

CONSTRUCTION COMPANIES CONFRONT ISSUES ASSOCIATED WITH MOVEMENT CONTROL ORDERS

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CONSTRUCTION COMPANIES CONFRONT ISSUES ASSOCIATED WITH MOVEMENT CONTROL ORDERS

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Abstract

All construction projects came to a standstill due to the movement control order due to pandemic COVID 19, which necessitated a halt for all projects. No relevant research has been carried out on the problems caused by a pandemic, such as the construction companies affected by this disease, until April 2020. The construction industry is vastly different from that of other sectors. In almost all cases, project members must be present on-site during the construction process. This research's results were quantitatively presented using the qualitative method as the primary approach, with five participants participating in the study. The preliminary finding is that everyone who participated in the survey agreed that the COVID-19 outbreak and the MCO had caused project financial distress in the economy, including the construction industry. To explain the MCO's influence on the construction industry, several significant impacts should be mentioned, the most notable being their financial challenges. This can also be said that to serve as a critical connecting influence when you trace branching issues back to their original point of origin.

Keywords: Challenges, construction companies, project-related challenges, finance-related challenges, legal-related challenges

1.0 INTRODUCTION

The construction project's progress was affected by the movement control order due to pandemic COVID 19, in which all the tasks need to stop their work immediately. The pandemic is known as the spread of new diseases globally. According to Lee (2020), the world was shocked by the announcement of a major influenza epidemic that caused an increase in Mexico's death rate. The intense world media attention has rapidly escalated the government's efforts to plan a pandemic situation. The first sudden appearance of the virus was towards the end of 2019, first reported in Wuhan City, China (Helm, 2020). According to Hui et al. (2020), this situation happens because of severe acute respiratory syndrome. This disease quickly spreads worldwide and is recognized as a pandemic (Gamil & Alhagar, 2020).

According to Golightly (2020), this COVID 19 pandemic occurs when a new influenza virus emerges and humans' immunity is not too strong. As mentioned by Morens (2020), COVID-19 and the 1918 "Spanish Flu" influenza pandemic had the same symptoms, which quickly spread.

According to Salim et al. (2020), the number of COVID 19 in Malaysia started in January 2020 through imported cases involving 22 subjects. After that, the local people began to become infected by this virus, which affected 651 issues. In contrast, the government provided temporary financial relief known as the COVID-19 (Temporary Measures) Bill tabled on April 7, 2020, to construction companies and other businesses. This occasion happens all of a sudden (Supriadi and Pheng, 2018). The implementation of MCO in construction companies is too complicated, and financial relief only aids financial-related impacts.

The implementation of the movement control order (MCO) in the whole country purposely reduces the number of cases and affects socio-economic interference (Salim et al., 2020). Meanwhile, the total lockdown affects certain economic activities included the construction industry (Helm, 2020). The MCO has caused businesses, especially in the red zones, to apply Work-From-Home (WFH) concept to ensure that companies and services can operate during that time. Nevertheless, the idea does not work the same for the construction industry because some crucial phases, such as site inspection, require workers to be on-site (Harari, 2020). During the pandemic, all construction workers were not paid if they were not working (Laing, 2020).

According to Shibani et al. (2020), no study has been conducted on the COVID 19 pandemic's impact on the construction industry until April 2020. This research's specific problem is the relationship between the movement control order (MCO) and the construction industry. MCO's influence on the construction industry as a macro perspective branches into several factors that may impact the construction companies (micro perspective), focusing on the red zones. Concisely, this research attempts to identify the challenges of the movement control order (MCO) to construction companies, focusing on the red zones, from an internal perspective.

2.0 LITERATURE REVIEW

According to Salim et al. (2020), the government takes fast action to prevent the health system from crippling by firmly enforcing the laws (Surico & Galeotti 2020). The pandemic COVID 19 caused terrible impacts on the economy. Some economic sectors collapsed, like airlines and tourism. Only essential businesses such as the health care sector and other related companies to support health systems are allowed to operate. Other companies and services have shifted to the Work-From-Home (WFH) concept, allowing their workers to do their work at home (McKibbin, 2020).

According to Harari (2020), all construction workers and technical workers cannot apply the Work-From-Home (WFH) concept that all construction work occurs at the site. The construction industry has already a decline in annual turnover, and it came to a new low performance during the COVID-19 outbreak.

Project-Related Challenges

According to Ayithey et al. (2020), the pandemic COVID 19's primary sectors are commerce, airlines, trade, and tourism. The construction industry is also negatively impacted because of the nature of its work. As Nicola et al. (2020) mentioned, the enforcement of MCO by the government had caused many industries to shut down due to the restriction of mobility. This resulted in a massive job loss. Furthermore, Ivanov (2020) mentions that the impact of pandemic COVID 19 on business and service takes a longer time to recover (Harari, 2020).

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When the supply chain is disturbed, most construction projects that imported their raw materials from China have to stop working. Mainland China, as the biggest material supplier to other countries like Malaysia, will affect national development progress. By then, most Malaysian construction workers did not receive their monthly salary due to COVID 19. Work-from-home is not always a practical alternative if anyone is not feeling well, especially for workers with hourly wages (Calvin,2020). This situation has been challenging for Malaysian construction companies to survive during this time.

Finance-Related Challenges

As the coronavirus spreads globally, virtually non-essential businesses and services, such as the construction industry, reduce their performance. The Malaysian construction industry depends more on foreign workers, and the government's action does not allow foreign workers to work during the MCO will affect construction and other industries. Table 1 shows the construction work values completed until Q2 2020. The value of construction work done is percent (Q1 2020: -6.3%) year-on-year basis. Some companies are closed or bankrupt due to total lockdown by the government. All construction players should find another alternative to ensure that their companies survive during the pandemic COVID 19 because most sources are expensive.

Table 1 Value of Construction Work Done Up Until Q2 2020

5 Nilai kerja pembinaan, ST1 2010 - ST2 2020
Value of construction work done, Q1 2010 - Q2 2020

Suku tahun <i>Quarter</i>	Bilangan projek <i>Number of projects</i>	Nilai kerja pembinaan <i>Value of work done</i>		Peratus perubahan <i>Percentage change</i>	
		(RM '000)	(QoQ)	(YoY)	(%)
Q2 / 2020	12,676	19,780,063	-43.6	-44.9	
Q1 / 2020	11,857	35,040,152	-5.2	-6.3	
Q4 / 2019	11,862	36,978,460	2.5	1.3	
Q3 / 2019	11,018	36,076,604	0.4	-0.6	
Q2 / 2019	10,579	35,919,139	-4.0	0.8	
Q1 / 2019	9,939	37,397,513	2.4	0.7	
Q4 / 2018	9,892	36,511,049	0.6	4.1	
Q3 / 2018	9,905	36,287,482	1.9	5.2	
Q2 / 2018	9,580	35,624,699	-4.0	5.3	
Q1 / 2018	9,259	37,123,931	5.8	5.9	

Source: Department of Statistics Malaysia (2020)

Legal-Related Challenges

According to Kumar (2020), it is vital to bear in mind that there are no general legal rights to terminate the contract once both parties have agreed. In the construction industry, clients and contractors were suffering because all the projects needed to be stopped without further notice. Both parties faced financial constraints, which all the projects break-even need to revise until the project can perform as usual. No force majeure provision is included in this situation to recover losses in construction projects.

3.0 METHODOLOGY

This research was used the qualitative method as the primary approach. According to Marvasti (2018), qualitative research techniques examine and understand the meaning of social phenomena. As mentioned by Creswell (2014), those interested in this type of procedure promote work that follows an inductive method, more emphasis on individual context, and the importance of making a situation complex.

The determination of the method used for this research depends on the research problems and objectives' suitability. The interview approach was chosen because of the need to study the respondents' information in-depth and achieve the aim of this research, which is to identify the impact of the movement control order (MCO) on construction companies from an internal perspective. The interview approach was chosen because of the need to explore the respondents' information in-depth and to achieve the objective of this research, which is to identify the impact of the movement control order (MCO) on construction companies from an internal perspective. The respondents expressed their opinions according to the interview questions designed to achieve the research objective.

The Klang Valley of Selangor was chosen as the study area. location justification is based on Malaysia's geographical location, which was declared a red zone during the outbreak of COVID-19, and most of the construction projects in Selangor were saturated. The total number of respondents involved in this study was five.

The red zone can be defined as an area that exceeds the safety limits for an outbreak of COVID-19 when there are 41 or more active infections in the area. This area was classified as a red zone. The total number of cases below 40 will be classified as a yellow zone; in the meantime, if the palace does not have any instances classified as a green zone (Emmanuel, 2020). The number of reported cases remained low during the early stages, according to Sipalan (2020). A large part of this was linked to imported cases until the emergence of local clusters in March 2020.

3.0 RESULTS AND DISCUSSION

There were a total of 12 numbers of respondents contacted via telephone to request an interview session, and out of these, 5 (41.6 percent) agreed to be interviewed. Of the 12 people, 7 of them, which comprises 58.3% of the respondents' number, have more than ten years' experience while the other 5 have less than ten years' experience. According to Adler et al. (2017), the respondents' total number depends on how difficult it to respond. If the targeted population is difficult to access, a small number of respondents would be adequate to obtain valuable information. Similar to this case, the respondents are difficult to access due to the COVID-19 situation since most of them are still working from home on some days. Crouch and McKenzie (2006) stated the important thing during the interview is to ensure the interview material can deepen understanding and build breadth into the study. Table 2 summarizes the respondents' particular involvement in this study.

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Table 2 Respondents' Particular

Respondents	Gender	Position	Working Experience
R1	Female	Project Manager	20 years
R2	Female	Town Planner	Three years
R3	Male	Assistant Architect	Two years
R4	Female	Assistant Architect	Two years
R5	Female	Assistant Architect	Two years

Project-Related Challenges

It is common to find that all respondents concur that a sudden scarcity of materials came about when China rapidly tightened its export control measures, which caused supply chain delays. Due to the MCO announcement, construction projects around the country halted, making it difficult for businesses that relied on these projects. Based on the R1 explanation, it is clear that the global, national lockdown imposed by most countries worldwide has halted almost all of the physical activities. From the construction industry's perspective, it is as if stopping 100% of on-site work.

R1 also added that everyone is safe is the top priority, and it is against the law to expose anyone during the MCO when the virus outbreak was at its peak. R3 also supported this hypothesis. R3 added that while it is inevitable that there will be delays in project delivery, claims, and payments, and such. Still, it was not the top priority at that time, since everyone's health is more important.

Work from home policies is typically accepted, but few respondents claim that they are not used as successfully in construction as in other industries because the building needs people on-site when the WFH is implemented. This is impossible, while in the MCO, fines are issued to those who are found to be in violation. R1 added that the WFH concept works only for the clerical aspect of things, but not physical ones, such as going for site visits as part of a tender submission process.

Finance-Related Challenges

All respondents agreed that the COVID-19 outbreak and MCO caused financial distress in the economy, including the construction industry. Previously on the project-related impact, it is discussed that the MCO has caused a supply chain issue, which inadvertently will cause a delay. Once there is a delay in project delivery, there will be a delay in payments, most likely causes potential claims by owners. Because the project delivery timeline is dependent on the contractual agreement, there could be claims brought by the owner or clients if a project is delayed. As a result, it can be seen that there are additional expenses because companies have to turn to source materials locally as international exports are currently frozen. There was an increase in demand, which in turn caused a price rise.

Legal-Related Challenges

All the respondents, especially R1, R2, and R3, agreed that there was an impact on related legal matters due to MCO. There will inevitably be delays in project delivery and also a decrease in project performance. However, the main concern here is that legislative measures are still uncertain regarding current contractual terms are still uncertain. There is uncertainty regarding existing contractual terms. Many contractors have a hard time once clients claim the Liquidated Ascertained Damages (LAD) from them due to project delays.

The fact that there was no relief from the current contract is understandable. As a result, there was uncertainty about whether COVID-19 qualified for extension of time (EOT) and LAD since this document does not meet the "Force Majeure" standard, which voids contracts.

4.0 CONCLUSION

This study shows several significant influences on the construction industry that the Movement Control Order (MCO) has. The most obvious challenge is the challenge of finding the funding. In addition, it could be said that the primary influence that is connected to the other branching issues is the one in this section. The construction industry in Malaysia was affected because Malaysia has a significant dependent import and export relationship with China regarding raw material supply. The country of origin for COVID-19, the Cauvery Valley Development Authority, has sealed borders, halting all activities. To meet the increasing demand from homebuyers, prices have increased. The MCO increases the time it takes to develop projects, causing them to be delayed, which in turn causes delayed payments. The result is reduced income, which forces businesses to shrink. Once this has happened, it will result in labor shortages and a financial burden on sorting out raw materials domestically.

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