

Economic effects
labour shortages
have on construction
industry economics
essay



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Construction field is getting more essential around the world. Problem of labour shortage has bringing lots of consequences and economy of Malaysia will being the first signs of significant negative impacts of labour shortage. The major impacts such as construction costs increase, quality of work and the speed of construction will be slow down. In this era of welfare reform, we have to pay more efforts in attracting people into the construction so that can reduce their reliance on public support and thus lighten the burden of the state.

3. 2 Impacts of labour shortage in construction industry

After completed the research of factors that caused labour shortage, the next data will be collected is the research of impacts that bring by the labour shortage in construction industry. This problem has been arisen due to the construction development growth up in the moment. The research has been carried out through the internet research and the news that published on previous newspaper. The impacts are following:

3. 2. 1 Economic has been affected

It is well known that construction sector is one of the important sectors since the construction always had a certain position in Malaysia. Construction sector has generated large contribution and also created certain amount of financial sources to Malaysia. However, the problem of labour shortage makes the whole construction development has calm down and the output of the construction take it reducing. The problem has become more serious since there are no any investments or financial assistances get from the government and also the investors. At that time, they have no one can

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withstand for the high risk due to the insufficient labour will incurred a large amount of extra costs. In this case, the capability in earning profit in construction industry is become lower. Meanwhile, the whole construction progress will be slow down.

Since construction industry is an important sector to generate contribution to Malaysia, therefore the economic will definitely be affected due to the low tide of construction industry.

3. 2. 2 Construction cost increase

Since the construction industry has faced the problem of labour shortage, therefore the construction costs may definitely rise at the same time.

According to Sunrise Bhd managing director Datuk Michael Yam views the rising in construction costs can act as a major challenge to the construction industry. It consists of the higher labour costs, fuel costs, toll charges, utility bills and basic building material prices.

Some of the construction companies only have limited amounts of the labour so in case they are necessary to pay high wages in order to compete with other companies so that he can get more labour to work for their construction companies. Money can be the priority condition for everyone when he decides to work for his company. Therefore, the labour most probably will choose to provide their skills or techniques in the company who willing to pay higher.

For those who not understand to make the long-term plan for their company. They will hire the semi-skilled and unskilled labour to work for them because

they are not willing to pay higher to get the skilful labour. In fact, employ the semi-skilled and unskilled labour will created more troubles for the company. For example, the client is requires to pay extra cost during the construction period and also the Defects Liability Period (DLP) because once the work can't be done properly and not comply with the statutory requirements, all the works have been rejected then need to redo or repair to make it same as stated with the specifications. The chances of late completion also become higher. In contrast, the costs to hire a skilled labour basically will be worth and save more instead of hiring the semi-skilled and unskilled labour.

3. 2. 3 Low quality of work

Furthermore, the quality and productivity of the whole construction works will be affected due to the labour shortage. There are several construction companies that can't get the skilled labour during this critical situation. However, in order to catch up the progress of the construction projects, the contractors will be forced to employ the unskilled labour to replace the skilled labour. Since the unskilled labour is not an expert in the construction works, so most of the construction works are under low quality and thus arise the dispute between the contractor and the client because of the works do not reach to the standard requirements of client.

Due to this situation, contractors have been adopting the work Overtime (OT) method so he can make up for the late changes and projects delay. Unfortunately, the working time is too long so that the unskilled labour will indicate their laziness and tiredness. Eventually, it will affect directly on the quality of works.

Besides, the government has said that the project can't award to those contractors who have not enough of labour. As we know, the contractors that don't have enough of skilled labour are not allowed to join into future government projects thus will produce the bad quality of projects. Further to this, labour shortage problem is directly related with the quality of works.

3. 2. 4 Slow down the progress of construction development

In this event, the problem of labour shortage also will bring some effect on the speed of the construction progress. In the case of less skilled labour, normally the whole construction progress will be seriously affected. The unskilled labour is never been trained and without experience, thus he can't complete the works immediately and finally slow down the whole process. Another reason that makes the labour shortage happen and the construction progress will be slowed down is the client couldn't get the skilled labour even though they are expected and ready to pay more. Under this situation the developers will have no choice but to slow down the development and construction progress.

In addition, usually the unskilled labour will cause lots of troubles and extra costs. In this situation, there is less investor that is willing to take risk on construction sectors. Because of the insufficient financial assistances, the development and the construction progress can be affected. Moreover, majority of the unskilled labour is careless thus it can increase the rate of accidents that happen on site. The accidents that always happen on site will make the development and construction progress postpone.

3. 2. 5 Construction period has been delayed

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Due to the labour shortage in construction industry, it will cause the construction period have been delayed. Basically, if all the construction works and construction progress can run properly by following the schedule, it will not cause delay in construction. Construction period delayed due to the miscommunications between the contractor and unskilled labour. Because of unskilled labour never received any formal education so may have difficulties in communication between them.

Additionally, due to the more complicated project, the unskilled labour is not able to perform well since he works without skills and experience and they never being trained before. Unskilled labour can't complete the works based on the standard requirements of client so after inspection, the construction works have to redo and finally can't done within the specific period as well as affected the speed of construction projects. Once the project can't be done within the contract period, the contractor has to pay for the Liquidated Damages to the clients and start the restoration works during the Defects Liability Period (DLP). Therefore, it can directly affect the rate of construction progress.

Extra time in attracting the skilled labour also can be one the reasons that caused the construction period delay. In fact, the skill or a technique of a skilled labour is more powerful than an unskilled labour. Thus, skilled labour can do the works faster than unskilled labour. They can shorten the period of construction project. For example, the skilled labour can lay the 800 bricks per day but the unskilled labour can only lay 600 bricks per day. It means that the construction period has been delayed due to several activities.

3. 2. 6 Difficulties in controlling and managing

During the execution of project, the problem of labour shortage will give hardness in controlling and managing the time, cost and quality.

First of all, the time is difficult to under control and manages. As a contractor, he shall spend all the time in finding the skilled labour thus delays the construction time at site. By employing the unskilled labour, the construction time is not under control due to the difficulties in communication with the unskilled labour. They have to take some time so that only can understand the way to start the works and finally prolong the construction period. When the contractor has no enough skilled labour, it may not be able to complete the project on time. Besides that, the time is difficult to manage and distribute to all the labour due to the limited amount of unskilled labour in construction industry. According to Government Policy and research that published by The Sun on 20th February, 2009, the results of the survey revealed that a high proportion of complex construction projects are likely to be finished more than six month late, due to poor time control. In other words, there is a difficulty in control the time while the projects are complicated.

Further of this, the construction cost also difficult to control and manage because most of the unskilled labour may bring lots of problems and they may incur the extra costs. For example, the unskilled labour always provides the low quality of works and it may raise up the failure costs such as the costs of demolishing and rebuilding. In addition, the client has to pay more prevention costs into the projects such as the training to reduce the failure

cost and also the maintenance costs. Due to the large amounts of extra costs, contractor is having difficulties in controlling and managing problems. In order to employ the skilled labour, the client has ready to pay the higher wages in order to compete with other companies to attract more skilled labour to work for him.

Moreover, contractor is also having a problem in controlling and managing the low quality of works that produced by the unskilled labour. All the unskilled labour is not experts so that their works can't be guarantee as a high quality of works. The low quality of works without comply with the standard requirements may also make trouble to the contractor. Thus, it will make the contractor hard to control the quality.

Solutions to solve the problems of labour shortage

3. 3 Introduction

Furthermore, I will discuss the solutions that overcome the problem of labour shortage in construction industry. The solutions and strategies are include the extension of retire age; modify the construction method, more training and etc. The current efforts undertaken are to raise the image of construction industry and make work in construction industry more attractive to labour.

3. 4 Solutions to solve the problems of labour shortage

MBAM has suggested several remedy measures to the government in order to improve the efficiency and sustainability of the construction industry. They

are several ways to solve the labour shortage problem. Each of that has different degree of effectiveness.

3. 4. 1 Improves the working condition

According to the Gerald Sundaraj, Construction Industry Development Board (2006), the Seven Strategic Thrusts said that a respectable image of the industry will attract more locals to join the industry leading to a reduction of repatriated funds by foreign workers. According to 2008 Labour Shortage Action Plan, it stated that the perceptions of the industry as a major barrier to attracting the participation of labour.

Firstly, the construction industry can try to minimize any disturbance or negative environment impacts such as noise, debris and etc in order to provide a good working environment which is conducive to health and safety. As an employer, he may emphasize in providing a safety working condition thus reducing the risk of get injured. Concurrently, construction industry necessary to provide the safety elements such as gloves and devices that can protect the eyes and even the mouth.

3. 4. 2 Extend the retirement age

According to the chairman Datuk Lam Wu Chong, New Straits Times, 22nd February 2010 said as the most experienced phase of a person's life was between the ages of 55 and 65, the private or government agencies need to take full advantage on this human resource. This policy allows them take part in construction and thus they can live in a more high- value of life. It is also an effort to extend their working lives in the labour force.

As we know, the above observation has shown that there are many parties are tried to retain their staff of age 55 and above. They have full experiences and the capability on doing a job still high in level. In addition, majority of them can work as consultant for construction and they do not get paid. Although they are old, they still can supervise and pass their skills to the younger generation which fresh graduated and work in the construction industry so that it can avoid the labour shortage problem arise in the future.

3. 4. 3 Reduce the number of foreign labour

For Malaysia as a whole, there is relying heavily on the foreign labour. According to Dr S Subramaniam, Malaysia's Human Resource Minister said that the efforts are not only to ensure we can have zero foreign labour but just wan try to minimize the needs by improving some systems such as the automation, recognition and make sure the wages come into a reasonable level so that can attract those local labours work in construction sector.

So that local labour can get more chance to work in construction industry without compete with those lower paid foreign labours. In order to improve the productivity and reduce the reliance on foreign labour, there are several of government policy that can be launched such as raising the levies and enhance the quality of Malaysian workforce.

As announced by the Chairman of the Cabinet Committee on Foreign Labour and Illegal Foreign Workers Dputy Prime Minister Tan Sri Muhyiddin Yassin, government try to reduce the dependency on foreign labour by raising the levies beginning next year. The Construction Industry Development Board

(CIDB) has been tasked to train Malaysian workers to take over construction works in the country in order to reduce dependency on foreign labour.

Government also decides that the period of the working permission for unskilled foreign labour to stay in Malaysia shall not more than 5 years and the skilled foreign labour can only stay for maximum 10 years. Besides, employer has been forced to hire local labour at reasonable wages so it can reduce the reliance on foreign labour. Once there are more labour join in the construction industry, the problem of labour shortage can be decreased.

3. 4. 4 Attract the young generations

The young generations will be the next skilled trade labour in construction industry. According to Master Builders' Association of Malaysia (MBAM) president Patrick Wong said the MBAM would like to appeal for immediate approval to be given for skilled labours especially engineers. They have been given the permission to serve the construction industry and alleviate shortage of skilled construction workers at once. He also recommends that the only way to fill up vacancies in construction is to train the graduates, who will contribute towards the growth of the industry.

As my opinion, schools shall provide some interesting teaching methods and materials in the easier way so the students can know more in depth about the construction works. Further to this, there are some practical class should also provide to the students to let them acquire some vocational skills to ease their entry into future job market. So-called, wit bought is better than wit taught.

3. 4. 5 Use more advanced and simplifies the construction method

In 2010, it was a year that technology is become more efficiency and productivity. Majority of the contractors have put it on top of the priority list. There is significant value to be taken for the construction industry if technology could be more effectively thus improve the construction productivity. According to CIDB, innovate through the research and development and adopt new construction method is benefit for the construction industry.

In this situation, government has decided to promote to use the pre-fabricated materials in construction industry. According to CIDB, Industrialised Building Systems (IBS) is a construction process that utilises techniques, products, components, or building systems which involve prefabricated components and on-site installation. IBS can be said as an alternative approach of construction that will change the scenario of the current local construction industry towards a systematically approach of mass production of construction materials. The advantages of IBS are the reduction of labour, less wastage and increase the construction site cleanliness and better quality control. According to Works Minister Datuk Seri S. Samy Vellu said that the demand side of the implementation of IBS is part of the Government's initiatives to cater. It is an effort to reduce dependency on workers in the construction industry. He also said that the CIDB has been tasked to set up a company to promote the usage of IBS, where a building would be constructed or assembled using standardised and modularised components either on-site or off-site.

During the period of practical training, I found that there was another useful construction method which can shorten the period of construction time and reduce the number of skilled labour needed. There was tunnel form which is a type of formwork system that allows them to cast walls and slabs in one operation in a day.

As a conclusion, the implementations of new technologies and simplify the construction methods are effective in reducing the number of labour in construction industry.

3. 4. 6 Training and advancement

According to the CIDB, Local Construction Personnel stated that the labour must upgrade their skills or techniques in order to suit the needs of the technology applied in construction methods, so that can remain reasonable level to the construction process. Besides that, government has emphasised a plan focus on information communications technology, education and training system for construction labour. According to the MBAM report, the government policy shall concentrate on the system of apprenticeship to encourage the process of transfer from unskilled labour to skilled labour can be carried out properly.

First and foremost, we are suggested to playing an important part in providing the different types and level of training to the skilled and unskilled labour. So that they can build up their own experiences and qualifications in order to suit the client's needs. The labour have been trained can obtain and place their skills in the appropriate projects thus the degree of satisfaction by clients can be improved.

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The objectives of the training are given the opportunity to the labour to learn about the basic construction skills and techniques such as the usage of tools and equipments, safety and health conditions and also the operations of the machinery. Training can reduce the dependence on foreign labour and the labour can upgrade their skills through training time by time. The advantages for the construction companies are they can acquire the right construction manpower by contribute a small amount of financial to the training system. In addition, the productivity and the number of skilled labour are relatively become higher due to this training system.