

## **SKILLS AND LOWER WAGES: A STUDY ON FOREIGN DOMESTIC WORKERS IN MALAYSIA.**

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### **INTRODUCTION**

This paper explores on the reasons for Malaysian households in employing foreign domestic workers. Throughout the past years, migrant workers have been hired in Malaysia for various sectors whereby many companies are said to prefer hiring them instead of local workers. Foreign workers are categorized into skilled and unskilled workers. Malaysia's rapid economic growth, the result of higher standard of living and the increasingly common intention of Malaysian women to follow their own career aspirations have risen the demand of employing a domestic worker which will take over the household chores and take care of the children and elderly (Orange, Seitz, & Kor, 2012 and Devadason & Meng, 2013). In Malaysia, there are about 2.1 million registered foreigners whereby the majority of these foreign workers are divided into skilled workers and unskilled workers (theSundaily, 2014). Availability of workers to perform domestic works are rather scarce in Malaysia and deemed comparatively costlier than foreign domestic workers. Most of the local workers are employed in manufacturing and service industries instead of households. In this case, foreign workers are more favourable in today's situation as many factors which revolves argument on what influences the managers to recruit foreign domestic workers over local workers. Based on Forde and MacKenzie's (2009) research, a few factors were chosen for this study such as shortage of supply with job experience, shortage of supply with required skills and lower cost in wages. Employers would always prefer workers that have experience readily available in doing the job as it will help them save cost for training and development. Besides, foreign domestic workers are known as fast learners with high adaptability as their initiative to improve is higher and will not to be dependent on local workers thus, enabling the job to be done without asking too many question or bothering others (Abdul Rahman et al, 2012). The recruitment of foreign domestic workers is vital for households to hire them here in Malaysia due to three factors mentioned earlier. The shortage of supply in the

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workforce from local workers with required skills and experience will further invite more need for foreign domestic workers. Furthermore, local workers tend to ask for higher salary for a job compared to a foreign domestic worker who is willing to. Malaysia can only hire from certain countries approved by Malaysian government and the eligibilities according to countries have been stipulated (imi, 2014).

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### **Employers' decisions on recruitment of foreign domestic workers**

The term “domestic work” is better known as “is not defined by jobs but more in terms of roles expected which moulds and place the worker towards a set of social relationships” (Stasiulis, & Anderson, 2002). In 2011 Domestic Workers Convention embraced by the International Labour Organization where domestic work has been defined as encircling any work done at households, and domestic worker as someone who does any tasks in an employment relationship within and occupational rather than occasional basis (International Labour Office, 2011, p. 15A/4). Malaysia as a country is blessed for its diversity and its workforce while offering lower labour costs where employer-employee benefits from cordial relationship and a competitive labour market (MIDA, 2014). Foreign domestic workers are workers that come from another country to seek for job opportunities. These workers usually are from neighbouring countries or sometimes even travel from a far distance.

In Malaysia, the service sector is divided into various sub sectors such as are restaurants , cargo handling, cleaning services, launderette, barber, caddy in golf club, wholesale/retail, metal/scrap/recycle activities, textile, welfare homes and hotel/resort island (MIDA, 2014). Due to massive economic development, Malaysia is facing labour shortages and this has pressured employers to fill those shortages by importing migrant workers (Chin, 1997) especially domestic workers. Malaysia is known as a large importer of migrant labour because of the growing demand for domestic services which provides opportunities for recruitment agencies (Kok, 2013). The Employment Act 1955 referred to foreign domestic workers as “domestic servant who is not a citizen or a permanent resident” where there is no minimum wage stipulated.

Domestic workers are local workers from their home country where they enable their employers to go out for work while these domestic workers take care of their homes as housekeepers. Employers, in this context, means individuals or a group of people who are authorized to hire and recruit new workers into their homes. They can be from managers to business owners and etc (Erica Smith, 2007). The domestic worker's duties depend on the service according to the employers. They may be limited to a single task or may consist of multiple tasks according to the preference of the employer (Chen, Martha, 2011). They perform various tasks like cooking, gardening, guarding the house, taking care of children and elderly people, cleaning, washing and ironing (Albin and Mantouvalou, 2012; ILO, 2011).

According to the International Labour Organization (ILO,2007), there is a large inflow of women with a percentage of 83%, working as domestic workers (ILO, 2011; Boontinand, 2010;Kok, 2013) whereas Palenga-Möllenbeck (2013) observed that the male domestic workers who hailed from Poland to Germany as “Polish Handymen” as they are known to have being able to fix anything. Ali Fasih, Walid Marrouch (2013) said that *“a wage-earner working in a [private] household, under whatever method and period of remuneration, who may be employed by one or by several employers who receive no pecuniary gain from this work”*. They consist of Malaysians and also citizens from several countries such Indonesia, Laos, India, Sri Lanka, Philippines, Cambodia, Thailand, and Vietnam are considered as foreign domestic helpers in Malaysia (imi, 2014). This need to hire foreign workers is only viable when efforts to find workers locally has failed (ILO, 2014). According to the Employment Act 1955 of Malaysia, employers are not allowed to terminate a local worker in order to hire and make way for foreign workers (ILO, 2014).

### **Lower wage costs.**

According International Labour Organization (2013) there is no statutory limitation for foreign domestic workers in terms of their weekly working hours, entitlements of a minimum wage, and as well as maternity leave which is not considered as acceptable according to human rights and gender equality perspective. Since minimum wage for domestic workers are not established under Malaysian Labour Act, the wage rate could differ from one household to another (Employment Act 1955). However, recent developments in the labour movements caused many governmental organizations including Indonesian government established a minimum wage to be paid to the Indonesian’s maids who are coming to Malaysia to work in Malaysian households (“RM900 for Indonesian maids - Nation | The Star Online”, 2015). Households in Germany often look for people to perform small time domestic jobs for a wage rate as low as Euro 10 and there are domestic workers who could for half the rate (Palenga-Möllenbeck, 2013).

Huling (2012) looked into the gender and wage rate factor where feminization of migrant work is also partially due to the gender stereotypes of employers that lead them to characterize female foreign workers as cheap and docile sources of labour. Most important movements in Asia is the multiplying number of young women moving to rapidly developing economies like Singapore, Hong Kong and Malaysia to work as domestic helpers or maids (Wickramasekera, 2002). Indonesian maids are the lowest paid maids In Malaysia compared to maids from other countries (Chin, 2005). The wage rate for Indonesian maids are considerably lower than Filipino maids where Indonesian average pay for Indonesian maids is USD105 and Filipino maids are paid nothing lower than USD400 per month (The Star, 2010).

They found that workers who worked under the condition of low pay were willing to move to another firm if there is significant increase in benefits from that firm (Zheng, C., 2009). This results in firms developing an ad hoc response that limits foreign workers from moving one firm to another

with a stop-gap. However, the foreign workers will gradually no longer be willing to accept low paid jobs and low status work because their expectation and experience of work changes which makes them settled in the domestic country (Feldman, D. C., 2006). Many local workers are replaced by foreign workers in low paid and risky jobs, which attracts more illegal foreign workers to come in through undocumented employment (Forde & MacKenzie, 2009). The lower wage significantly reflects on the operational cost as a whole. An employer will always target to cut or reduce excessive irrelevant costs and wage as this factor is classified as a huge key player in attaining a positive balance sheet. When an employer manages to employ someone for a lower wage, it benefits the employer in terms of cost. Foreign domestic employees in this case are the best option to employment rather than a local worker who is more expensive to recruit. Nevertheless, quality and knowledge will be a compromise and will have to be put in quandary to evaluate the production.

### **Skills**

Skill becomes a yardstick of solution to overcome the shortage of foreign workers as mentioned. Foreign workers are more willing to work in low skilled jobs requiring routine work. In addition, these foreign workers are often the subject of stereotyping from other groups of workers (Fang, 2007). There is a clear difference in employers view between low and skilled work of the perceptions and attitudes of foreign workers. Furthermore, it is argued that foreign workers fuel the demand for high skilled professions while, in reality, they are commonly found in low-skilled jobs. Previous research also shows that the workers found in routine manual jobs are 44 per cent foreign workers and 19 per cent from home workers in the UK (Julia Connell & John Burgess, 2009).

This shows that a trend that more foreign workers are being hired compared to local workers especially with low-skilled workers doing hard labour work. On the other hand, policies of the home country plays a regulatory role on how the labour flows in one end decreasing their numbers while escalating the proportion of the home country population in the labour workforce such as in the case of Gulf Cooperation Countries(GCC). Countries such as Australia, Canada, and UK took the measures by increasing the number of skilled foreign workers to the shortage of skilled workers. Moreover, Malaysia has also demanded that policies were to be updated in order to allow more skilled foreign workers to come in. Thus, this relates to the dependent variables that foreign workers whether skilled or low-skilled easily influence employers' recruitment decision.

When a foreign domestic worker is recruited, skills are essential criteria which are monitored before recruitment. Palenga-Möllenbeck (2013) stated that Domestic workers from certain cultures are viewed as quick learners and the Polish men are often referred to as 'handymen'. Polish handymen is widely known in German society as people usually look for people to do small time domestic jobs like mounting ceiling lamps, installing a new kitchen sink, shower fittings and maybe some other small things. In Lebanon, a large part of foreign domestic worker's is a close

substitute for baby-sitting and care giving work (Fakih, & Marrouch, 2013). Ada Cheng (2013) explored that language skills is another reason or factor of hiring where American households hire Mexican workers and German household hire workers as there is a close cultural proximity.

## METHODOLOGY

A quantitative study was adopted for this study. The questionnaire includes a Five Point Likert scale (1: Strongly Agree – 5: Strongly Disagree) which consists of five questions on each factor. A self-administered questionnaire was distributed randomly among households and maid agencies where it is also collected through an online survey within the vicinity of the Klang Valley area. 250 questionnaires were distributed and 200 questionnaires were collected and received. A convenience sampling, a non-probability sampling technique was used to select respondents. Respondents were informed about the anonymity and confidentiality of the research participants. The overall analysis of the findings were done by using statistical procedures of SPSS. All the constructs were measured and proven where the reliability is more than 0.70.

## Results and Discussion

### Reliability Analysis

#### Reliability Statistics

Cronbach's Alpha	N of Items
.745	29

The cronbach's alpha is more than 0.7 which indicates that the data is reliable to use and test.

### Descriptive Statistics

Variable	Category	Frequency	Percent
Gender	Male	99	49.5
	Female	101	50.5
Age	25-31	59	29.5
	Above 31	141	70.5
Marital Status	Single	41	20.5
	Married	131	65.5
	Divorce	28	14

Race	Malay	91	45.5
	Chinese	66	33
	Indian	43	21.5
Level of Education	Diploma/Foundation	65	32.5
	Undergraduate	85	42.5
	Post Graduate	50	25

Descriptive data includes gender, age, marital status, race, nationality, and work and education level. In this study female respondents are the most compared to male respondents. Majority (70.5 %) of the respondent are in the age range of 31 and above. The rest of the respondents are falling in the age range between 25-31. The marital status of the respondent are married, single and divorced with 131, 41 and 28 respondent respectively. It shows that, married respondents are the majority in this study.

The next demographic factor is race. Malay, Chinese and Indian is used in this study and it records 91, 66 and 43 respondent respectively. The level of education is analyzed where diploma/foundation are 65 people, undergraduates are 85 people and postgraduate with 50 respondent.

## Correlation

		Correlations		
		Skills	Lower Wage Cost	Recruitment
Skills	Pearson Correlation	1	.680**	.233**
	Sig. (2-tailed)		.000	.001
	N	200	200	200
Lower Wage Cost	Pearson Correlation	.680**	1	.125
	Sig. (2-tailed)	.000		.077
	N	200	200	200
Recruitment	Pearson Correlation	.233**	.125	1
	Sig. (2-tailed)	.001	.077	
	N	200	200	200

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The table shows the correlation between the independent variables and dependent variable. The correlation analysis for lower wage cost and recruitment is significant since the significant value is less than 0.10 where the correlation value is 0.125. Whereby the relationship between (skill and

recruitment) and (lower wage cost and recruitment) is significant at 10% degree of freedom which is less than 0.01 (0.233) and 0.077(0.125) respectively. They have weak positive correlation between the independent (skill and lower wage cost) variables and the dependent variable(recruitment).

## Regression

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.852	2	1.926	5.873	.003 <sup>b</sup>
	Residual	64.605	197	.328		
	Total	68.457	199			

a. Dependent Variable: Recruitment

b. Predictors: (Constant), Lower Wage Cost, Skills

The ANOVA regression for this study is significant with 0.003 (<0.05). Therefore the model is fit to be used in this study.

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.777	.278		9.997	.000		
	Skills	.270	.093	.275	2.910	.004	.538	1.859
	Lower Wage Cost	-.061	.094	-.061	-.650	.516	.538	1.859

a. Dependent Variable: Recruitment

The coefficient table shows all the independent variables and dependent variable is significant when it is model as one. The significant value for skills and lower wage cost are 0.004 and 0.516 respectively. It shows that, only skills is significant with 5 % degree of freedom. Whereas lower wage cost is not significant in this study since it is more 5%. Therefore the coefficient value for skill is 0.270 which means it has positive relationship.

This shows that, null hypothesis is not rejected for lower wages which means no significant relationship for low wages in this study. Null hypothesis is rejected for skill with 5% of significant

level which means there is a significant relationship between skills and recruitment of foreign domestic workers.

VIF is used to detect multicollinearity among independent variables. A high VIF value which is exceed 5 shows the existence of multicollinearity among the independent variables. In this study it is clearly shows that are no multicollinearity among the independent variables since the VIF value is less the 5.

The findings have certified only one independent variable, low cost have significant relationship with recruitment of foreign domestic workers. Thus, H1 is accepted and the hypothesis H2 are rejected .Forde & MacKenzie (2009) mentioned that the lower cost wages is significantly related to recruitment of foreign workers. Local workers are being replaced by foreign domestic workers due to their low cost wages .Foreign domestic employees in this case are favoured better due to there is no minimum wage implementations for foreign domestic workers. The hypothesis also is supported by the studies of Zheng, C. (2009) and Feldman, D. C. (2006).

### **Conclusion**

In conclusion, foreigners were hired as domestic helpers or workers due to low wages. The findings reflect that policy makers need to implement appropriate policies to ensure that the workers are receiving fair wages.

It can also be used as reference on a policy making as this study confirmed that low cost wages is the only variable that is positively related. Thus it is hoped that this research enables employers to make the right decision in recruiting the right worker for their households. On the other hand, this research may also help in differentiating the needs of hiring local workers and foreign domestic workers. As for the limitation of the study, the sample size was limited to 200 respondents only from Klang valley. On the other hand, future research should be focused on using secondary data to get more accurate data.

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