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Research paper

The Socio Economic Impacts of the Foreign Workers on the Community of Pengerang, Kota Tinggi

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Abstract

The RAPID Project that belongs to Petronas and its overflowing activities are able to create thousands of job opportunities. The challenges in meeting the needs of workers have forced the involved contractors who have been hired by Petronas to employ foreign workers due to lack of local workers. The influx of foreign workers indirectly has affected the local community in a negative way. Hence, a specific study on the influx of the foreign workers from various countries and the impact onto the local community was done. The population of this study was divided into two major groups which were 11 organizations representing stakeholders of the project, and nine villages which were affected by the PIPC development; seven were from Taman Bayu Damai and two were from the area of Pengerang, they were Kg. Sungai Rengit and Kg. Punggai. This study was divided into two major phases which were first, the qualitative phase and the second, was the quantitative phase. A survey questionnaire and interview were employed as the instrument of study. Based on the aspects of economy, findings showed that generally, the residents had negative perception on the influx of foreign workers in Pengerang.

Keywords: *Foreign workers; Socio-economic impacts; RAPID Project*

1. Introduction

As Malaysia gears toward a high income nation by the year 2020, the government formulated twelve National Key Economic Areas (NKEAs) and one of them was specifically dedicated to oil and gas sector. Pengerang Integrated Petroleum Complex (PIPC), one of the major initiatives under the above said NKEA was built in order to drive the nation's economy and transform Malaysia into one major petroleum hub in Asia. Among the efforts that have been established is to enhance the number of major international agencies in oil services as to encourage more international collaborations among them. The mega oil refinery plant, named Refinery and Petrochemical Integrated Development Project (RAPID), is listed under the Pengerang Transformation Project and is expected to achieve completion by early 2019. It is now in the first phase of its execution with the development of oil storage terminal on a 202 hectare land area. The multibillion ringgit RAPID is executed by Petronas in Southern of Johor and has been widely lauded as the answer to is the huge demands of energy and petrochemical products especially in Asia for the next 20 years.

Petronas has invested RM89.3 bilion to develop PIPC in which RM53 bilion has been invested in RAPID and RM36 bilion has been allocated for development of supporting facilities and relevant infra-structures. Other than RAPID, PIPC also has facilities such as The LNG Regafication Terminal, The Air Separation Unit, The Raw Water Supply (PAMER) for Product Tank and Raw Oil project as well as other shared and centralized utilities.

Therefore, the sheer scale of Petronas RAPID project is expected to create thousands of job opportunities. To begin with, approximately 70,000 workers were needed during the initial stage of the construction and the development of the refinery facilities, petrochemical plants and related infra-structures. The challenges in meeting such sudden huge need for workers have forced Petronas RAPID appointed contractors to employ foreign workers in order to meet the labour shortage. However, the influx of foreign workers indirectly brought negative effects onto the local community. Therefore, specific research is crucial in studying the impact of sudden high influx of foreign workers into a small town like Pengerang.

2. Past Studies

Employment of Foreign Workers Program has been implemented in several countries. For example, the H-2A program [1] has enabled employers from the agriculture sector to employ foreign workers to work seasonally or temporarily in this sector. Hence, the influx of foreign workers (skilled, partially skilled or unskilled) in Pengerang is expected to happen due to the operation of PIPC. At the moment, there are two millions foreign workers who are registered and another three millions who are not [2]. Hence, the percentage of foreign workers is the biggest among the workforce of Malaysia.

The issue of the influx of foreign workers and the ability to integrate them with the local labour market has been a policy debate in Malaysia [3].

There are positive and negative aspects of the foreign workforce. They are involved in the agriculture, construction and manufacturing sectors. While Malaysia is depending on these foreign workforces to sustain the growth of the nation's economy, lately the influx of these workers has created serious problems and has begun to impact the nation [4]. The impacts include onto the nation's socio-economy where Malaysian currency substantially flows to foreign countries and the increasing number of crimes which include human trafficking [5]. The study on the impacts of foreign

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workforce is not something new in Malaysia even though they are not frequently published.

There have been many researchers who have studied the impacts of foreign workforce [6-8]. Among them is the study titled The Effect of Palestinian Foreign Workers onto the Israel's Labour Market [9]. [10] studied the pattern on and the implication of penetration foreign workers into Malaysia. The integration of the foreign workers into both countries have clearly affected the countries' foreign policy and national security [11].

Nonetheless, the implications of the presence of the foreign workers are not only restricted to the issue of integration. The issue of national security must be analyzed with the influx of the foreign workers who are less educated or have different level of education than the locals. Foreign labours who are from a poor and isolated nation can bring negative effect to our country especially in term of national security should the existing integration policy is not working or unsuccessful. Hence, the association between the security measures and the integration of the foreign workers is crucial.

In Malaysia, the presence of unskilled foreign workforce is seen to alleviate the salary inequality through the payment of lower salary to the less skilled workers [3]. In the social perspective, the related problem among the foreign workers started with the inequality of treatment in terms of the job terms and terrible workplace received by the unskilled labourers.

In a positive angle, our country has gained advantages from the skilled foreign workers and they have contributed to our economy. The foreign workers have assisted in developing many infrastructures and systematic transport system. They have accomodated the lack of workers in the plantation sector, including the oil palm plantations which contributes to the national income of RM65 millions per annum. To sustain this income flow, it is essential for the foreign workers to work in this country (Petronas RAPID Project, Southern Johor, Malaysia). Through the cooperation with several high performance companies, technology transfer and knowledge transfer have occurred due to the hiring of foreign workforce.

There are also quarters who associate the presence of foreign workers with the increasing of crimes or the epidemics of infectious diseases. Even though these are not easy to be confirmed, the terrible conditions that some of the foreign workers are facing can easily and undeniably lure them into committing crimes. Thus, the increasing number of crimes is often associated with the influx of foreign workers. Beside, so far there has been no study conducted on the epidemics of infectious diseases due to the influx of foreign workers. Therefore, it is high time for this study to be conducted to determine the impact of the presence of foreign workers onto the local community in the Pengerang area.

3. Methodolody

This research was divided into two major phases, which were the qualitative phase and quantitative phase. The qualitative phase involved face-to-face interviews and observations which were conducted among the stakeholders of this study, the involved areas and among the local community members.

The quantitative phase involved the employment of questionnaire among the local community members who were involved and those who were affected in the development of the Pengerang Integrated Petroleum Complex (PIPC).

3.1. Population and Sampling

The population of this study was divided into two major groups. The first group represented eleven organizations who are the stakeholders as shown in Table 1. The second group consisted of nine villages that were affected by the development of PIPC. Seven of the villages are relocated in Taman Bayu Damai and two others are Kg. Sungai Rengit and Kg. Punggai as illustrated in Table 2.

3.2. Stakeholders

This study had the cooperation from 15 organizations which were government bodies, private firms and non-government organizations that were the stakeholders in this research as depicted in Table 1.

Table1: List of Stakeholders

No.	Stakeholders
1	District Officer
2	Chief Assistant District Officer
3	Assistant District Officer
4	Assistant District Officer/ Pengerang Small District Land
5	Chieftain of *Mukim Pengerang* and East Coast
6	Chieftains of villages (In the Pengerang area)
7	Residents' Representatives
8	District Chief of Police
9	Pengerang Chief of Police
10	Sg. Rengit Chief of Police
11	Immigration Officer
12	Health Officer
13	Johor Petroleum Development Coroporation Berhad (JPDC)
14	Pengerang Integrated Petroleum Complex (PIPC)
15	Refinery and Petrochemical Integrated Development (RAPID) Petronas

3.3. Populations of Villages

The sample of populations of the villages was randomly selected based on the number of villages that was suggested in the meeting held between the researchers and chieftains of the villages and also the Village Development and Security Committee (JKKK) on 23rd October 2016. Nine representatives of the villages had agreed to participate in the field survey which was the face-to-face interview conducted on 4th December 2016. Two hundred and eight residents were involved and successfully interviewed and answered the questionnaire given.

Table 2: List of Selected Villages for Field Survey

Area	Name of Villages
Taman Bayu Damai	Kg. Batu Mas
	Kg. Sebung
	Kg. Jawa
	Kg. Langkah Baik
	Kg. Telok Empang
	Kg. Sg. Kapal
	Kg. Transit
Others	Kg. Sg. Rengit
	Kg. Punggai

4. Findings

The respondents of this research were the residents of the villages in the Pengerang area. In this study, 218 residents answered the given questionnaire and were face-to-face interviewed. The majority of the respondents which was 68.8% was male and there were eight respondents who did not state their gender as shown in Table 3.

Table 3: Respondents' Gender

Gender	Number	Total	Percentage (%)
Male	143		68.8
Female	57	208	27.4
Not stated	8		3.8

Figure 1 shows the distribution of residents who were studied according to the five zones which were Zone 1: Kampung Mas, Kampung Jawa and Kampung Sebung with 63 respondents (30.2%), Zone 2: Kampung Teluk Empang, Kampung Langkah Baik and Kampung Sungai Kapal with 77 respondents (37%), Zone 3: Kampung Sungai Rengit with 20 respondents (9.6%), Zone 4: Kampung Transit with nine respondents (4.3%) and Zone 5: Kampung Punngal with 39 respondents (18.8%).

Zone	Involved villages	Number	Total	Percentage (%)
1	Kampung Mas	13	63	6
	Kampung Jawa	26		13
	Kampung Sebung	24		11
2	Kampung Teluk Empang	33	77	16
	Kampung Langkah Baik	30		14
	Kampung Sungai Kapal	14		7
3	Kampung Sungai Rengit	20	20	10
4	Kampung Transit	9	9	4
5	Kampung Punggai	39	39	19

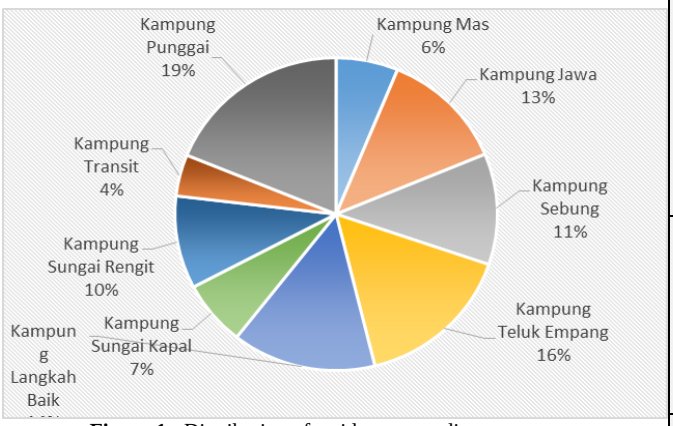


Figure 1:. Distribution of residents according to zones

4.1. Economy

In the aspects of economy, there were six issues studied. They were the increase of house rental rate, the emergence of new business, business by the foreign workers, job loss and unemployment, sales increase rate and selling and buying of controlled goods. Respondents were required to state their agreement or disagreement on the influx of foreign workers had influenced the mentioned issues. Figure 2 illustrates the respondents' responses on the economy aspects.

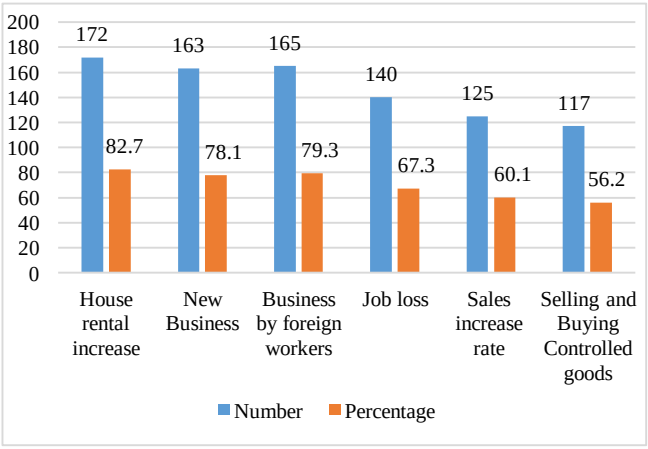


Figure 2:. Respondent's responses on the economy aspects

With the presence of the foreign workers in the Pengerang area, the rising rate of the house rental was the effect that was felt most by the respondents. This was agreed by 82.7% of the respondents. This was also the negative effect that was observed by the Chairman of PERKASA of the Pengrang Parliament, refer to Table 5. The presence of the foreign workers was said as not only causing the rising of the rate of the house rental but also causing the rise of the prices of daily goods as stated by the District Officer 1 of Kota Tinggi, The Leader of Sungai Kapal UMNO Branch, members of PERKASA and the Kota Tinggi District Council officer as in Table 5.

Table 5: Statements Made by Stakeholders on the Rising of the Prices of Daily Goods and House Rentals

Theme	Statement	Stakeholders
Rising of prices of daily goods	"If we see, the prices of goods are increasing. When all are increasing, the price of food is also increasing. Then, the illegal traders (referring to tranders without license) are increasing in numbers. This affect the prices of food (referring to the increasing prices of food)"	Officer 1
	"In the angle of economy, this results in the rise of prices of daily goods. The prices of foods are also increasing"	Officer 2
	"From a negative angle, the cost of living is increasing due to the rise in the prices of food and services"	NGO
Rising rate of house rental	"...then the rise in the prices of daily goods.. house rental and house price are also increasing...till now everything is increasing.."	NGO
	"Emm, the house rental is increasing, the price of goods is rising.. all are increasing"	JKK member
Rising of prices of daily goods	"If we see, the prices of goods are increasing. When all are increasing, the price of food is also increasing. Then, the illegal traders (referring to tranders without license) are increasing in numbers. This affect the prices of food (referring to the increasing prices of food)"	Officer 1
	"In the angle of economy, this results in the rise of prices of daily goods. The prices of foods are also increasing"	Officer 2
	"From a negative angle, the cost of living is increasing due to the rise in the prices of food and services"	NGO
Rising rate of house rental	"...then the rise in the prices of daily goods.. house rental and house price are also increasing...till now everything is increasing.."	NGO
	"Emm, the house rental is increasing, the price of goods is rising.. all are increasing"	JKK member

However, 163 respondents (78.1%) agreed that new business exist due to the presence of the foreign workers in the Pengerang area. For example the number of businesses such as grocery stores, clothing stores and telecommunications has flourished. Based on the interview conducted, a member of an NGO agreed that the existence of the new businesses and the flourishing number of these businesses are due to the presence of the foreign workers as seen in Table 6. More than half of the respondents (60.1%) agreed that the projects in the Pengerang area had increased the sales among the local traders. This finding was supported by a member of an NGO, the Chairman of a musolla, a chieftain of a village and a treasurer of a village's JKK as depicted in Table 6.

Table 6: Stakeholders' statements on the existence of new businesses

Theme	Statement	Stakeholder
Existence of new businesses	"Business is increasing, including of new job and business such as self service laundry..what else ya...the uniform supplier store, work load is increasing, the number of food outlets and restaurants is inreasing and telecommunication stores are also on the rise"	NGO member
Increasing of sales	"Traders are making more profit as there are more buyers"	Chairman of musolla
	"Positively, this project provides opportunities for local business to flourish"	Chieftain of a village
	"There is an economy development when this project begins"	Resident of a village
	"Beside, it can enhance the economy activities of local residents because when we see that the population is inreasing, the number of customers is also increasing. So, this can help the local traders"	NGO member

Nonetheless, the existence of the new businesses by the foreign workers had also made the local residents felt worried. A large percentage of the respondents (79.3%) said that the businesses were conducted by the foreign workers. According to the health officer interviewed, there had been a large number of unregistered stores selling medicines that were managed by foreign workers in Pengerang. The selling and buying activities in these unregistered stores may bring negative implications onto the health and the well-being of the consumers. This worry was stated by a health officer during an interview with him. He stated:

"*The large number of unregistered stores selling medicines which are brought in from foreign lands which we called them "over the counter', are rising*." (Health Officer)

Nevertheless, many respondents (44.7%) stated that foreign workers who were doing businesses had their licenses as shown in Figure 3.

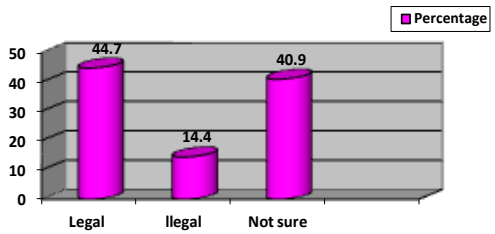


Figure 3:. The status of foreign worker's business

In addition, 140 respondents (67.3%) agreed that the projects in Pengerang had caused the local workers to lose their jobs or the chances for them to be employed became slim. This was obvious when more than half of the respondents (56.2%) agreed that foreign workers were taking the opportunity to sell or buy controlled goods such as rice, sugar or cookinh oil as stated by the committee member of a political party.

"*...these foreigners are opening grocery stores at large*." (Committee member of a political party).

However, many of the respondents (51.9%) disagreed that the lack of supply of daily goods was caused by the foreign workers. In other words, the supply of daily goods was perceived as being enough for the local residents as shown in Figure 4.

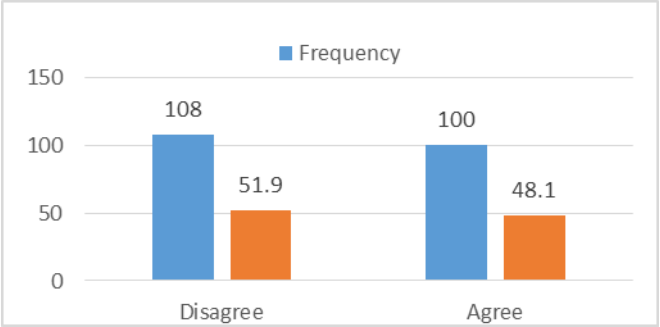


Figure 4:. Respondent's perception of lack of daily goods supply

5. Conclusion

In the aspects of economy, generally, the local residents had negative perception on the presence of foreign workers in Pengerang. Among the negative effects that the local residents raised were the increasing rate of house rental, the increasing prices of goods, the flourishing businesses run by the foreign workers in which these workers were said to run businesses that involved the controlled goods such as rice, sugar and cooking oil.

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