

## Amicable solution seen for foreign labour issue

KUALA LUMPUR: The issue of foreign labour shortage is not seen as a massive headwind for the construction sector, especially with the government's commitments to assist industry players with the relaxation for hiring from other source countries, according to MIDF Research.

The research unit is also optimistic that the issue of hiring freeze from Indonesia can be resolved amicably between both governments.

MIDF Research pointed out that further factors for its optimism include manageable cost headwinds and the potential rollout of infrastructure projects in Malaysia, with positive developments being driven by the upcoming Mass Rapid Transit 3 (MRT3) tender awards in the fourth quarter of 2022.

On Monday, the government announced that three industries – construction, manufacturing and services – would be allowed to hire foreign workers from all 15 source countries.

The Home Ministry's website lists the 15 countries as India, Thailand, Cambodia, Nepal, Myanmar, Laos, Vietnam, the Philippines, Pakistan, Sri Lanka, Bangladesh, Turkmenistan, Uzbekistan, Indonesia and Kazakhstan.

MIDF Research said this is on top of the approval given to a proposal by the Construction Labour Exchange Centre Bhd, an organisation under the Construction Industry Development Board, to fully manage the entry of foreign construction workers involving more than 100 people.

"This will provide much relief for the construction sector, which has been plagued with the issue of labour shortage, triggered by the movement control orders in 2020 and 2021 that saw many foreign workers returning to their originating countries, including those that caught their employers off guard by fleeing illegally," it said.

MIDF Research added that Indonesian construction workers are generally preferred as they are higher skilled.

"Since that option is off the table now with the temporary hiring freeze by Indonesia, we believe that the next in line in terms of preference will be workers from Bangladesh," it said.

The construction industry currently needs about 600,000 foreign workers as industry players ramp up their operations with the reopening of the economy and as they gear up for upcoming infrastructure contract rollouts.

Pre-Covid, the construction sector's number of filled jobs peaked at 1.31 million people in the fourth quarter of 2019.

This dwindled to 1.22 million people as of the first quarter of 2022, a reduction of 6.8% or 88,600 people, according to the **Statistics Department's** quarterly employment statistics.

A shortage of labour causes delay in work progress, which may lead to penalties or Liquidated Ascertained Damages claims.

Contractors have no recourse in these situations.

MIDF Research said despite the lack of foreign workers in the industry, some companies are comfortable with their current workforce levels as their ongoing projects do not require a huge number of labour while other companies have immediate need for workers.

“Sunway Construction Group Bhd (SunCon), for example, had earlier obtained the necessary approvals from the authorities and have paid all the levies and agency fees for about 400 workers, mainly from Indonesia.

“This, in our view, would not be a problem even with the current freeze in place,” said the research unit.

MIDF Research maintained its “positive” call on the construction sector.

It continues to favour companies with robust balance sheets that will give them the headroom for upfront financing requirements such as in MRT3 and for future highway projects where the government will no longer provide financial assistance.

Its top picks for the construction sector are Gamuda Bhd (“buy”, target price or TP: RM4.02), IJM Corp Bhd (“buy”, TP: RM2.18) and SunCon (“buy”, TP: RM1.87).

The research unit also advocated that it is timely for the construction sector to seriously adopt labour-saving technologies including automation with a long-term view of reducing the reliance on low-skilled foreign labour.

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