ ) : regulation and policies of construction labours ( $T_{table} = 2.381$ ) and skills training institutions ( $T_{table} = 2.054$ ).

Based on this result, government regulation and policies have strongly affected construction labours management condition. A good policies implementation will result good labour skills. Regulation of skills requirement and skill trainings of construction labours should be implemented more strictly.

Moreover, construction skills training institutions have correlation with condition of construction labour management. Construction skills training institutions should function more for skills training implementation. Indonesian skills training institution have to build relationship with labours users to accommodate Malaysian construction sector requirement.

## CONCLUSION

According to research result, there are 3 important points :

- The problems of management of Indonesian construction labours are namely low human resource quality of Indonesian construction labours sent to Malaysia, lack of skill training for Indonesian construction labours, poor policies implementation and lack of coordination among institutions related.

- b. There are 4 influential factors to the success of Indonesian construction labour management, they are : availability of human resource, skills trainings, training institutions and policies of Indonesian construction labours working in Malaysia.
- c. The most influential factor to the success of Indonesian construction labour management is regulation and policies of construction labours (T value = 2,381).

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