

The Factors That Lead to the Wages Differential: A Case Study in Yoke Food Industries Sdn. Bhd

Nor Aina Binti Arsad and Nurulashikin Binti Abdul Shamit

Faculty of Administrative Science and Policy Studies, Universiti Teknologi MARA (UiTM) Merbok, Kedah

ABSTRACT

The purpose of this research is to determine which factors that leads to the wages differential at Yoke Food Industries Sdn. Bhd, Senai, Johor. The objective of this research is to investigate the relationship between independent variables which are demographic factors (education, work experience, occupational segregation based on gender) that will influence the dependant variable which is wages differential in Yoke Food Industries Sdn. Bhd. The population of this research is about 216 employees in the Yoke Food Industries Sdn. Bhd. The sample size for this research is 140 employees that will be representative for the whole population. In this study, proportionate stratified random sampling technique will use to select the sample from five departments in Yoke Food Industries Sdn. Bhd. The researchers use Descriptive Statistic, Pearson Correlation, Multiple Regressions and Cronbach's Alpha in order to analyze the data gathered by using Statistical Package for Social Sciences (SPSS) version 16.0. The result will give benefit to the employees and also the employer.

Keywords: Education, Occupational segregation, Wages differential, Work experience

INTRODUCTION

Wages differentials between male and female workers are common issues in the labor market, where male workers are usually paid higher wages than their female workers. In the Malaysian manufacturing sector, wages differential between male and female is quite a common phenomenon, even though they are in the same position and do the same jobs. For example, in other job categories such as technical workers, clerks and production operators, the monthly wages for men were RM 1206, RM 802, and RM 531 respectively, while for women they were RM 1119, RM 684 and RM 432 respectively (Ministry of Human Resources, 1992 cited by Rahmah Ismail and Zulridah Mohd Nor, 2005). Even though the females' participation in the labor force has increased, they do not make any difference in terms of their wages.

According to Low Kuek Long and Ms Siew Ching Goy (2005), 11 percent average monthly earnings difference exists between men and women. Some of these differences are due to the level of education, working experience and occupation. These factors account for 30.1 percent of the difference in observed earnings. In Sarawak, there is 55.8 percent of the monthly earnings differentials. The occupational segregation, experience and educational level are the three factors for explaining the gender wage differentials in Japan. According to the US Census Bureau, female workers in the United States earn 75% of male worker's earnings in all professions (Newsbytes, *News Network*, 2001 cited by Yamada, Y., Koshal, R., Miyazima, S., and Koshal, M. 2002). The groups of individual that possess equal skills, education and experience, sometimes still receive different salaries or are treated differently. These phenomena still happen everywhere until now.

The wages differential still occurs although in Malaysia already there is an organization that can take an action on those employers that do not follow the rules. From the wages differentials, it will create another problem such as workers would find it unaffordable to live in urban area because the costs of living were higher. In general, there are several factors contributing to gender wage differentials.

Education is one of the factors that contribute to wages differential among employees. Lopez-Acevedo (2006) states “education is by far the variable that accounts for the largest share of earning inequality in Mexico, in terms of both its gross and its marginal contribution”, and education’s significance has increased over time. From the previous research, the researchers find that higher education is strongly correlated with higher income. When employees have high education, it will produce high productivity and indirectly it will offer a higher level of compensation to workers who are better educated. According to Tung-Chun Huang (1999), education would become as developer of productive skills or as a signaling of reality. For this research, the researchers will only focus on the level of education among employees, whether they have a secondary level or tertiary level of education. The higher level of education consists of diploma and above. Meanwhile, the secondary level of education consists of Sijil Pelajaran Malaysia (SPM).

Work experience is another factor that will correlate with the issues of wages differential. Work experience is an important productivity enhancing investment. Similar to education, work experience is also positively related to higher wages. Companies are also willing to offer higher wages in order to retain their employees when they have an extra work experience. Work experience component however has been more salient in various contexts, because traditionally women often moved in and out of the labor market based on family considerations. This makes that women on average accumulate less work experience than men (Blau and Khan, 2007 cited by D. Jamali, Y. Sidani and A. Kobeissi, 2008). For this research, the researchers will look into whether the employees have an experience or not and also whether their experience is related or not with the core business of the company.

According to Latifah Mohamad Nor (2000), the occupational segregation theory claims that certain limited number of low-paying occupations are conquer by women, while men are free to choose from a larger number of higher paid occupation. According CRS Report for Congress 2004, there is evidence to suggest that the gender pay gap also varies amongst age group, ranks and occupation. It has been noted that the gap is very narrow among young women and men especially at entry level jobs but widens as they get older and higher in positions. (D.Jamali,

Y.Sidani and A.Kobeissi, 2008). For this research, the researchers will look into the occupational segregation based on gender in different department in that organization. The different department would do the different jobs but they are still in the same level position.

Wages differential comprising of two portions. First, the “legitimate” or “explained” portion resulting from differences in the worker’s characteristics which affect his productivity. Secondly, the “illegitimate” or “unexplained” portion resulting from gender-based wage discrimination, which is determined as different rates of returns to the workers’ human capital (Cain, 1986 cited by Neuman and Weisberg, 1997). In this research, the researchers will look into the illegitimate portion which is the different earnings between males and females based on work experience, education and occupational segregation.

METHODOLOGY

A case study analysis will enable the researcher to gather in-depth information on an individual. The case study analysis includes the descriptive studies and also hypothesis testing between the variables. The time horizon will be conducted on cross-sectional survey or it is called one-shot study. The data will be distributed and gathered once and the results will get within one day, weeks or months. The correlation study looks at the relationship between the variables. The main objective of this research is to examine which variables (education, occupational segregation, work experience) more influence on the wages differential.

The sample size of this study is 140 employees a part of population of Yoke Food Industries Sdn. Bhd. The respondents will not be all taken from total population which is 216 populations. The respondents will be selected from the five departments by using the sample random sampling technique. This is one approach to help the researchers to gather data at once. The Yoke Food Industries Sdn. Bhd. is a company that produces beverages manufacturer and the main markets of their products are Southeast Asia,

Mid East and Eastern Asia. The location of this company is at Taman Perindustrian Senai, Johor Bahru Darul Takzim.

Data Collection

The data for this study will be collected using the questionnaires. Questionnaire is the primary source of data gathering that is focused on the target group. The advantages of questionnaire are it takes a short time in terms of administering and collecting the data. In the questionnaire, there are five sections. Section A is on the demographic data. Section B is on education. Section C is on work experience. Section D is on occupational segregation and the last section is on wages differential.

Data Analysis

The data will be analyzed using statistical software tool (SPSS 16.0). The use of statistical software tool will illustrate all the data gathered in the study. The data analysis will cover on the study.

Cronbach's alpha will be used to interpret the reliability of the data. It is a reliability coefficient that indicates how well the items are positively correlated to each other. The closer Cronbach's alpha is to 1, the higher the internal consistency reliability.

The researcher will discuss the background of the respondents such as gender, age, status, level of education and others by using the descriptive statistics. The researcher might want to know the relation among the variable with one another and also to determine whether there are any differences of two or more group and others.

The multiple regression analysis is used on the independent variable which correlated with one another and with the dependent variable. It is

important to know the most significant influence in the wages differential variables.

The researcher uses the Pearson Correlation to see the strength of interrelationship between variables. For instance, in order to know the relationship between wages differential and independent variable such as experience, Pearson Correlation can be used to analyze it whereby the value of significance is $p < 0.05$, must be below than 0.05.

RESULT

The result from this research will give benefit to employees, employer and also Malaysian Trade Union Congress (MTUC).

Employees

From this research, the researchers hope that all employees were aware about their entitlement regarding the wages earnings. They must know the contents of the Employment Act 1955 which is a privilege for them. This is to make sure they would not be discriminated by their employer.

Employer

This research would give awareness to the employer and make sure they follow the act which is Employment Act 1955. When the employers do not follow the act, the discrimination among employees will occur. The Malaysian Trade Union Congress (MTUC) will take action against those who do not follow that rules.

Malaysian Trades Union Congress (MTUC)

The MTUC will take action on those that breakthrough the act. The MTUC must be aware about any issues in organization to make sure the employees will be treated equally by their employers.

CONCLUSION

As a conclusion, wages differential still occur especially in manufacturing sectors. The workers cannot do anything because if they go against their employer, they may be fired from the company. As we know, nowadays the cost of living especially for those that live in urban area is very high. In order to survive they still need to work. From this research, the researchers will find out which variables (education, occupational segregation based on gender, work experience) have more influence on the wages differential. From that result, we will know which factor that the company will focus more when employing new employees. The company may have their own ways to reduce the gaps in wage between male and female workers.

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