

## **MENANGANI ISU KEBERGANTUNGAN YANG TINGGI TERHADAP PEKERJA ASING MELALUI PELABURAN SUMBER MANUSIA: ULASAN KARYA**

**Rozila Bt Ahmad, Che Su Bt Mustaffa, Nurhazani Bt Mohd Shariff, Noor Azimin Bt Zainol, Jasmine Zea Raziah Radha Bt Rashid Radha & Roshita Bt Abdul Razak**

Fakulti Pengurusan Pelancongan, Hospitaliti dan Acara, Universiti Utara Malaysia, Sintok, Kedah  
rozila@uum.edu.my

### **ABSTRAK**

*Banyak hotel telah menggaji buruh asing disebabkan kekurangan buruh dan peningkatan kos buruh. Namun begitu, beberapa hotel lima-bintang terus menggaji pekerja tempatan. Walaupun buruh asing membantu mengisi kekosongan jawatan yang tidak diingini, banjir buruh asing membahayakan ekonomi, ketenteraman sosial, keamanan negara dan kestabilan politik di Malaysia. Makalah ini mengulas karya mengenai tenaga kerja asing, pelaburan modal insan dan ganjaran. Kajian lepas mendapati bahawa latihan kemahiran kerja yang dirancang dan dilaksanakan dengan baik dapat meningkatkan keuntungan korporat dan nilai saham kerana peningkatan modal insan dapat meningkatkan kepuasan pelanggan. Modal insan boleh ditakrifkan sebagai pengetahuan, pengalaman, kecekapan profesional dan keupayaan kognitif pekerja. Pelaburan untuk meningkatkan modal insan adalah penting kepada firma perkhidmatan yang menyediakan perkhidmatan tersuai, dan bersaing berdasarkan perkhidmatan. Untuk menjamin pelaburan mereka, hotel mewah menyediakan pelan ganjaran berkesan yang turut memastikan ekuiti dalaman dan luaran.*

**Kata kunci:** *Pelaburan Sumber Manusia, Modal Insan, Latihan, Ganjaran, Hotel*

## **ADDRESSING THE ISSUE OF HIGH DEPENDENCE ON FOREIGN LABOURS THROUGH HUMAN RESOURCE INVESTMENT: A LITERATURE REVIEW**

**Rozila Bt Ahmad, Che Su Bt Mustaffa, Nurhazani Bt Mohd Shariff, Noor Azimin Bt Zainol, Jasmine Zea Raziah Radha Bt Rashid Radha & Roshita Bt Abdul Razak**

School of Tourism, Hospitality and Event Management, Universiti Utara Malaysia, Sintok, Kedah  
rozila@uum.edu.my

### **ABSTRACT**

*Due to labour shortages and increasing labour cost, many hotels have employed foreign labour. However, some five-star hotels continue to employ the local workers. Although the employment of foreign labour helps to fill job vacancies, the over flooding of foreign labour is detrimental to Malaysia's economy, social tranquillity, national peace and political stability. This paper reviews articles on foreign labours, human capital investment and compensation. Past studies found that a well-designed and implementation of job-skill training improves corporate profits and create shareholder's value as increased human capital leads to customer satisfaction. Human capital refers to employee's knowledge, experience, professional competency and cognitive ability. High investment in human capital is essential to service firms that provide customize service and seek to compete based on their services. To secure their investment, luxury hotels provide an effective compensation plan that includes internal and external equity.*

**Keywords:** *Human resource investment, Human capital, Training, Compensation, Hotel*

## **Introduction**

Labour shortages in the hospitality industry persists despite the increasing number of hotel schools. As the result, many hotels have employed foreign labour. The increasing labour cost due to minimum wage implementation has further increased the preference of employing foreign workers in the hotel industry (Ahmad, Scott & Abdul-Rahman, 2016). Malaysia has been relying on foreign workers to fill up the vacancies especially for jobs that the local citizens are not willing to participate (Ajis, Keling, Othman & Shuib, 2014).

Different from the local workers, foreign workers are not strongly bind by social obligations such as the need to spend time to educate growing children and to care for old and sick parents. The foreign workers obligation is to send money to their loved ones in their homeland. Thus, the foreign workers are perceived to be more productive compared to the local workers (Ahmad et al., 2016). The foreign workers are willing to work for more than eight hours and are readily available whenever needed. Furthermore, the foreign workers are more committed because the salary they earned in Malaysia is more attractive compared to what companies in their homeland can offer (Shariff & Abd-Ghani, 2016).

In addition to high productivity, the employment of foreign workers also allows for labour cost saving even though the unskilled foreign workers are also covered by minimum wage legislation. While some unskilled foreign workers are employed on contract basis, some hotels outsource the employment of foreign workers. Therefore, the hotels do not have to worry about the foreign workers salary increment, fringe benefits and career development. However, the over flooding of foreign workers especially those who are unskilled, if continued and without control, can bring a negative impact to Malaysia's economy, social tranquillity, national peace and political stability (Ajis et al., 2014). This highlights the need to take into account factors to motivate the locals to fill vacancies in the hotel industry. Some luxury hotels in Malaysia continue to employ local workers due to their concerned about service quality. Generally, luxury hotels invest on human resources to increase their human capital by training and then, retaining their knowledgeable, skilled and experienced employees using a competitive compensation plan (Ferrary, 2015; Willie, Connor, Sole, Forgacs, Grieve & Mueller, 2017).

## **Literature Review**

### **Foreign Workers in Malaysia**

Malaysia had rely on migrant workers to ensure high economic growth since the 1970s. In 1991, a Comprehensive Policy on the Recruitment of Foreign Workers as a temporary measure to overcome labour shortages was introduced, and in 2010 there were 1.9 million foreign workers in which 10 percent of the foreign workers are employed in service sector (Nah, 2012). The entry of foreign workers into Malaysia does not only fulfil the demand of workers needed in this country, but they also have helped the country's economic growth due to increased productivity (Ajis et al., 2014). Foreign workers are temporary measure to overcome labour shortage (Nah, 2012). Thus, it is crucial for hotels to find factors that will attract, develop, motivate and retain local workers.

The foreign workers fill up job vacancies especially the ones that the local citizens are not willing to participate in due to the nature of work and the salary paid (Ajis et al., 2014). Among them are jobs as back liner in the hotel industry where not many Malaysians are willing to work (Md-Salleh, Abdul-Hamid, Hashim & Omain, 2010). Thus, in the hotel industry foreign workers are employed to work as the steward and cleaner but not as the front liner such as waiter and front office staff. Besides the nature of jobs, other requirement of foreign workers are: the age of foreign workers must be between 18–45 years, they are allowed to work for up to five years, after which they must pass a skills test in order to stay on as a skilled worker, and they cannot change jobs (Nah, 2012).

Employers in the hotel industry claimed that they are forced to employ foreign labours in order to increase productivity even though their initial employment would cost the employers more (Ahmad et al., 2016). To hire foreign workers, employers must gain approval from the Immigration Department of Malaysia in advance. The employers are required to pay for foreign labour levy and the

fees for processing working permit and visa (Teh, Sum & Lee, 2015). In addition, the permits are issued for a specific job (Nah, 2012).

### **Human Capital Investment**

Organizations, especially hotels should invest on human resources in order to remain competitive. Human resources is the most crucial asset of an organization because its performance largely depends on the quality of its human resources (Mohammed, Mitho, Jariko & Zehri, 2013). According to Warech and Tracey (2004), studies have demonstrated the causal connection between people management and shareholders value. Acknowledging the importance of human resources, training costs is addressed as human resource investment (Mohammed et al., 2013). The significance of training is supported by Warech and Tracey (2004) who argued that human resources management constitutes a mixture of practices but only some create value for money. The authors' re-evaluation of human capital value discovered that among a varieties of human resource practices, it is solid human capital management that improve corporate profits and create shareholder value.

Human capital is characterized by individual employee's training, education, experience, knowledge, intelligence, competencies and creativity which allows for a broader range of opportunities (Felicio & Couto, 2014; Ferrary, 2015; Gates & Langevin, 2010). Based on Felicio and Couto (2014), human capital is made up of four constructs; knowledge, experience, professional competency and cognitive ability. Knowledge is composed of academic level and specific training. Experience is composed of business experience, leadership experience, technical / technological work experience, commercial work experience, industry experience and diversified experience. Professional competency is composed of professional competency in technical / technological area and company management, communication skills and widespread knowledge. Cognitive ability is composed of decision making, ability to innovate, perception of risks and threats, and discovery and exploitation of opportunities. Increasing number of industries depends on the use of qualified human capital for competitive advantage (Ferrary, 2015). A number of studies find that the variables of human capital are consistently positively related with organizational performance (Felicio & Couto, 2014; Walsh, Enz & Canina, 2008). To measure firm performance, Walsh et al. (2008) obtained an annual income statement of the hotels used as their sample.

The significance of human capital on organization's performance is supported by the resource-based view and human capital theory (Felicio & Couto, 2014; Walsh et al., 2008). Human capital theory suggests that knowledge results in greater cognitive skill thus inducing an individual's productivity and efficiency (Felicio & Couto, 2014). Based on Warech and Tracey (2004), solid human capital management refers to a well-designed and implementation of job-skill training. This implies that luxury hotels should invest in designing and implementing their employees' job-skill training in order to develop their human capital and enhance organization's performance. As cautioned by Warech and Tracey (2004), not all human resource practices and trainings create values, and thus the effectiveness should be evaluated.

High investment in human capital is essential to service firms that provide customize service and seek to compete based on their services but not to service firms that provide basic product at a minimal cost (Walsh et al., 2008). The significance of human capital investment for large and luxury hotels is also mentioned by Ferrary (2015) who highlights on the ability of large and luxury hotels to secure their investment. According to Ferrary (2015) a trained employee might move to another employer before the current employer has reaped profit from any training investment. This reduces the incentive for the employer to invest in human capital. To retain the employees, large firms offer job security and career opportunities for the most productive trained workers. In addition, it is also important to offer these employees with attractive compensation (Willie et al., 2017).

### **Compensation**

Compensation is also known as remuneration. Compensation consists of direct financial payments such as salaries, bonuses, incentives and commissions and indirect payment or fringe benefits like paid annual leave or medical and insurance coverage (Hayes & Ninemeier, 2008; Ahmad, Solnet & Scott, 2010). In Malaysia, non-managerial employees in five-star resort hotels are compensated based on a number of policies and these are external competitiveness, compensation based on seniority and

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incentive–base mix (Ahmad et al., 2010). In addition, they are also given varieties of fringe benefits that are not provided in other industries. Examples of the fringe benefits are free meal, transport to and from work and accommodation.

Compensation serves as a tool to attract, motivate and to retain skilled workers (Hayes & Ninemier, 2008). Compensation is the top workplace attraction driver in Canada and many in the hotel industry know that they receive a low hourly wage (Willie et al., 2017). When organizations have invested on employees' training, is crucial for them to provide employees' with attractive compensation. This is because, even though hotels have invested in developing their employees' human capital, hotels do not legally own the human capital they use, nor do they own the knowledge embodied within their employees (Ferrary, 2015). Attractive compensation can help retain employees with the organization (Hayes & Ninemier, 2008; Warech & Tracey, 2004), and avoid them from going to competing hotels or other industry.

A few authors mentioned the importance of human capital and relates it with attractive compensation. According to Willie et al. (2017), to overcome the issue of skilled labour shortage in the hotel industry, there is a need to elevate the level of general public awareness of the attractive compensation luxury hotels can offer. Educators and the industry can highlight the industry rewards, perks and benefits for those who remain in the industry for a long time, by building career experience, complimented with formal education. In the long-run, high performers who remain in the industry can build their human capital and finally be in the top management positions. Willie et al. (2017) also stresses on the importance of collaboration between educators and the industry to provide career mentoring and experiential learning to hotel students and employees. According to the author, this will not only attract hotel graduates, but it will also retain human capital in the industry. Warech and Tracey (2004) suggests organizations to protect their investment on human capital by giving special attention to their compensation practices in order to retain their knowledgeable, experienced and skilled employees. Thus, an effective management of compensation is crucial for business success (Ferrary, 2015; Hayes & Ninemier, 2008).

An effective compensation plan is linked to individual or group performance, and they include remuneration based on skills (Domínguez-Falcón, Martín-Santana, & Saá-Pérez, 2016). An effective compensation plan ensures internal and external equity (Igalens & Roussel, 1999). Internal equity is when employees perceive their fixed pay as fair in relation to their contributions to their firm in terms of performance, effort, qualifications, training, skill, seniority and experience, compared to other employees in the organization. As for external equity, employees feel that they are treated fairly, compared to other employees outside their organization.

## **Conclusion**

To overcome the issue of high dependence on unskilled foreign workers in the hotel industry, it is recommended that employers invest in developing local employees' human capital. The employees should be well trained and provided with career growth opportunity and attractive compensation. Hotel schools' graduates at all levels of education, either vocational school, certificate, diploma or degree should have the knowledge of compensation and career development in the hotel industry, especially luxury hotels. Educators and the industry can provide career mentoring, and highlight the attractive compensation for those who remain in the hotel industry. Hotels must also have an effective compensation plan that serves as a tool to attract and retain their human capital. Consequently, the experienced, skilled and knowledgeable employees may facilitate the hotels to better meet the needs of customers and allowing hotels to obtain better economic results.

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