

**MINIMUM WAGE AND HR PRACTICES: THE PERSPECTIVE  
AND IMPLICATIONS FOR THE MALAYSIAN HOTEL  
INDUSTRY**

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## **ABSTRACT**

This thesis explored the implications on Human Resource practices of the introduction of a National Minimum Wage (NMW) with specific reference to the Malaysian hotel sector. The composition of HR practices within Malaysia (especially the wage scheme in the Malaysian hotel industry) differs from other countries in the world. The introduction of a NMW brought in debate on how the industry would cope with the anticipated implications especially on the wage scheme. As wages are usually left for the market to determine, the NMW would cause changes within organizations, especially with regards to HR practices. As the wage scheme composition changes will involve increases in cost, the impact is predicted to hit HR practices as a whole. Consequently the changes in HR practices are predicted to impact upon employees' productivity and motivation. A series of survey and semi-structured in-depth interviews were conducted prior to the legislation of the NMW as a national policy to investigate employers' anticipated responses, preparedness and changes in HR practices in implementing the NMW in the hotel industry. This study also investigated the overall readiness of employers in implementing the new wage policy. A survey was then conducted with hotel employees to explore their responses to the NMW, to assess the potential impact on their productivity, and to examine the impact of HR practices on employee motivation. Although the findings indicated that both employers and employees agreed with the new wage policy, as the knowledge on the new NMW and the associated wage structure is limited, they may not actually be ready to cope with these changes. The findings also indicated that employers chose the 'high road' strategy to cope with the changes brought by the new wage policy. The NMW was not found to be the only driver towards motivation; work life balance also appears to drive employee motivation, suggesting that both extrinsic and intrinsic values must be considered in terms of employee motivation. This thesis makes a significant contribution towards assisting the key players in the hotel industry (policy makers, hotel associations, trade unions, employers and employees) to develop a more strategic and effective approach to the implementation of the NMW.

## **DECLARATION OF ORIGINALITY**

'I certify that this thesis does not incorporate without acknowledgment any material previously submitted for a degree or diploma in any university; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text.';

Idaya Husna Mohd

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## ABBREVIATIONS

ECDR	Eastern Corridor Development Region
EPU	Economic Planning Unit
FDI	Foreign direct investment
HLM	Hierarchy Linear Modelling
HRM practices	Human Resource Management practices
ILO	International Labour Organization
IRD	Iskandar Development Region
LOCs	Locally owned companies
MEF	Malaysia Employers Federation
MW	Minimum Wage
MNCs	Multinational corporations
MOHR	Ministry of Human Resource
MTUC	Malaysian Trade Union Congress
NCDR	Northern Corridor Development Region
NDP	National Development Policy
NEP	New Economic Policy
NMW	National Minimum Wage
NVP	National Vision Policy
NWCC	National Wages Consultative Council
NWCCA	National Wages Consultative Council Act 2011
OLS	Ordinary Lease Square
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Scienc

# CHAPTER 1- INTRODUCTION

## 1. Introduction

This thesis explores the implications of the introduction of the National Minimum Wage (NMW) for Human Resource (HR) practices and employment relations in the Malaysian hotel sector.

Based on fieldwork, a review of the literature, and an analysis of government policy and stakeholder views, this research generates insight in several domains. These include: the development of a minimum wage policy in a quasi-developed economy; emerging HRM practices, especially for reward and productivity management in the Malaysian service sector; and employee relations in Malaysia with a particular focus on employees' potential responses to changing working conditions.

Mixed methodology research design was adopted in this study, which combined both qualitative framework (employers) and a large scale of survey for employees. The research journey, which spanned the period from 2009 to 2011, was complicated by the shifting sands of the global and national economies as well as by some changes in social and political priorities. As far as the Malaysian government's policy on minimum wages is concerned, several shifts in position occurred during the course of this research. Initially, the government rejected a NMW. Later, they accepted some minimum wage coverage in a limited number of industry sectors. Finally the government enacted a NMW policy with some regional differentiation.

This chapter offers an overview of the study. Firstly, some contextual background is provided. Next the research framework, justification, and research questions are discussed. Finally, an outline of the organization of the thesis is presented.



## **1.1 A Minimum Wage for Malaysia: Some Contextual Background**

The minimum wage in various forms has been introduced in most industrialised and some developing countries and has been designated as an international labour standard by the International Labour Organization .

The minimum wage places a legal floor under the rate that employers must pay their workers. According to the ILO, when determining the level of the minimum wage, two elements should be taken into consideration:

- (i) the need of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits and the relative living standards of other social groups;
- (ii) economic factors, including the requirements of economic development, level of productivity and desirability of attaining and maintaining a high level of employment (ILO, 1992).

This means that minimum wages will differ from country to country according to local economic and social conditions (Chandararot, 2006).

The introduction of minimum wages is a matter of some controversy concerning the impact on employment. One of the arguments in favour of a minimum wage policy is that it will stimulate investment in modernisation by employers resulting in improved productivity, a boost in economic growth, and the provision of better-paid job opportunities (Brown & Dev, 1999; Saget, 2005). An alternative view is that it will price workers out of jobs and make employment less secure (Brown & Gilroy, 1982; Lucas & Langlois, 2000).

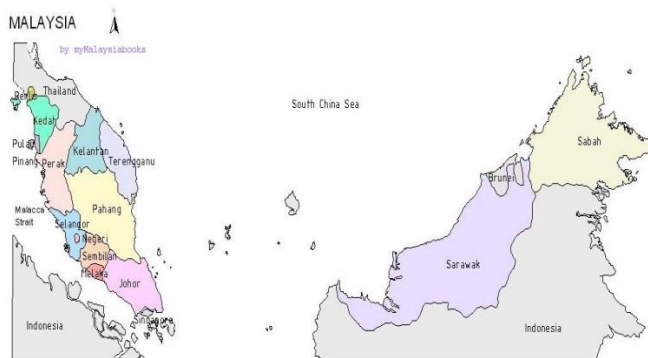
Before 2012, Malaysia was unusual in not having a national minimum wage (Malaysian Employment Act, 1955).<sup>1</sup> The reasons for this were embedded in

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<sup>1</sup>In fact, Malaysia previously defined minimum wages for four groups: cinema workers, Penang stevedores,

Malaysia's industrial policy which, over several decades of national economic planning, had emphasised the pursuit of economic growth through attracting foreign direct investment in manufacturing and the export of manufactured goods (Ninth Malaysia Plan, 2006). This strategy was dependent upon maintaining a labour cost advantage (Ninth Malaysia Plan, 2006). It is also evident from national economic planning documents that the dominant ideology tended towards neo-classical principles. That is, there was a preference for allowing market forces to determine wages and conditions and a disapproval of government interventions. Exceptions to this included regulation to limit or eradicate factors that might damage competitiveness or discourage foreign investment, e.g. the banning of trade unionism in the electronics sector.

Malaysia's development status is unusual. The economic geography of the country involves marked divisions between the highly industrialised peninsula, especially Kuala Lumpur and Johor, and the under-developed regions of Sabah and Sarawak. It is difficult, therefore, to think of Malaysia as an underdeveloped, developing or developed nation. It is simultaneously all three. Devising national policies that are appropriate for the needs of all Malaysians has been a distinct challenge.



SOURCE: <http://mymalaysiabooks.com/education2/content/view/85/>

Figure 1.1: The thirteen states of Malaysia

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shops assistants and hotel staff, but these minima were set at such extraordinarily low levels that they became ineffective.

In 1991, Malaysia set forth a bold plan, 'Vision 2020', with the aim of attaining developed nation status by the year 2020, not just economically, but also politically, socially and spiritually. Within the framework of Vision 2020 is the intent to develop the human resources necessary to become a knowledge-based economy and society, generating endogenously driven growth while simultaneously addressing issues of inequality.

The implied shift away from low labour cost advantage added weight to the arguments in favour of a NMW. After much debate, the NMW was finally enacted in May 2012 with some regional differentiation reflecting the uneven development status of Sabah and Sarawak. The impact of the new wage regimes was expected to be uneven and most strongly felt in labour intensive industries (Brown & Crossman, 2000). This thesis focuses on one such industry, hospitality, where basic wages have tended to be low.

## **1.2 Justification and Problem Statement for this Study**

The hospitality industry in Malaysia is considered to be strategically important (Ninth Malaysia Plan, 2006), employing 957,000 people and representing an important source of foreign earnings. The timing of the debate around the NMW and the subsequent policy development provided the opportunity for this research about the anticipated impact and responses of employers in terms of changes to Human Resources practices.

To date, there are limited studies that deal with the impact of the minimum wage on HR practices in the Malaysian hotel industry. In fact, studies of the Malaysian hotel sector are scarce (Ansari, Kee & Aafaqi, 2000; Hemdi, Nasurdin & Ramayah, 2003; Nasurdin, 2001). Studies of minimum wages in the hotel industry by Brown and Crossman (2000), Lucas (1995), and Phillips and Appiah-Adu (1998) are based on the experience of other countries. Other studies have focussed on industrial relations and the development of human resource management in the hotel industry (Guerrier & Lockwood, 1989; Hoque, 1999a ; Hoque 1999b; Johnson, 1983; Lucas, 1991, 1992; Morrison, 1998; Phillips & Appiah-Adu, 1998; Price, 1994). This study will add to the body of knowledge about employers' responses to the introduction of a

minimum wage, and changing HR practices in the hotel sector.

In summary, the problem examined by this thesis is, what are the anticipated responses of employers in the Malaysian hotel industry to the introduction of a NMW and what are the implications for changes in HR practices? Further, how will employees respond to changing working conditions associated with employer responses to the NMW?

### **1.3 Research Objectives and Research Questions**

Table 1.1 outlines the research objectives and research questions:

**Table 1.1 : Research objectives and research questions of this study**

Objectives	Research Questions
<u>EMPLOYERS</u>	
1. To explore the anticipated responses of employers in the hotel industry to the introduction of the NMW.	<ul style="list-style-type: none"><li>• How well aware are employers of the NMW and what is their attitude towards it?</li></ul>
2. To explore the anticipated changes in Human Resource practices (employment, training and compensation & benefits).	<ul style="list-style-type: none"><li>• What are the anticipated changes in HR practices (employment, training and compensation &amp; benefits)?</li></ul>
3. To explore the readiness of employers to implement the new NMW policy using the 'high road' or 'low road'.	<ul style="list-style-type: none"><li>• Are the employers, in implementing the NMW, likely to follow the 'high road' or the 'low road'?</li></ul>
<u>EMPLOYEES</u>	
1. To explore the anticipated response of employees in the hotel industry to the introduction of the NMW.	<ul style="list-style-type: none"><li>• What are the anticipated responses of employees in the hotel industry to the introduction of the NMW?</li></ul>
2. To assess the potential effect of NMW implementation (pay) on employees' productivity.	<ul style="list-style-type: none"><li>• Will the implementation of NMW (pay) affect employees' productivity?</li></ul>
3. To examine the relationship between HR practices and employee motivation.	<ul style="list-style-type: none"><li>• To what extent will anticipated changes in HR practices arising from the implementation of the NMW influence employees' motivation?</li></ul>

This research was conducted in two phases. Firstly, the study of hotel employers focused on their anticipated response to the NMW, the adjustments that they anticipated making to their HR practices and the extent to which they were prepared to implement the NMW. In the second phase, hotel employees were asked about their responses to potential changes in HR practices with a particular focus on

productivity, motivation and performance. Figure 1.2 depicts the research framework.

Clearly, the introduction of a NMW will represent an increase in labour costs for many hotel employers and, unless they can pass on the increased cost to the customers, employers will inevitably seek to manage the gap by making changes to employment and improving the efficiency of their HR practices. As previously stated, there is a debate about whether the impact of the introduction of a NMW will have positive or negative effects. For example, employers could choose to respond to the increasing labour cost by reducing staffing levels, using temporary and part time workers, hiring lower skilled staff, reducing or eliminating fringe benefits, cutting the training budget and intensifying work. This approach can be described as the ‘low road’, and the response of employees is likely to be negative in terms of motivation, performance and commitment. Alternatively, the increase in labour cost might stimulate positive changes in employment and HR practices. For example, employers may seek to gain productivity improvement through more careful and sophisticated recruitment and selection activities, investment in training, the alignment of pay and benefits with performance and the used of advanced technologies. This approach is referred to as the ‘high road’. If employers select the ‘high road’, the anticipated response of employees could be expected to be positive in terms of motivation, performance and commitment.

Crucially, access to the ‘high road’ requires strategic planning by employers. Employers that do not engage in strategic planning are likely to end up on the ‘low road’ by default. For this reason, this research assessed the extent to which hotel employers had developed formal plans to manage the cost of implementing the NMW.

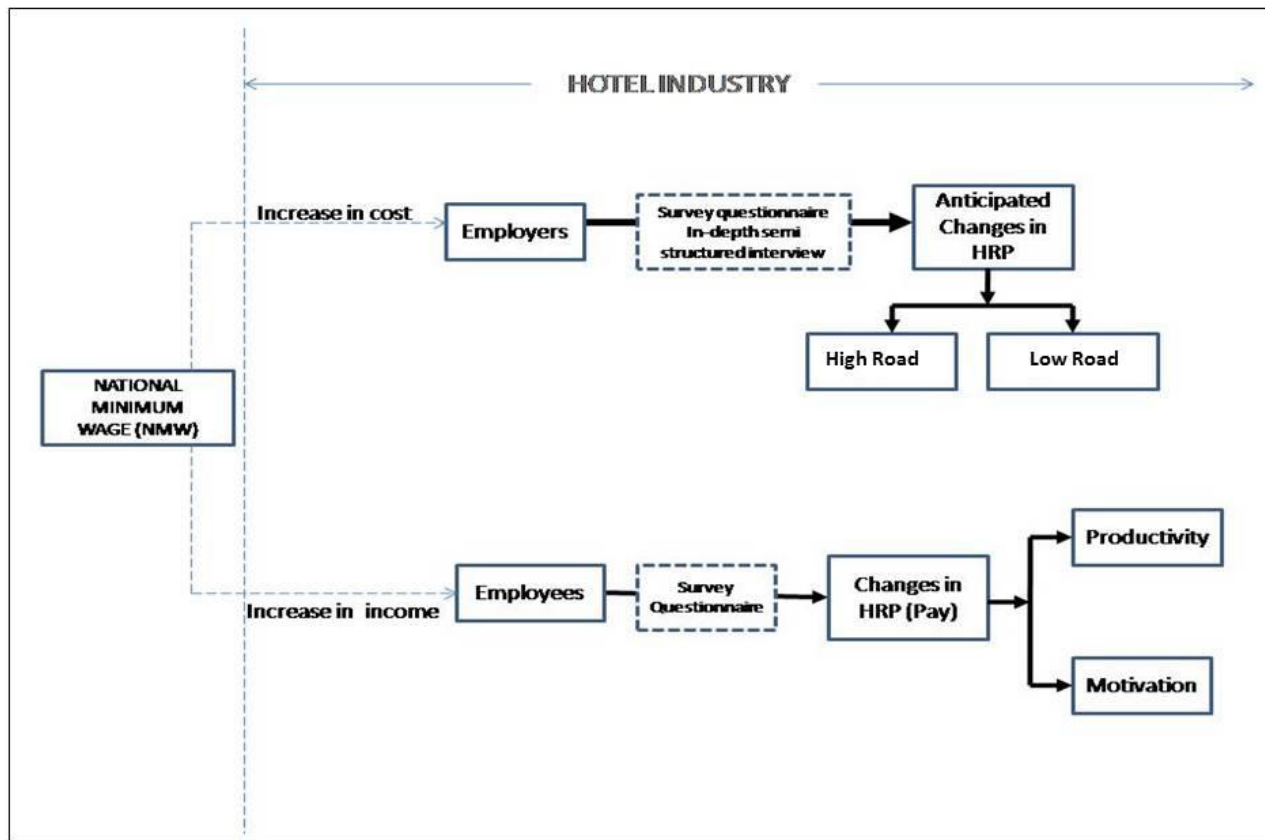


Figure 1.2: The research framework

## **1.4 Significance of the Study**

The NMW in Malaysia is still in its infancy and the transition process is still underway. The Malaysia government allowed a six-month period for employers to adjust to the new wage regime and smaller firms are allowed an extension of another six months. For this reason, the impact of the NMW will not be fully revealed until 2014 at the earliest. This study has attempted to project some of the consequences of introducing a NMW with a particular focus on the micro level implications: the Human Resources and Industrial Relations outcomes.

Most of the literature in the field of minimum wages either focuses on economic perspectives or on the question of the level at which a minimum wage should be set, rather than the HR implications. The literature has also tended to focus on developed or developing economies. This study looks at the unusual case of Malaysia, a quasi-developed economy with a strong service sector.

## **1.5 The Development of a National Minimum Wage Proposal for Malaysia**

Despite relatively low trade union membership, the primary trade union peak body for private sector unions in Malaysia, the MTUC, played an important role in developing the claim for a National Minimum Wage. One of the stated objectives of the MTUC is to promote the interest of its affiliated organizations in improving the economic and social conditions of workers (Aminuddin 2006).

The minimum wage campaign began in 1996, when the MTUC proposed a RM 600 national minimum living wage. It argued that with rapid industrialisation and modernisation, continued economic growth should have resulted in improved living standards for workers. However, according to the MTUC, there had been a consistent decline in the purchasing power of workers' wages over the previous fifteen years (1970s-1990s), although actual wages had been increasing. A survey carried out by the MTUC in December 1995 revealed that wage rates varied between companies even in the same industry (MTUC Bulletin, 2007). The disparity was even greater



between major towns and new industrial areas closer to rural areas, reflecting the uneven development status of the states and regions.

In the MTUC's 1996 proposal, the living wage was defined as a wage which could provide not only for the absolute essentials of food, shelter and clothing, but also for the education of children, for protection against ill health, for insurance, for old age and misfortunes, and for a condition of frugal comfort. The 1996 proposal listed items for which the wage should provide:

1. Food (nutrition aspects)
2. Proper accommodation
3. Education
4. Clothing
5. Medical care
6. Transport
7. Social Security coverage
8. Recreation
9. Social and cultural needs

From 1996, the MTUC were intent on establishing a common wage for the whole country instead of having it vary by area or region within Malaysia. While acknowledging that living costs might be lower in rural areas than in cities, the MTUC argued that the notional saving could be treated as compensation for lack of amenities and hardship. Reinforcing this claim was the fact that public sector wages and also the wages of employees in large private sector firms (for instance, banks) were based on the living standard in Kuala Lumpur. At this time, the Malaysian government rejected the claim for a minimum wage.

In 2000, the MTUC relaunched its campaign for a NMW with renewed visions; this time the claim was for RM 900. According to the MTUC's research, most unskilled general workers in Malaysia's major towns were paid as little as RM 300 per month and 46.2% of the companies included in their research were paying workers wages below RM 400 per month— at or close to the poverty line. The government maintained its stance that any wage increases should be based on productivity

improvements.<sup>2</sup>

At the conclusion of the 2000 memorandum, the MTUC argued that by setting and implementing a minimum living wage of RM 900, the government would be able to deal effectively with industry's need for manpower, reduce dependency on foreign labour, eradicate poverty, strengthen manufacturing, and facilitating economic growth.

Once again the government rejected the claim. However, in 2007, the Malaysian Trade Union Congress (MTUC) saw a record 35% salary increase and a 100% increase in the cost of living allowance for public sector employees as a significant first step by the government to ensure that workers, especially those in low wage categories, are assured of a decent living. Reports of the positive impact of the subsequent increases in the living standards of public sector employees and their families seemed to justify the record pay rises (MTUC Bulletin, 2007). The increase also applied to the pensions of retired public sector workforce employees. This scenario encouraged the MTUC to resubmit its proposal for a NMW of RM 900, plus an additional cost of living allowance (COLA) of RM 300, to bring private sector workers close to parity with their public sector counterparts (The memorandum appears in the appendix to this chapter).

Although the proposed RM 900 monthly minimum wage was based on a study of the cost of living carried out from early 1997 to 2000, the MTUC decided to maintain the claim at the same rate as in the proposal made in 2000. Illustrated below is an estimate made by the MTUC of the essential and basic needs of a single person in 2007:

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<sup>2</sup> To support its claim the MTUC launched the following measures: (i) sending the Prime Minister and the Minister of Human Resources an initial 10,000 postcards to seek government support; (ii) requesting members of the public who support the MTUC's campaign to write to the government; (iii) having all 230 MTUC affiliates table the proposal for a minimum wage for discussion at their general meetings and delegates conferences; and (iv) appealing for support from members of parliament and the senate (MTUC, 2000).

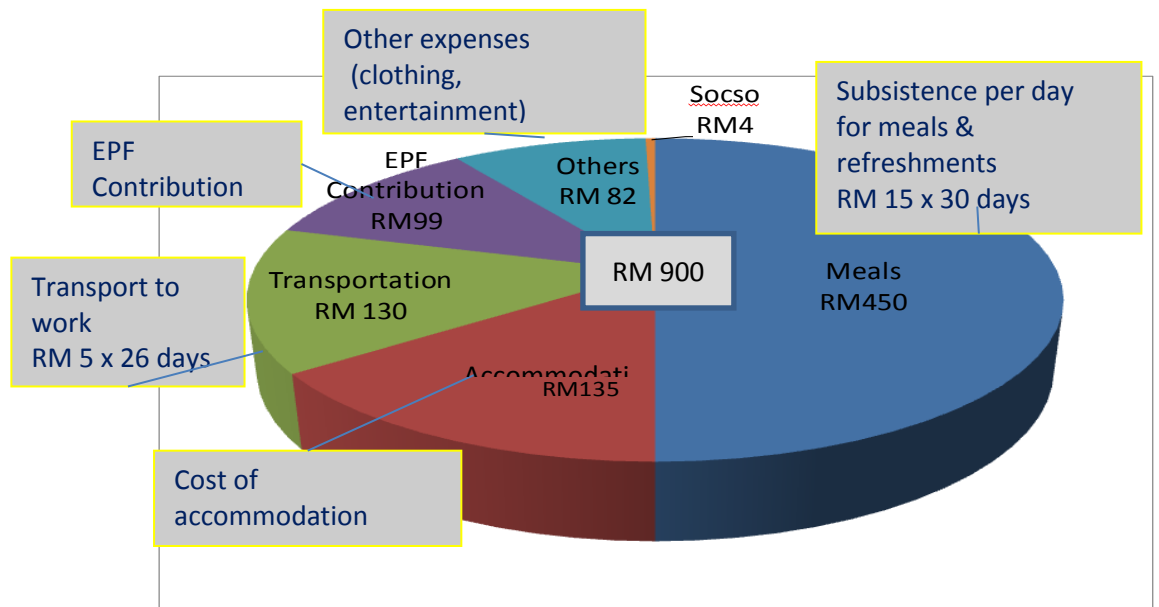


Figure 1.3: The MTUC’s proposal of RM 900 based on the essential and basic needs of a single person

**Key:** Socso: Social Security Organization; EPF: Employees Provident Fund

Source: MTUC Memorandum to the Prime Minister of Malaysia on a minimum wage RM 900 and Cost of living allowance RM 300.

The Employment Act, which sets minimum conditions for annual leave, sick leave, public holidays, working hours and other terms and conditions, was silent on the basic and most essential issue of wages. The MTUC claimed that the absence of a specific provision on wages had led to widespread exploitation. The government finally agreed to take the NMW proposal into consideration in 2008.

Figure 1.4 below presents a summarised timeline of events and dialogues concerning minimum wages in Malaysia. It can be seen that there were many shifts in policy over the timeline, including a major switch between 2009 and 2011 from limited approval for sectoral minimum wages to the recent enactment of comprehensive coverage with some regional variation. Given the many changes in policy, and the history of postponements and uncertainties about the rate at which the wage would be set, it would be surprising if employers were well prepared to implement the new wage regime. The burden of the increase in labour costs will be greater for employers in lower-wage, more labour-intensive industries such as the hotel and catering sector.

In February 2011, the government in collaboration with the World Bank conducted a Minimum Wage Lab. This was to engage stakeholders in the concept of a national minimum wage. Stakeholders were also involved in discussions about the minimum wage and its structure, the rate to be set and who should be entitled to a national minimum wage, as well as in deliberations about which models to adopt. As a result of these discussions, the government decided to legislate the new National Wage Consultative Council Act to replace the Wage Council Act 1947. The act was passed and the NMW was set at RM900 for Peninsular Malaysia and RM 800 for Sabah and Sarawak. The Minimum Wage Orders 2012 commenced on the 1<sup>st</sup> January 2013, with deferment given to hotel industry. A joint-memorandum among hotel associations was made prior to the commencement of the NMW in order to reconsider the wage mechanism and the deferment was granted by the government in order for the hotel industry to make a final decision on its wage mechanism as affected by the NMW (see section 2 and 3 of appendix for chapter 1). This study, however, covers only the interviews and surveys made from 2009 to 2012.

### The Malaysian Minimum Wage Milestone

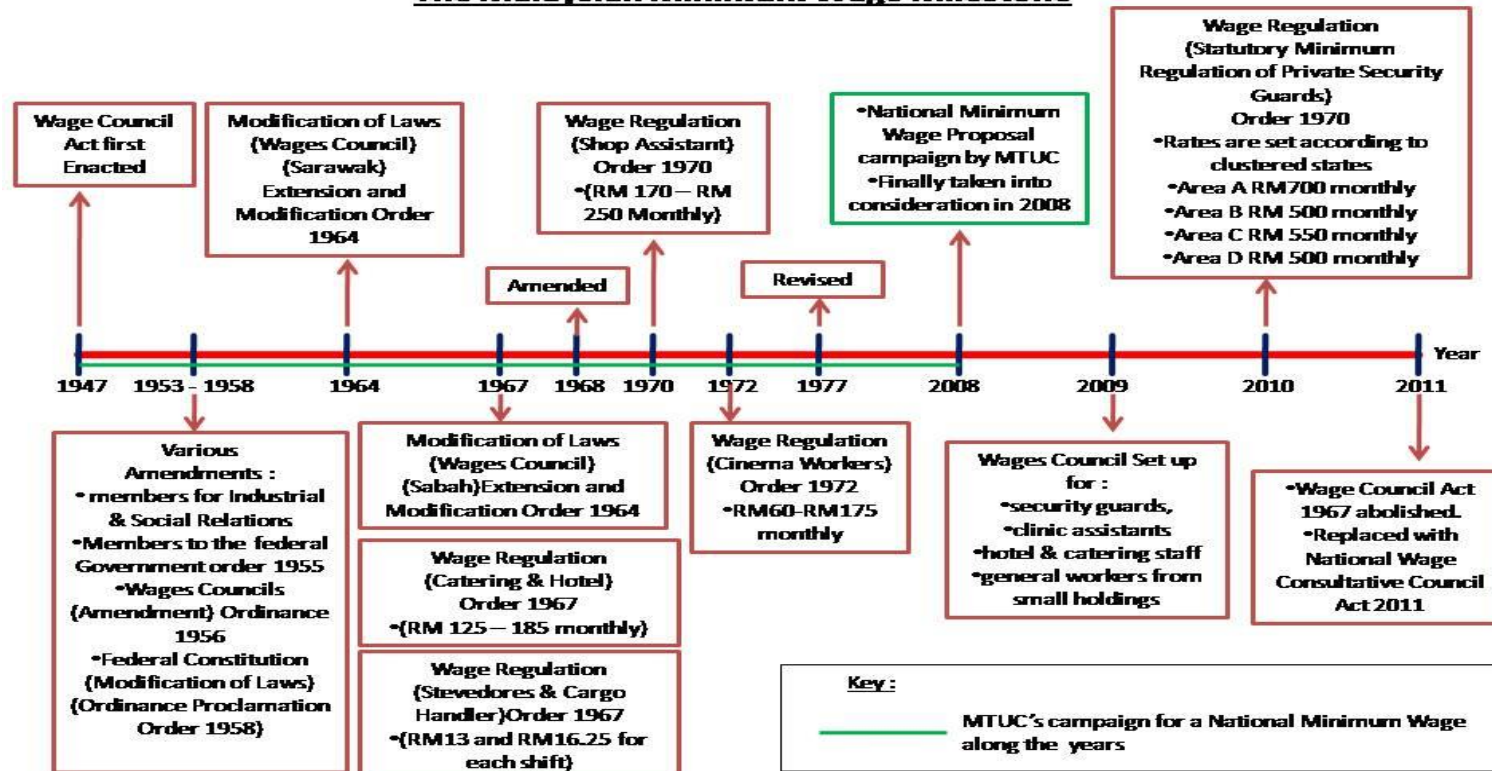


Figure 1.4: A Minimum Wage for Malaysia: Milestone along the Journey from 1947-2011

Source: Wage Council Act 1947, National Wage Consultative Council Act 2011, Aminuddin (2006)

## **1.6 Organisation of the Thesis**

The thesis has seven chapters. Chapter Two reviews the literature on minimum wages and Human Resource Management (HRM) in the hotel industry in Malaysia. Chapter Three discusses the methodology used in this study, including an explanation of the research design, sampling procedures, research instruments and data analysis techniques. Chapters Four and Five present the results of the two phases of the empirical research exploring the anticipated responses of employers and employees to the introduction of the NMW. Chapter Six discusses the research and its contribution to knowledge. Finally, Chapter Seven summarizes the findings and integrates them to suggest an overall conclusion. This chapter also suggests relevant avenues for further research for the consideration of HR practitioners in the hotel industry and other actors involved in the design and implementation of the NMW.

# **CHAPTER 2 – THE MINIMUM WAGE IN THE HOTEL INDUSTRY: ISSUES AND INSIGHTS**

## **2. Introduction**

This chapter begins with a review of minimum wages, and then proceeds to review relevant HR literature with specific reference to the hotel sector and also literature dealing with employers' and employees' responses to the implementation of NMWs. It concludes with a summary of the key themes which formed the basis for the empirical investigation reported in this thesis.

### **2.1 The Minimum Wage**

Minimum wages were originally intended to combat the proliferation of 'sweatshops'<sup>3</sup> and to prevent the underpayment of vulnerable workers, especially women and young workers (Neumark & Wascher, 2008). There are a number of compelling arguments in favour of minimum wages centred on economic and/or social benefits.

Imbun (2008) contends that minimum wages are to be looked at socially and economically. In terms of their social value, minimum wages are used to protect low wage earners from poverty and from being exploited. In terms of their economic value, Imbun suggests that minimum wages share the proceeds of country's economic growth, which in turn motivates workers to contribute more to the economy. Further objectives are the 'elimination' of sweatshops, the preservation of purchasing power, the reduction of poverty, the removal of unfair competition, the promotion of equal pay for equal work, the prevention of industrial conflict, and the promotion of growth and stability (Lucas, 1989). In less developed countries,

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<sup>3</sup> 'Sweatshops' mean business establishments that make their employees work under harsh and often hazardous conditions, and pay only minimal or survival wages.  
(<http://www.businessdictionary.com/definition/sweatshop.html#ixzz2BP5ACIOI>)

particularly those with a colonial legacy (e.g. Malaysia), minimum wages could also serve to protect and pacify indigenous groups (Whitaker & Mohd, 2012).<sup>4</sup>

The Depression of the 1930s and the aftermath of the Second World War paved the way for the widespread application of minimum wages. Since 1928, the International Labor Organisation (ILO) has played an important part in encouraging countries to adopt minimum wage policies (ILO, 1928). In 1970, the Minimum Wage Fixing Convention (No. 131) identified critical factors that contributed to the viability of a minimum wage policy: the participation of government, unions, and employers; the position of the economy; and the economic activity of the poor. However, it has not been possible to provide prescriptive policies for any specific nation given the variations in economic conditions.

The development of minimum wage legislation in Asia has recently gathered pace. In South Korea, the minimum wage was legislated for the first time in 1988 as a safeguard to protect ‘very low paid workers’ in manufacturing industries before it gradually spread across other industries (Khan, 1994, p. 25). In Hong Kong, the minimum wage was introduced in 2011 after a failed attempt to persuade firms voluntarily to increase wage levels (Hui, 2013).

However, there have been many examples of developing countries rejecting minimum wage proposals on the grounds that they would create rigidity and force workers out of jobs (Lustig & McLeod, 1996). Until quite recently, the Malaysian government took this view.

In the 1980s, as a result of the Minimum Wage Study Commission (MWSC) report in the USA, it was concluded that an increase in the minimum wage reduced teen employment, while for young adults the employment effect was negative but smaller. The report particularly focused on the impact of minimum wages on inflation and on

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<sup>4</sup> This section was informed by discussion between the researcher and stakeholders including the MTUC, the government and the MEF and was published in two conference proceedings (i) UWA Postgraduate Conference 2009

([www.voced.edu.au/content/ngv48347](http://www.voced.edu.au/content/ngv48347))

(ii) RLDWL Regional and Local Development of Work & Labour, 2010 - Labour Sustainable Development ( ISBN 978-3-653-01324-5) (eBook)



determining minimum wages for younger workers. Brown, Gilroy and Kohen were the three economists involved in producing this report. Their conclusion suggested that the minimum wage's effect on employment is small and limited to teenagers and young adults. There is considerable debate about whether the minimum wage is a good or a bad thing. Until the 1990s, the dominant view amongst economists was that it represented a market imperfection.

During the 1990s, research on minimum wages took a new direction. The results of new minimum wage' research, involving natural experiments that included measuring the impact of the minimum wage on employment, began to appear (Schmitt 2013). One of the most controversial minimum wage studies of this period was carried out by Card and Krueger (1995).<sup>5</sup> They found that the minimum wage did not reduce employment in the US fast food industry, and concluded that it was very unlikely that the minimum wage would have any large, negative effect on employment. On the other hand, Neumark and Wascher conclude that 'the preponderance of evidence supports the view that minimum wages reduce the employment of low wage workers' (Neumark & Wascher, 2008, p. 104). If this is the case, then the introduction of a NMW in Malaysia may result in a reduction in job opportunities in the hotel industry, which is mainly characterised by low wages. Some other recent influential studies about minimum wages are briefly summarized in Table 2.1

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<sup>5</sup> Other relevant studies include Card (1992a), and Kats and Krueger (1992).

**Table 2.1: Recent influential studies on minimum wages**

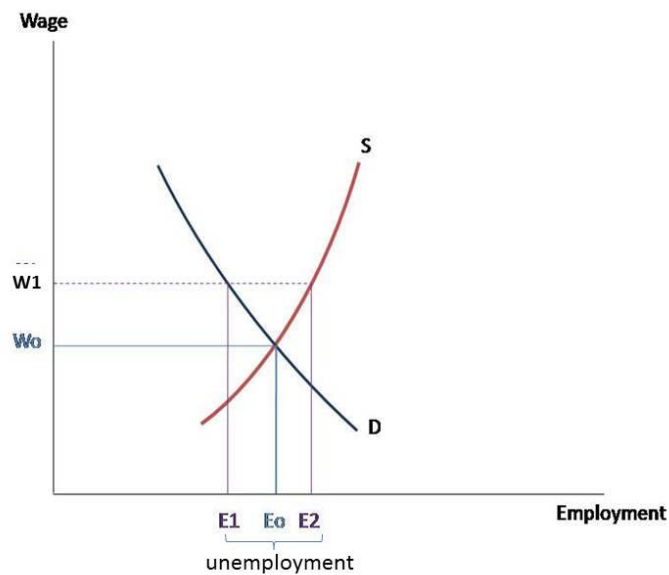
<b>Author / Year</b>	<b>Studies</b>	<b>Findings</b>
Dube, Lester and Reich (2010)	Re-examined the research and critics of Card and Krueger's study on MW	<ul style="list-style-type: none"><li>• No employment effects when MW is increased.</li><li>• Flaws in earlier minimum wage research were identified.</li></ul>
Allegretto, Dube and Reich (2011)	Applied perceptions to minimum wages and teenage employment by Dube, Lester and Reich (2010).	<ul style="list-style-type: none"><li>• An increase in minimum wages does not reduce teenage employment.</li></ul>
Addison, Blackburn and Cotti (2012)	Re-examined the research and critics of Card and Krueger's study on MW but tested it in the restaurant and bar sector in the USA.	<ul style="list-style-type: none"><li>• Minimum wage does not reduce employment.</li></ul>

Although some of the methods used by earlier researchers were criticised, Dube, Lester, and Reich (2010) re-examined Card and Krueger's study and criticisms of it. They concluded that there are no employment effects when the MW is increased. Addison, Blackburn and Cotti (2012) also re-examined the criticisms of Card and Krueger's study, but tested it in the restaurant and bar sector in the USA. They found that the MW did not reduce employment.

This study was based on a single industry that is the hotel industry. It has been argued that minimum wage should vary according to the type of industry with particular expansion to those who require a safety net. Such industries including the hotel industry are subject to heavy open competition which makes it difficult for firms to pay high wages. For the reason in the previous policies, the Malaysian government had attempted to regulate certain industry such as hotel, plantation and security industry. This policy has limited impact so in 2012, the Malaysian government with the advice of the World Bank decided on a minimum wage with some regional differences (Peninsular Malaysia & East Malaysia).

### 2.1.1 Minimum wages from an ‘economic’ perspective

Traditionally, in labour economics, minimum wage theory has predicted that an increase in the minimum wage will put some employees out of jobs. Figure 2.1 provides a simplified illustration of this theory.



Source: Borjas (2005)

Figure 2.1: The impact of the minimum wage on employment

In the absence of a minimum wage,  $W_0$  and  $E_0$  represent the wage and the level of employment in a state of labour market equilibrium. When a minimum wage ( $W_1$ ) is introduced, employers reduce their demand for labour ( $E_1$ ), while the supply of labour expands to  $E_2$ . This creates unemployment represented by  $E_2 - E_1$ .

As Card and Krueger (1995) observe, conservative economists have argued that the minimum wage is not much help for workers. Stigler, in a statement cited by Card and Krueger (1995), famously describes Michael Dukakis’s support for increasing the minimum wage as ‘despicable’; and Welch (1993) describes the minimum wage as ‘one of the cruellest constructs of an often cruel society.’ Citing Baumol and

Blinder (1979) and Heilbroner and Thurow (1987), Card and Krueger (1995) observe that the central argument is whether minimum wages have the effect of pricing workers out of jobs. This clearly is an important question, but it is not the focus of this thesis, which concentrates on the HR aspects of the Malaysian NMW.

### 2.1.2 Minimum wage protection in Malaysia before 2012

In Malaysia, the minimum wage have existed in some form since 1947, when four wage councils were set up for cinema workers, shop assistants, hotel and catering industry workers,<sup>6</sup> and Port of Penang stevedores. These were sectors where unions were not strong and workers were paid very low wages. Before 2009, wage councils and monthly minimum wages existed for the following groups:

**Table 2.2: Wage councils and monthly minimum wages in Malaysia before 2009**

Wage councils	Monthly minimum wage
Cinema workers	RM 175 or USD\$54
Shop assistants	RM 250 or USD\$78
Hotel and catering industry workers	RM 185 or USD\$57
Port of Penang stevedores	RM 120 or USD\$37

Source: Aminuddin, 1991, p. 90

Not only was the coverage of these councils very limited, but the minimum wages were infrequently upgraded. For instance, the catering and hotel wages council had last amended its regulations in 1982. The minimum wage set for the workers in this sector was RM 185 per month (for those over 18 years of age), a very low wage indeed. Essentially, these wages councils fell into disuse and employers were left to determine wage rates according to market conditions. According to a representative of the Ministry of Human Resources<sup>7</sup>, the Malaysian government, in line with its free market philosophy, did not favour minimum wages, regarding them as a market imperfection that could result in the misallocation of resources.

<sup>6</sup> According to the Wages Regulation (Catering and Hotel) order, 1967, PU 288/67, Section 2, hotel and catering workers are the workers within certain jurisdictions who are engaged in the business to supply meals, refreshments or alcohol to the public for consumption on the premises engaging in hotels, lodging houses, restaurants and premises used for the sale of alcohol.

<sup>7</sup> In a personal discussion with the author.

Instead, in a mission to boost labour productivity, the Malaysian government re-promoted a wage system called the Productivity Linked Wage System (PLWS), which was established during the third Outline Perspective Plan (OPP3) (2001-2010) and the Eighth Malaysia Plan (2001-2005). The PLWS was described as a strategic tool for enhancing business efficiency, competitiveness and employment stability by directly linking wages to productivity. It was said to enable employees to obtain a fair share of gains that arise from productivity growth and performance improvement, thereby promoting equity and social cohesion, and enhancing the quality of life (PLWS, Ministry of Human Resources, 2008). The key features of the PLWS included:

- (a) Wages should encompass a combination of monthly income or other regular payments, annual salary increments, annual bonuses or irregular bonuses.
  - (b) Wages should consist of a fixed component, including basic salary, and an additional component in the form of variable payment.
  - (c) Changes in basic salary should take into consideration factors such as the cost of living.
  - (d) The fixed component should reflect the job value and payment of annual increments as recognition of the term of service and experience of the employees.
  - (e) The variable component might be determined by linking it to the productivity and performance of the individual, work team or organisation.
- The indicators used should be transparent as well as measurable.

Although basic wages are typically low in the Malaysian hotel sector, as has been indicated earlier, a closer look at the pay, reward and benefits reveals a more complex picture. The wage structure comprises both fixed and variable components. The fixed component consists of a basic wage and yearly increments, while the variable component consists of service point payments, yearly bonuses and other allowances. Each hotel adds a 10% service charge to the customers' accounts. This money is pooled, and 90% of the pool is distributed amongst employees according to

their experience, length of service, and performance while the remaining 10% adds to the hotel's monthly revenue. Below is a simple example of how the accumulated service charge might be calculated for a hotel receptionist's current monthly wage based on two years' service:

Accumulated Service charge of all employees: RM 33 000

Accumulated points of all employees:<sup>8</sup> 90 points<sup>9</sup>

Service points = Monthly revenue / accumulated service points,

$$= \text{RM } 33\,000 / 90 \text{ points}$$

$$= \text{RM } 334 \text{ (the amount to a point fluctuates through the months and a}$$

point could reach as high as RM 600 per point)

i. Basic wage = RM 500 / month

ii. Monthly service points

$$\text{Points} = 2.0^*$$

Monthly point value

$$= 2.0 \times \text{RM } 334 \text{ **}$$

$$= \text{RM } 668.00/\text{month}$$

\*A service point for this particular employee depends on years of work, experience or work performance

\*\*Accumulated Service charge / accumulated service points, RM 33 000/90 points = RM 334 (the amount to a point fluctuates through the months and a point could reach as high as RM 600 per point)

The overall remuneration for the receptionist is RM 1168 (comprising the basic wage of RM 500 and the additional RM680 due to service points) plus other benefits given by the hotel to its employees. The example above is before the EPF (Employees Provident fund) and SOCSO (Social Security Organization) deduction. Monthly deductions for EPF and SOCSO, which are based on the basic wage, would somewhat reduce the take home pay.

The reward system is further complicated by the addition of a raft of benefits and allowances e.g. food and accommodation. This is not unusual for the hotel industry generally (Johnson, 1983; Lucas, 1991; Lucas & Radiven, 1998; Mars & Mitchell,

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<sup>8</sup> Points are accumulated among hotel employees and are based on employees length of service in the hotel e.g. 2 years of working is equivalent to 2 points. By accumulating the points, the distribution for one point (in RM) seems to be fairer.  
<sup>9</sup> 90 points is based on an example calculation given by the Ministry.

1976), with typically low basic wages augmented by a range of benefits and perks.

Contributions to the Malaysian Employees' Provident Fund (EPF) represent a further cost of employment. The EPF is designed to ensure that workers are financially protected in the event of: (i) unemployment; (ii) retirement; (iii) accident or serious illness; (iv) childbirth; or (v) the death of an income earner (Aminuddin, 2006). Private sector workers contribute eleven percent of their monthly basic wage and employers contribute twelve percent of their wages to the EPF. The fact that the EPF is levied on the low basic wage means that accumulated retirement funds will be correspondingly low. Findings from a study conducted by the Employees' Provident Fund in 1995 indicate that the majority of workers used up all of their contributions within three years of their retirement. These findings added weight to the MTUC's campaign for a NMW.

The main arguments offered in support of the MTUC's claim for minimum wages concerned: (i) Industry's need for manpower, (ii) Reduced dependency on foreign labour, (iii) Eradication of poverty, (iv) Strengthening of manufacturing, and (v) Facilitation of economic growth (Whitaker & Mohd, 2010).<sup>10</sup>

The Minimum Wage Lab of February 2011 was conducted in collaboration with the World Bank. It was an event to engage stakeholders (which include government agencies, academics, employers, employees, non-government bodies and the public) in the concept of a national minimum wage for Malaysia. Stakeholders were involved in discussions about the minimum wage and its structure, the rate to be set and who should be entitled to a national minimum wage, as well as in the deliberations about which models to adopt. The National Wage Council Act, which provided for a NMW, was passed at the end of 2011 and the NMW was set at RM900 for Peninsula Malaysia and RM800 for Sabah and Sarawak and was publicly announced in May 2012. The Ministry of Human Resources allowed a year and a half probationary period following the announcement for employers to prepare themselves for full implementation of the minimum wage on 1<sup>st</sup> January 2014.

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<sup>10</sup> This section was informed by discussion between the researcher and stakeholders including the MTUC, the government and the MEF and was published in two conference proceedings: (i) UWA Postgraduate Conference 2009 ([www.voiced.edu.au/content/ngv48347](http://www.voiced.edu.au/content/ngv48347)) (ii) RLDWL Regional and Local Development of Work & Labour, 2010 - Labour Sustainable Development (ISBN 978-3-653-01324-5) (eBook)

This thesis examines the anticipated responses of employers in the Malaysian hotel industry to the introduction of a NMW and the implications for changes in HR practices. Will employers adopt a ‘low road’ or a ‘high road’ strategy in dealing with the changes? Further, how will employees respond to changing working conditions associated with employer responses to the NMW? How would the changes in wages affect employees’ productivity and motivation?

## **2.2 Human Resource Management**

This section provides a brief summary of the broad debate about Human Resources Management (HRM) and posits the research questions within that debate. There have been numerous attempts to define HRM. Early critics argued that it was little more than personnel management renamed (Armstrong, 1987; Legge, 1995). For example, Guest (1989) questioned whether it was a case of ‘old wine in new bottles’, representing an assembly of standard personnel management techniques including manpower planning, job analysis and design, recruitment and selection, training and development, pay, and performance management. Some were scathing of the motives behind the movement to HRM, arguing that it represented a shift towards unitarist control in the workplace, the reclamation of managerial prerogative, and the de-collectivisation of labour relations. Along those lines, Legge (1995) prompted considerable debate with her arguments that HRM was more ‘rhetoric than reality’, and that work intensification was thinly disguised by terms such as empowerment and flexibility.

More positive interpretations of HRM argue that it is a fresh approach to employee management that goes far beyond (administrative) personnel management. For example, Storey (1995, p. 5) describes HRM as:

a distinctive approach to employment which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques.



In sophisticated form, HRM postulates that organisations can use selection, communication, training, development and rewards to build employee capability and commitment that go beyond contractual compliance. When closely coupled with organisational strategy and deeply embedded in organisational values and culture, HRM can differentiate successful organisations from others and, being hard to copy, provides a sustainable competitive advantage (Boxall & Purcell, 2003). From this perspective, HRM offers a ‘win-win’ model of employment that serves the goals and interests of multiple stakeholders: employers enjoy greater productivity, employees have more satisfying work, and customers receive quality goods and services. Resonating with the earlier work of Walton (1985), this ‘win-win’ model of HRM treats employees as assets, rather than as variable costs, implying a far greater emphasis on investment in people and retention.

The link to organizational strategy is important, and helps to understand why different styles of HRM can co-exist in the same sector (Capelli & Crocker-Hefter, 1996). A strategy based on differentiation (Porter, 1980) would be best supported by the high commitment model of HRM with a focus on the recruitment of high quality staff, employee development and retention (Boxall & Purcell 2003; Pfeffer 1995). A strategy based on cost leadership (Porter 1980) would seek to minimise labour costs by providing low wage rates and minimal training (Boxall & Purcell 2003). Although this is a generalisation, it is rare to find a combination of cost-leadership and high-commitment HRM (an exception may be the low cost US carrier Southwest Airlines (Freiberg, 1998; Hoffer Gittell, 2005)). Where an organisation’s business model depends on low wage labour, it is unlikely to follow a high-commitment model of HRM, and more likely to follow the ‘low road’ (Brown & Crossman, 2000).

A reason for the emergence and spread of HRM has been the increased emphasis on change management (Armstrong, 1995; Hughes, 2006), and the need for flexibility (Atkinson, 1982; Hiltop et al., 1995; Schuler, 1989). The need for change may be externally driven, or generated by internal forces (Lewin, 1951). Clearly, when internally driven, change can be managed more strategically, given the time and

space for planning and analyses of choices.

In the Malaysian hotel industry, HRM policy and practices are determined managerially. That is, this is a unitarist approach to employee relation where employers make almost all decision without reference to the workforce. Empowerment is relatively new concept in the Malaysian hotel industry but it may gain pace as the industry continues to develop and modernized.

### **2.3 Employers' and Employees' Responses to the National Minimum Wages**

It has been argued that human resource management plays a crucial role in shaping the organization's success regardless of industry (Ahmad & Schroeder, 2003). However, it might be considered even more important in hospitality, where service quality is directly related to the quality, reliability and motivation of staff (Boella, 2000). Ulrich and Smallwood (2003) argue that, in as much as hospitality organisations are dependent on human capital to create a competitive advantage, the success of their businesses depends on the intangible assets of the human capital itself, which include knowledge, core competencies and organisational capabilities. To harness effectively the power and value of these assets requires sophisticated 'human resource leadership' (Walker & Miller, 2011), supporting the strategic direction of the organisation (Decenzo & Robbins, 2007). One of the first challenges is to attract and select the right people, and then retain them. However, Edwards and Gilman (1999) claimed that the implementation of the NMW could create 'shock' in the labour market in an industry where it affects pay structure and employment.

The role of NMW is not only to reduce poverty; it extends to encouraging competition among firms (employers) on the basis of product quality, product price, employees' commitment, reduction of turnover and encouragement of investment in investment that would increase productivity and motivation and employee retention, thus adding to the firms' competitiveness. Therefore, this study explores the implication of the implementation of the NMW from both employers' and employees' perspectives.

### **2.3.1 Employers' responses to the National Minimum Wage**

It had been argued that the introduction of the NMW has not caused any significant changes among low paying firms in the U.K. Instead, there have been many studies of the impact of the MW in the U.K., and the results are rather ambiguous (Grimshaw & Carroll, 2003). Factors that contribute to this ambiguity include:

(i) How firms maintain their profit margins is unclear, even though this is considered as an expected response for some firms (see Brown & Crossman, 2000; Gilman et al., 2002). If profit margins are reduced, this may cause difficulties for productivity-improving investment.

(ii) The existence of 'high road' strategies among firms: studies by Bullock et al. (2001), Heyes and Gray (2003), and Ram et al. (2001) show that the pressure felt by firms to provide higher wages has had a positive impact in terms of improving the quality of services and products. Improvements in services and product quality are the result of firms investing in technologies and human resource practices.

(iii) Although it was said that the NMW would have a positive effect on training provision, no changes were reported (Arulampalam et al., 2002; Heyes & Gray, 2003; Miller et al., 2002 in Grimshaw & Carroll, 2006). Where productivity is concerned, it was reported that there have been no obvious impacts (Forth & O'Mahoney, 2003). Grimshaw and Carroll (2006) observe that one reason for this could be that a low NMW has little influence on the behaviour of employees and employers.

In order to examine how employers in the Malaysian hotel industry will react to the NMW, this research adopts the perspectives of HRM, rather than economics. The reason for this is that HRM perspectives can better demonstrate employers' behaviour, their strategies, and the outcomes for employees, thus balancing the power of both employers and employees. HRM perspectives can allow for

improvement in the product market characteristics of an industry. Studies by Edwards and Gilman (1999), Rubery and Grimshaw (2003) and Grimshaw and Carroll (2006) suggest that product markets can affect strategies for employment practice, work quality, training and productivity. The links that exist between strategy and HR practices strengthen the case for research into the behaviour of employers and employees in response to the NMW in Malaysia.

A study by the Low Pay Commission in the U.K. points to four common findings about responses to the NMW. First, firms in the U.K. planned to adjust prices to offset costs (Brown & Crossman, 2000; Grimshaw & Carroll, 2006). The second finding is of evidence of change in the product market. However this approach is not the choice of employers in the hotel industry. Table 23 below summarises the evidence of product market effects in the UK.

**Table 2.3: Product market and work organisation effects of the UK NMW**

Study	Product market approach	Changes in employment organisation
Arrowsmith et al. (2003)	Some clothing firms shifted to niche markets, but the most common response in each sector was to raise prices and reduce profit margins.	In a small number of firms, a more formal approach to HR, increased training, new payment systems and multiskilling; evidence of increased work efforts.
Brown and Crossman (2000)	41 % expected to increase prices	55% expected to use more part timers; 46% to employ better qualified staff; 41% to reduce, or end overtime premium, 15 % to increase training.
Gilman et al. (2002)	Of those affected by the NMW, around half expected to raise prices.	Of the firms affected by the NMW, 72% expected to introduce labour-saving technology; two thirds expected to increase employees' skills, two thirds to change payment systems; and half to subcontract work (limited evidence of work intensification).
Hayes and Gray (2003)	Of those who sought to offset costs: 71% increased prices; 63% improved the quality of products/services.	Of those who sought to offset costs: 61% increased worker effort; 39% increased amount/ quality of training; 8% substituted capital for labour.

Source: Grimshaw and Carroll (2006)

The third common finding concerns training, working hours and pay systems. Here, employers are seen to have adopted various methods of minimising costs and not just cutting employment. Other responses include the 'high road' or 'low road' strategies which are also known as 'quality enhancing' and 'cost minimisation' respectively. In this situation, with regard to the hospitality industry, the 'low road' seems to be more popular. Brown and Crossman (2000) found that the majority of hotels that participated in the survey expected to adopt the cost minimisation or 'low road' strategy. The 'low road' strategy includes employing more young staff, reducing training and reducing overtime premiums. Bullock et al.'s (2001) study finds that the 'low road' strategy is more common and popular than the 'high road' strategy.

Competing on the basis of quality, switching to niche markets and investing more on training to improve productivity are some of the anticipated impacts of the NMW. However, Grimshaw and Carroll (2006, p. 40) claim that these anticipated impacts are elusive in Britain, suggesting that: (i) it would be difficult to pass on any price increase created by NMW to customers, and (ii) competing on the basis of quality would not directly improve the pay system and training in an industry, especially if employers hesitate to invest in skills development and training courses. Employers also tend to have a perception that workloads can be increased by appealing to employees' loyalty instead of increasing the pay. In the hotel industry, product quality involves the services provided by employees. This could be enhanced by improving the elements associated with HRP in an organization. HRP includes pay and benefits, training and productivity and motivation boosters.

The introduction of a new minimum wage policy in Malaysia represents an externally imposed challenge for employers with limited planning time that will impact particularly on the low-waged hotel sector. While employers' perceptions differ according to country, industries, and job levels, the central questions in this research were to consider how employers in the Malaysian hotel sector would respond to this change in terms of their choices about HR practices to meet the new legal requirements. This study, therefore, further investigates the anticipated responses of employers in the Malaysian hotel industry to the introduction of the NMW with the objectives of exploring the anticipated attitudes of the employers to the introduction of the NMW, the anticipated changes in HRP and the choice of employers between the 'high road' and 'low road' strategies. Do the hotels in Malaysia plan to use the price increment method or to change the product market? What would be the impact of the NMW on training, working hours and pay systems? The following subsections discuss some earlier insights on the impact of NMW on recruitment and selection, induction and training and pay and benefits in the hotel industry.

### **a. Recruitment and selection issues in the hospitality industry**

The purpose of recruitment and selection is to employ the right people, in the right numbers, in the right place, at the right time, and to do so cost effectively (Armstrong, 1995). A critical question concerns the definition of 'right people'. Some employers go to considerable lengths to plan strategically their recruitment and selection policies and procedures. Amongst other things, this involves specifying detailed job and person descriptions, and carefully selecting candidates against measurable criteria using a range of sophisticated, valid and reliable techniques e.g. assessment centres (Gatewood & Feild, 2001). However, many employers cannot afford the luxury of such lengthy and costly recruitment processes and adopt less stringent approaches (Walker & Miller, 2011).

Studies have shown that in some organisations, recruitment and selection is often an intuitive process, for example, relying upon the first impressions gained by a single, untrained interviewer (Anastassova & Purcell, 1995; Hoque 1999b; Ineson & Kempa, 1997; Kusluvan, 2003; McGunnigle & Jameson, 2000; Rowley & Purcell, 2001). The reduced reliability and validity of intuitive approaches carry considerable risk of hiring the 'wrong' person, which may impact on service quality. While some hotel employers do use 'expert' selection techniques (Boella, 2000), these are largely confined to selection for higher ranking and elite positions such as General Manager or Head Chef. In these cases, a cursory risk assessment would indicate that the cost of making a mistake in the selection process is relatively high, and it is worth spending time and effort to reduce the risk (Russo, Reitveld, Njikamp, & Gorter, 2000).

Typically, for most hospitality jobs, the selection procedure involves the use of applications forms, an unstructured interview, and reference checks (Walker & Miller, 2011). The predictive validity of these techniques is known to be less adequate (Stone, 2011, Armstrong, 1995, Buchanan & Huczynski, 1985). In industries where there are many competitors for the same or similar types of labour, and skills are highly transferable, the level of labour turnover can be expected to be high (Rothwell, 1982; Bevan, 1987). This combination of conditions is fairly typical of the hotel sector (Whitaker, 1992), particularly in metropolitan areas (Rothwell,

1982), and this can conspire against the careful recruitment and selection of staff (Hall & Whitaker, 1988; Boella, 2000).

While there are other external factors that may influence recruitment and selection in an organization, the NMW is a factor that could be of influence. In a study by Express Employment Professionals in the U.S,<sup>11</sup> the findings indicate that 39% of the respondents planned to reduce their future recruitment in response to the minimum wage. In the case of Hong Kong,<sup>12</sup> the minimum wage has had adverse effects, especially on HR functional areas, including recruitment and selection. However, there is limited evidence of the impact of minimum wages on recruitment and selection, as the effect of a minimum wage is usually tackled from the economic point of view instead of that of HRM.

Will the introduction of the NMW cause Malaysian hotel employers to reassess their risks and look more closely at their recruitment and selection processes? Will they have the competency in house to do this, or will they require greater support from recruitment agencies? Will they take extra measures to retain their staff? These are questions that informed the survey of employers.

#### **b. Induction and training issues for the hospitality industry**

Orientation or induction training is an important HR activity. As well as helping employees transition to their new workplace and job, induction can create a sense of organisational commitment, thus supporting employee retention (Cheng & Brown, 1998). Indeed, the ‘induction crisis’<sup>13</sup> is such a well-known phenomenon in HRM that the cost of investment in induction training is easily justified. Walker and Miller (2011) confirm that it is very rare for the hospitality industry not to provide their employees with any induction. However, the induction may be deep or shallow.

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<sup>11</sup><http://www.peterberry.com.au/article/should-recruitment-and-selection-be-influenced-by-the-minimum-wage#.U7JbUnfrDdU>

<sup>12</sup><http://www.aon.com/apac/human-resources/thought-leadership/asia-connect/2011-sep/impact-of-smw-in-hk.jsp#impact-employment>

<sup>13</sup> Failure to provide an effective induction can lead to the new employee taking longer to become fully productive and feelings of isolation from the rest of the team.  
(<http://www.mmu.ac.uk/humanresources/devandtrain/resources/induction-an-introduction.pdf>)



Typically, hotel employers spend just a few hours on it, and the impact on retention is correspondingly low.

More generally, expenditure on longer-term training and development is also limited. The twin problems of high voluntary labour turnover and seasonality are complications making it hard to justify longer-term investments in people (Janes, 2000). Where training does occur, it is usually on-the-job and task related e.g. procedures to set up tables in the restaurant, to clean guest bathrooms, to handle a reservation (Carnevale & Carnevale, 1994; Lynch & Black, 1996). It has been argued that greater emphasis and expenditure on training would result in higher job satisfaction, employee commitment, lower labour turnover, and improved performance (Chun-Fang Kian, Ki-Joon Back, & Canter, 2005; Conrade & Woods, 1994; Marvin, 1994; Roehl & Swerdlow, 1999). A further benefit is that organisations can attract better quality candidates by offering training programmes and career paths (Janes, 2000).

Miller and Walker (2011), however, find that in some cases, hospitality employers think that newly employed workers are able to work without training; they have a mindset that anyone can put on a 'magic apron' and do work which is perceived to be an extension of household work. Walker and Miller (2011) further argue that not all employers in the industry view training as an investment, especially in lower ranking hotels.

Earlier research on the effect of wage growth on training showed that a minimum wage led to less training (Leighton & Mincer, 1981; Hashimoto, 1982; Arulampalam et al., 2004; Metcalf, 2004), while more recently, Schiller (1994) and Neumark and Wascher (2001) claimed that the minimum wage reduces training. The following paragraphs further discuss some of the earlier scholars' perspectives on the possibility that minimum wages reduce training.

An effective minimum wage entails wage increases for at least some workers. Hashimoto (1982) suggested that the increase creates competition for jobs, thus enabling employers to curb their training opportunities. In this situation, current

wages may have increased but wage growth is depressed. Hashimoto concludes that the NMW decreases both the employment level and the amount of training provided.

Other early studies, including Lazear and Miller (1980), Fleisher (1981) and Leighton and Mincer (1981), examined the effects of the minimum wage on training. The methods used in these three studies differed. Where Lazear and Miller (1980) were inconclusive, Leighton and Mincer found an adverse impact of the minimum wage on training, while Fleisher (1981) estimated that higher wage cost reduces training.

Other studies, including those of Adam-Smith, Norris and Williams (2003a) and Norris, Williams and Adam-Smith (2003b), suggested that the introduction of NMW has a moderate impact in the hospitality industry, especially on training. This was also predicted by Janes (2000), who saw the cost factor as a problem in conducting training, especially in the hotel industry. However, Janes also suggested that employees can actually gain more benefits from the introduction of the NMW.

Unfortunately, there is little evidence from the Malaysian literature, especially concerning the hotel industry. This study may help to reduce that gap. Will the introduction of a national minimum wage make things better or worse in terms of training? Will employers reduce their training budgets? Or will they regard training as a means of getting more value from more expensive labour?

### **c. Pay and benefits**

‘Compensation’ includes both ‘pay’ and indirect financial compensations, excluding non-financial benefits (Dressler 2012). Compensation philosophies usually enclose a basic goal, which is to attract, retain and motivate employees. They must also be in line with the business’s goals and objectives (Lundy & Cowling, 1996; Stone, 2010). Business objectives and goals play an important role in terms of rewarding and motivating employees to reach higher levels of job performance, thus enhancing organisational effectiveness (Stone, 2010). Therefore, it is crucial to design a remuneration program which, with due regard to cost, reflects the organisation’s

goals and culture, and is able to be communicated to all levels of employees. This is supported by the strategic direction model of DeCenzo and Robbins (2007), where the mission and goals of an organisation are incorporated within the HR elements in order to achieve the organization's goals.

While the regular remuneration program in the hotel industry consists of (i) direct compensation and (ii) indirect compensation (benefits) (Dressler et al., 1999; Gomez-Mejia & Balkin, 1992; Walker & Miller, 2011), another characteristic of the remuneration program in the hotel industry is the poor base component of pay or base wage provided (Woods, 1999), especially to the non-managerial, lower ranking positions (also known as the rank and file employees in Malaysia). Employers sometimes not only pay low wages, but also illegally underpay them (Ryan, 1991). It has been argued that this is common in most developed and developing economies. The pay in the hospitality industry worldwide is said to be little more than a low basic rate with low fringe benefits (Lucas, 1995; Lucas & Radiven, 1998; White, 1999). Boella (2000) states that employers in the hospitality industry are amongst the lowest paying employers in the U.K. In the case of Denmark, Hjalager and Andersen (2001) state that the earnings of a managerial position in the hotel industry is 33% less than a managerial position in other industry. In the European Union countries, wage levels in the hotel, catering and tourism industry are 20% below average. However, although employees get low basic pay, they often receive tips from customers, subsidised food and accommodation (Conrade et al., 1994; Woods, 1997). As explained in section 2.1.2, the pay structure in the Malaysian hotel industry consists of a fixed component — the basic wage and yearly increments — and a variable component related to service points. Until the recent change, the minimum wage in the Malaysian hotel industry had limited coverage and was infrequently upgraded, and this is reflected in the low level of basic wages paid by the hotels.

There are only a few studies that deal with the NMW in the hotel industry. Some (Arrowsmith et al., 2003; Brown & Crossman, 2000; Edward & Gillman, 1999; Gilman, Edwards, Ram, & Arrowsmith, 2002; Gilman et al., 2002; Grimshaw & Carroll, 2006; Hayes & Gray, 2003) analyse the response of pay to the NMW in the hotel industry. Most of these studies were conducted in small firms and some

included comparisons with the clothing industry. Edwards and Gilman (1999) argue that the NMW would particularly affect small firms with informal pay structures. While some scholars point to the adverse effect of the NMW on pay structure, there are studies that argue otherwise. A wage council could provide annual wages increments and the NMW might encourage firms to use pay strategically (Edward & Gillman, 1999; Lucas & Radiven, 1998). Brown and Crossman (2000) provide insights into the strategies of the hotel industry in the U.K, which will be further referred to in this study.

### **2.3.2 Employees' responses to the National Minimum Wages**

#### **a. Productivity**

Schroeder (1985) defines productivity as the relation between inputs and outputs of a productive system. This definition, according to Jones (1989), is widely adopted in the hospitality industry, while according to Pickens (2006) productivity is the total amount of output, goods and services, per unit of inputs. Inputs in the service industry include labour, capital and natural resources. Output comprises meals served, guests sent to rooms, rooms cleaned and so on.

Mill (2008) argues that productivity growth in the service industries, especially hospitality, tends to be lower than in manufacturing. This is true of Malaysia.<sup>14</sup> Witt and Witt (1989) argue that most of the operation management and project management techniques applied in the manufacturing sector are not used in the hotel industry. Mills (2008), on the other hand, claims that although some of the techniques used in manufacturing are not applicable to the hotel industry, others can be successfully adopted and adapted.

Witt and Witt (1989) point out that the problems in the analysis of productivity are those of (1) definition and (2) measurement. Fitzimmons and Fitzimmons (1998)

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<sup>14</sup> MPC Productivity Report 2010/2011 (<http://www.mpc.gov.my/mpc/images/file/APR/APRSnapshot.pdf>)

likewise note that the problems revolve around identification, definition, and measurement of inputs and outputs. Measuring productivity seems to be difficult, although, in its simplest form, it is the ratio of input to output (Ball et al., 1986). It is selecting the right inputs and outputs and developing the ratio that challenge the task of measurement (Johnson & Ball, 1989). Hospitality services are difficult to define and to measure. Compare, for example, the number of guests per night versus the number of satisfied guests. Other factors that complicate the measurement of inputs and outputs are: (i) the simultaneous production and consumption of hospitality services; (ii) customers' participation in the service production process; and (iii) the perishability and heterogeneity of hospitality services (Jones & Lockwood, 1989).

Pavesic (2009), Sigala (2003, 2004) and Sigala, Jones, Lockwood, and Airey (2005) analysed the theoretical and practical implications of the problems of hospitality productivity and developed and validated a systematic, three-step approach for constructing robust productivity metrics, as follows: (1) addressing the definition problem; (2) identification of suitable units of measurement; and (3) the use of appropriate ways to compare inputs and outputs. Brown and Dev (1999) propose six single-factor productivity measures to be used in measuring productivity in which some were used to measure capital productivity and others labour productivity. None of the six measures proposed by Brown and Dev, Pavesic (2009), Sigala (2003, 2004) and Sigala, Jones, Lockwood, and Airey (2005), however, is being used in the Malaysian hospitality industry. Instead, managers are encouraged to use a measurement tool developed by the Ministry of Human Resources called the 'Productivity Linked Wage System' (PLWS), which includes the service point system (as explained in section 2.1.2).

In the Malaysian context, as mentioned by Goh (2010), labour productivity is relatively important in influencing wage increases. The Malaysian government has recognised that wage levels must be increased in order to improve living standards so as to reduce poverty. Increasing wages without a concomitant increase in productivity would result in a build-up of inflationary pressures and might weaken the country in terms of attracting foreign investment. There are studies of the link between productivity and wages, but most of this research is based on the

manufacturing sector rather than the service sector. For instance, Ho and Yap (2001) find a positive relationship between productivity and wages for the Malaysian manufacturing industry. However, in Malaysia, there is a lack of local studies on the relationship between productivity and real wages in the service sector, particularly the hotel industry itself.

Howard and Paska (2002) contend that productivity can be improved through higher wages (minimum wages) and improved labour practices, especially in developing countries. This is supported by Saget (2000), who sees three ways in which the minimum wage will increase productivity: (i) being paid a decent wage, employees are motivated to work hard; (ii) labour turnover costs are reduced; and (iii) well-maintained, sound employer-employee relationships are fostered by paying the appropriate wage. Saget (2002) suggests that minimum wages will induce employers that are confronted with higher labour costs to take steps to raise productivity. To improve efficiency and avoid waste, capital can be substituted for labour and skilled labour can be substituted for unskilled labour (Saget, 2001).

In the case of U.K., Forth and Mahony (2003) argue that exploring the effect of a minimum wage on labour productivity entails taking into account the standard neo-classical model, labour market imperfections and product market imperfections. According to the standard neo-classical model, the wage of a particular kind of labour should equal the marginal product of that labour (as wages constitute the reward for the marginal labourer's contribution to the output of the firm). Forth and Mahony (2003) also point out that the introduction of a minimum wage will lead to an increase in wages for those previously paid below the minimum. A profit maximising firm will naturally look for chances to rectify this situation. A normal expectation is that firms will reduce their numbers of employees and substitute capital for labour. In terms of labour market imperfections, it has been emphasised by labour economists that employers have a certain degree of monopsony power which causes them to absorb increases in wages without necessarily reducing output or employment (Dolado, 1996; Manning, 2003). Rubery (1997) points out that wage setting not only sets a price for labour but also has implications for fairness which affects motivation.

Another consideration supporting the arguments above is the nature of the hotel industry itself, which is labour-intensive. Service is the 'core product'. As services are tied to people and are perishable, there is pressure on managers to use employees efficiently, rather than to rely totally on technological innovations (Mills, 2008). In the Malaysian scenario, employers claimed that it is more profitable for them to employ lowly paid workers (including foreign workers) than to invest in modern technology and machinery that will contribute to greater productivity (*The Star*, 25 April 2008)

There are different views about the relationship between the minimum wage and productivity. The Ministry of Human Resources in Malaysia claims that, although Malaysia will be implementing its NMW, productivity growth must be in line with wage growth. This accords with Imbun (2008), who sees productivity growth as fundamental to the improvement of employment opportunities and growth. Furthermore, in developing countries, according to employers and governments, low productivity is one of the symptoms of under-development and backwardness, while high productivity is associated with high growth and improved wages (Imbun, 2008; Levantis, 2000; McGavin, 2001). Elangkovan (2012) further suggest that if a rise in productivity growth matches a rise in wages, a lower cost of production will be achieved and company would be able to absorb a rise in labour cost per unit. Hence, wages should rise with productivity. Therefore, this study further investigates the potential effect of the NMW on employees' productivity. While the impact of a NMW on labour productivity is not easily determined, this study anticipates that firms will at least partially accommodate the NMW through productivity improvement.

## **b. Motivation**

Despite impressive economic growth and rapid development since independence, the overall productivity and wages of Malaysian workers remain low (*The Star*, 25 April 2008). It could be argued that the real reason is not that Malaysian workers are unproductive, but rather that employers have been so successful in suppressing wages that there has been little incentive to invest in research and

development for productivity improvement. Employers also have the perception that it is more profitable to employ lowly paid workers (including foreign workers) than to invest in modern technology and machinery that will indirectly contribute to greater productivity. This situation also affects employees' motivation.

Motivation recognizes that individuals must be stimulated, have clear focus and directions, and are committed in achieving goals (Mitchell, 1982; Bartol and Martin, 1998; Islam and Ismail 2008). The early studies on motivation have seen the emergence of three major motivation approaches: Need-based approaches where it described the human needs that drive or stop behaviour. Popular theories includes Maslow's need theory, Adelfer's theory, Herzberg two factor theories and McClelland theory; Process approaches where it explains the how behaviour is influenced by the individual's thought and cognitive process. One of the famous theories is Vroom's expectancy model where it argues that how a person act depends on the strength of expectation followed by the outcome and its attractiveness. Other theories include equity theory and goal setting theory; Reinforcement approaches where learning and consequences will shape one's behaviour.

Over the years, motivation theories were developed and have provided the base for organizational and managerial practices. Although there are many definitions and theories of motivation, with regards to the hospitality industry, motivation is defined as the energizer that makes people take action and behave as they do (Walker and Miller, 2011). Motivation is also accepted as an indistinguishable, internal force that regulates the intensity, direction and duration of actions of an employee (Pinder, 1998; Mitchel, 1997; Ambrose and Kulk, 1999). Mitchel (1997) explained that motivation is conceived as the factors that affect employees' performance. Mitchel further explains that people are most highly motivated when they have goals, are rewarded when they give good work performance, are treated fairly, have a stimulating and engaging job, the team members work hard together, a situation meets their needs and the organisation portrays a culture that emphasises hard work and commitment.



In the hospitality industry, motivation is said to work hand in hand with productivity, where highly motivated people usually perform well and achieve their productivity goals, while unmotivated people usually do marginal work. Ryan and Deci (2000) explain that different types of motivation are based on different types of goals, which impact on actions taken by employees. These different types of motivation include intrinsic motivation, where an employee does something because he/she is interested and enjoy doing his/her job, and extrinsic motivation, where an employee performs the job in order to achieve a certain outcome. Mitchell (1997), on the other hand, describes the differentiation between motivation content and process theories, where motivation content theories explain the needs and drive that trigger people to move and focus, while motivation process theories describes how the needs operate, how commitment and intentions were formed and how these activities affect behaviours. In other words, content theories can be described as human drives and process theories translate those drives into human action.

A study by Kovach (1987) was conducted in the hospitality industry with the approach of asking the employees what they need and expect from their jobs. The findings of this study listed several factors: good wages, discipline, job security, interesting work, employers' acceptance of employees, help on personal problems, opportunities for advancement, good working condition, loyalty and appreciation. However, in terms of ranking, based on Kovach research from 1946 to 1986, factors such as interesting work, appreciation and employers' acceptance of employees are ranked higher than good wages. On the other hand, Charles and Marshal (1992), who conducted similar research to Kovach's in the Caribbean hospitality industry, found that good wages and good working condition were ranked as the most and second most important criteria by the employees. Other studies by Darder (1994) and Simons and Enz (1995) found that good wages and job security were ranked first and second. In these various studies, the rankings are influenced by the age groups and departments within the organisations.

Walker and Miller (2011) described several theories of motivation in the hospitality industry:

- (i) motivation through fear, said to be the oldest way of motivating employees.

It involves coercion, threats and punishment. Although fear will sometimes make an effective form of motivation, it seldom works for long.

(ii) carrot and stick, with rewards for good performance combined with punishment for bad performance.

(iii) ‘economic person’ theory—the classic view of job motivation, where money is used as to motivate performance.

These three motivation theories are seen by Walker and Miller (2011) as supplements to existing motivation theory such as Maslow’s hierarchy of needs, McGregor’s theory X and Y and Herzberg’s theory.

While motivation is closely related to the need of an employee, need is described as employees’ ‘self-described motivators’ (Simons, 2003). Although Ambrose and Kulik (1999) argued that needs-focused research is without a theoretical basis, Simons (2003) argued that needs-focused research is useful in showing that employees have their own reasons and goals for work. This is often overlooked by employers who mistakenly think that employees would be happy with the system preferred by the employers. Although these popular theories provide a foundation for managerial practices, however, these theories may not fit into different working culture around the world. In Malaysia for example, Hofstede (1991) noted that, there is an unwillingness to make decisions without reference to the most senior executive, a high ratio of supervisory to non-supervisory personnel, strong uncertainty avoidance and low individualism. Based on the Hofstede’s five-dimensions of culture, which are: Power Distance (PD), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance (UAI) and Long Term Orientation (LTO), Malaysia is high on Power Distance and low on Individualism, as shown in the table below.

Table 2.4: Hofstede’s five dimension culture for Malaysia

<b>Country</b>	<b>PDI</b>	<b>IDV</b>	<b>MAS</b>	<b>UAI</b>	<b>LTO</b>
Malaysia	104	26	50	36	NA

**SOURCE:** [http://www.geert-hofstede.com/hofstede\\_dimensions.php](http://www.geert-hofstede.com/hofstede_dimensions.php)

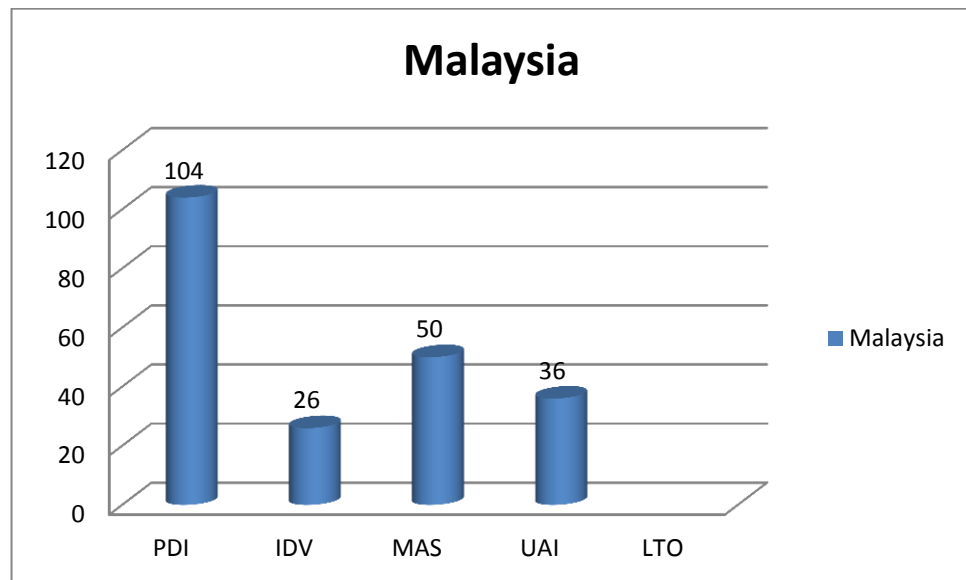


Figure 2.2: Hofstede's five dimension criteria for Malaysia

SOURCE: [http://www.geert-hofstede.com/hofstede\\_dimensions.php](http://www.geert-hofstede.com/hofstede_dimensions.php)

Power distance refers to a degree of inequality that is accepted among the members and leaders in society. As explained by Hofstede, the power distance index measures the extent to which the members of an organisation/institution or family expect and accept that the power is unequally distributed. The inequalities are defined from the members (below) points of view, instead of from the leaders (above). As quoted by Hofstede (2005):

*“Power distance is thus described on the value system of the less powerful members. The way power is distributed is usually explained from the behaviour of the more powerful members, the leaders rather than those led.”*

Besides Hofstede's study on cultures, Kennedy (2002), in his GLOBE study highlighted various factors on leadership in Malaysia. Based on the GLOBE study, Kennedy highlighted that Malaysians portrays a high collective well-being and a strong display on humane orientation that respects hierarchical differences within a society. Collective tendencies are enhanced by: The spirit of cooperation towards

achieving the common goods; The values of solidarity and sense of belonging that are consistent with the Islamic values; Strong emphasis on loyalty and cohesiveness within family and work units; Shared belief in the importance of encouraging practices that reward collective distribution of resources; Low importance placed on assertiveness and discouragement on confrontational behaviour. This suggests that motivation in the Malaysian culture should be supported by good leadership qualities as outlined above. Hakim (2011), Elankov (2002), Nawawi (2001), Nowack (2004), Huges et al. (2002), Muafi (2003), Yousef (2000) and Kotler and Hackett (2005) supported that motivation is affected by leadership qualities where the leadership process must be determined first in order to get good, motivated employees. On a more recent research, Musah et al. (2014) explained that excellent work culture (EWC) in the Malaysian Higher Education Institution highlighted a few measures by Triantafillou (2002) that consist of eight measures of Islamic codes of self-conduct factor and 8 measures of anthropological objectification factor of which would be relevant to the motivational efforts in the Malaysian hotel industry.

Even though pay is an important element in most motivation theories, there are, as suggested in the literature noted above, other elements that contribute towards employees' motivation. Organizations must make sure that leadership, motivation, working environment and organizational culture must be well taken care of in order to achieve a high quality human resource. What would be the scenario among employees in the Malaysian hotel industry? This thesis explores the employees' anticipated response towards the introduction of the NMW, the potential effect of NMW on their productivity and the relationship between the changes in HR practices, rewards and employees' motivation.

## **2.4 Summary**

The introduction of the MW and issues about its impact on employment has led to widespread debate between scholars. The literature suggests that the impact varies between countries. Most of the literature reviewed for this study was about the U.K., which has similar HR trends and labour laws to Malaysia's. Differences between countries in their levels of economic development have affected arguments about the

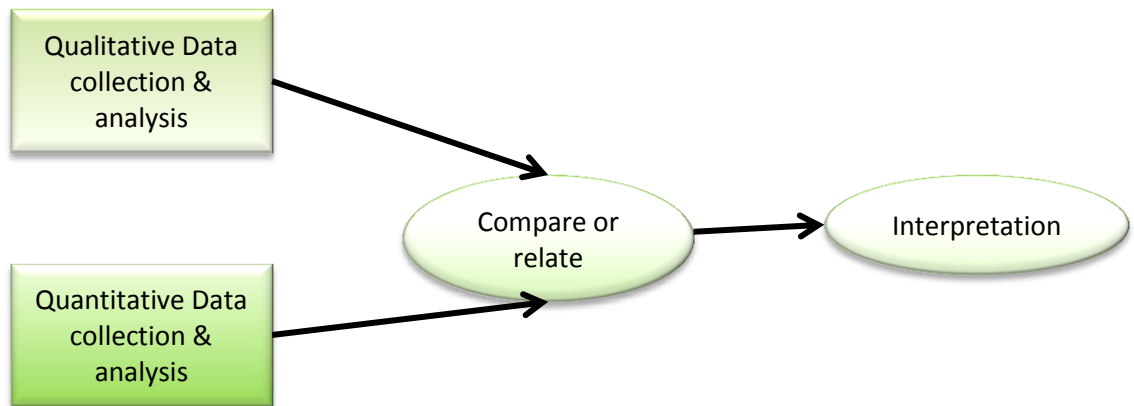
impact of the minimum wage on employment, and on the behaviour of employer and employees with respect to training, productivity and motivation. Most of the scholarly debate about minimum wages has been conducted from an economic standpoint rather than a human resources standpoint and there is a need for research into the minimum wage and employment from a human resources viewpoint. Moreover, there are few studies of the Malaysian hotel industry. As Malaysia is in transition from a sectoral minimum wage to a NMW, this study looks into the approaches of employers in the hotel industry in terms of managing the new wage gap created by the minimum wage using the 'low road' or 'high road' strategy. It further looks into employees' potential responses to those approaches in terms of productivity and motivation. (The research framework of this study is as shown in Figure 1.3 in Chapter 1)

# CHAPTER 3-RESEARCH METHODS

## 3. Introduction

This chapter provides an explanation of the approach taken to the research design, the sampling procedures and research techniques employed and the data analysis techniques that were used.

The study gathered data from two samples: hotel employers and hotel employees. For the hotel employers' sample, a mixed-method approach was adopted combining quantitative and qualitative techniques in a convergent parallel design. In keeping with Creswell's description of convergent parallel design (as shown in Figure 3.1), the researcher used concurrent timing to apply quantitative and qualitative strands in the same phase of the research process, with greater weight given to the qualitative results over the quantitative results.



Source: Creswell and Plano Clark (2011)

Figure 3.1: An example of convergent parallel design

The idea of a convergent design is to attain complementary data on the same topic that

lead to a better understanding of a research problem. It is also to combine the different strengths and weaknesses of quantitative and qualitative methods (Creswell & Plano Clark, 2011; Morse, 1991; Patton, 1990).

The results were then mixed during the overall interpretation. For the hotel employees' sample, quantitative methods, consisting of a large scale questionnaire survey, were used. Table 3.1 illustrates the relationship between the research questions, the techniques used to gather and analyse the data and the respondents.

**Table 3.1: The relationship between research questions, objectives, methods, data analysis and respondents**

<b>Objectives</b>	<b>Research Questions</b>	<b>Methods</b>	<b>Data Analysis</b>	<b>Respondents</b>
<p><b>1. To explore the anticipated response of employers in the hotel industry to the introduction of the NMW.</b></p> <p><b>2. To explore the anticipated changes in HRP (employment, training, compensation and benefits).</b></p> <p><b>3. To explore the readiness of employers to implement the new NMW policy using the ‘high road’ or ‘low road’.</b></p>	<ul style="list-style-type: none"> <li>• How well aware are employers of the NMW and what is their attitude towards it?</li> <li>• What are the anticipated changes in HRP (employment, training, compensation and benefits)?</li> <li>• Are the employers, in implementing the NMW, likely to follow the ‘high road’ or ‘low road’?</li> </ul>	<p>Self-administered questionnaire survey and semi-structured interviews</p>	<p>a) Collect quantitative and qualitative data concurrently.</p> <p>b) Independently analyse the quantitative data in SPSS and qualitative data using content analysis before using side by side comparison for merged data analysis (Creswell &amp; Plano Clark, 2011).</p>	<p>3-5 Star Hotel Employers (Managers)</p>
<p><b>1. To explore the anticipated responses of employees in the hotel industry to the introduction of the NMW.</b></p> <p><b>2. To assess the potential effects of the NMW’s implementation (pay) on employees’ productivity.</b></p> <p><b>3. To examine the relationship between HR practices and employees motivation.</b></p>	<ul style="list-style-type: none"> <li>• What are the anticipated responses of employees in the hotel industry to the introduction of the NMW?</li> <li>• Will the implementation of NMW (pay) affect employees’ productivity?</li> <li>• To what extent will anticipated changes in HR practices (training, performance, compensation, etc.) arising from the implementation of the NMW influence employees’ motivation?</li> </ul>	<p>Self-administered questionnaire survey</p>	<p>a) Collect quantitative data</p> <p>b) Analyse data using SPSS and also HLM (Hierarchy Linear Modelling) 6.0 to test the hypothesis</p>	<p>3-5 Star Hotel Employees (non-executive level/rank and file)</p>



### 3.1 Research Design

A research design is a research procedural plan used by a researcher to provide valid, objective, accurate and economical information in answering the research questions. The researcher conceptualises an operational plan to undertake the various procedures and tasks required to complete a study. The research design serves two main functions: (i) it relates to the identification and/or development of procedures and logistical arrangements required to undertake a study, and (ii) it emphasises the quality of these procedures to ensure their validity, objectivity and accuracy (Kerlinger, 1986; Kornhauser & Lazarsfeld, 1975 cited in Ghauri et al., 1995; Kumar & Phrommathed, 2005).

According to Kerlinger (1986), this function is called the ‘control of variance’. Thus, one must be capable of identifying the most appropriate design to undertake research. An error of choice will have a negative impact on the output. As explained by Ghauri et al., (2002, p. 48),

other common mistakes...[in research design]...are making wrong and irrelevant design choices, such as examining a badly understood problem with a very structured design ...[or]...examining, structured, well understood problems with ‘unstructured’ methods, making it difficult to answer the research problem adequately.

For fieldwork, Sayer (1992) describes two kinds of research designs: intensive and extensive. He also notes limitations in both of these approaches to research design. Extensive research may be too broad and provide inadequate detail, making it weaker for explanatory purposes, e.g. large scale questionnaire surveys. Intensive research, on the other hand, covers only a small group of the whole population, e.g. an interview survey, from which it is hard to generalise. Despite the limitations, Sayer argues that both methods are needed and the research designs should be viewed as complementary. Both methods were used in this study.

When an intensive research design is used, it is to obtain in-depth knowledge of specific phenomena. For example, questions as to how and why a firm mobilises resources and capabilities for environmental purposes would call for an intensive research design. In this study, the purpose of intensive research was to explore the responses and preparedness of hotel employers to implement the new NMW in terms of changes in human resources practices.

Sayer adds that intensive research involves mainly qualitative methods and analysis. For the employer sample, intensive research took the form of a semi-structured interview survey. The quantitative component, the questionnaire, gained descriptive information about the participating hotels such as star rating, size and number of employees. The findings from the interview survey were later merged with the quantitative results using side-by-side comparison as recommended by Creswell (2009). Creswell and Plano Clark (2011, p. 5) define mixed methods research as follows:

Mixed methods research is a research design with philosophical assumptions as well as methods of inquiry. As a methodology, it involves philosophical assumptions that guide the direction of the collection and analysis and the mixture of qualitative and quantitative approaches in many phases of the research process. As a method, it focuses on collecting, analysing, and mixing both quantitative and qualitative data in a single study or series of studies. Its central premise is that the use of quantitative and qualitative approaches, in combination, provides a better understanding of research problems than either approach alone.

In the employers' study, the qualitative and quantitative strands were interactive. The two methods were mixed even before the final interpretation stage. This is in keeping with Creswell's advice on mixed method research (Cresswell, 2009). In terms of determining the priority of the qualitative and quantitative strands, this study places more emphasis on the qualitative strands, while the quantitative strands are used in a secondary role.

For the second sample of employees, extensive research design was applied to explore the responses of hotel employees to the new NMW and their response to the likely effects of the NMW on their working conditions arising from changes in employers' HR practices. A summary of the research design and methodology for this study is shown in Figure 3.2 below.

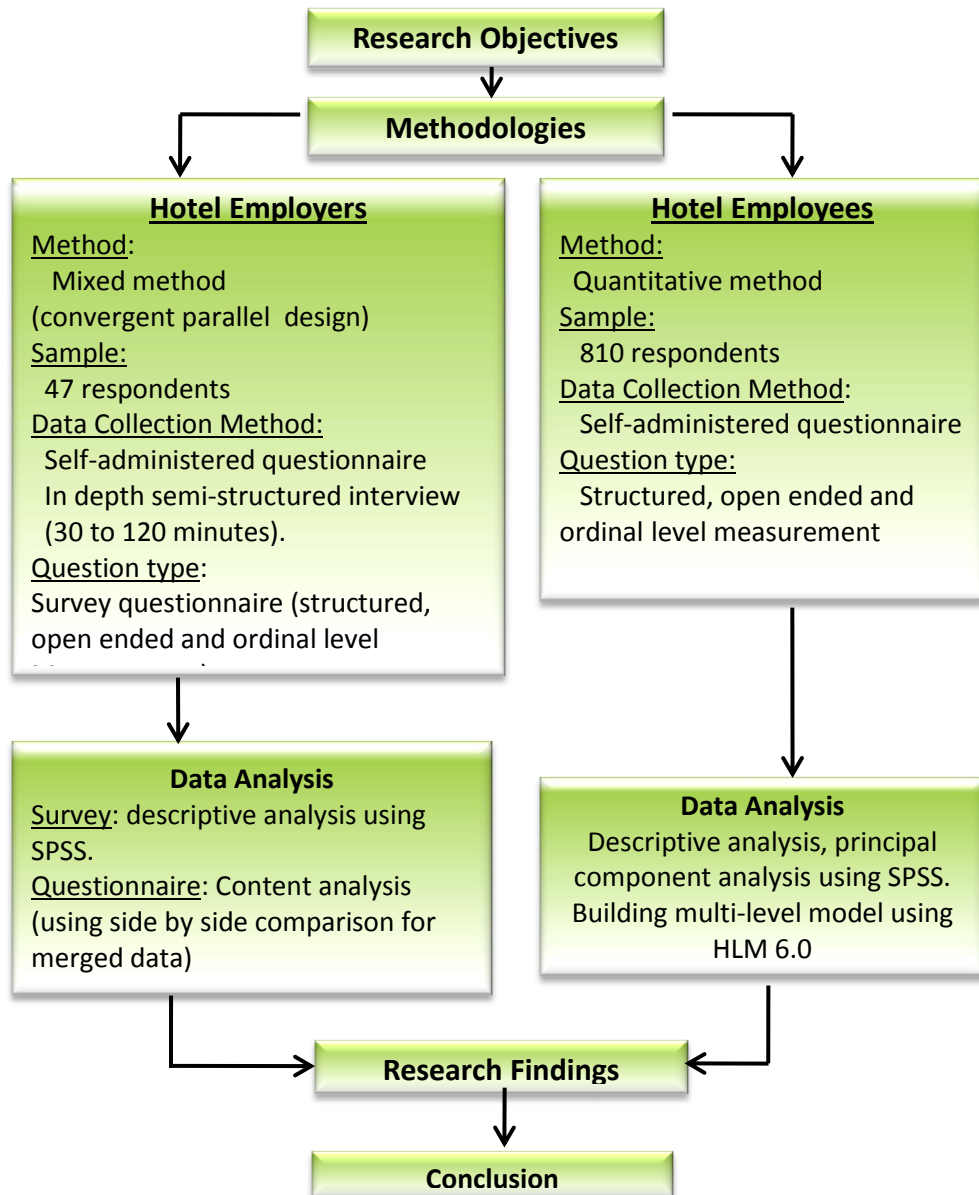


Figure 3.2: The research process

## 3.2 Sampling

Given time and financial constraints, it would be impossible for the researcher to survey the whole population of potential participants, as Sarantakos (1998, p. 139) explains:

In many cases a complete coverage of the population is not possible...complete coverage may not offer substantial advantage over a sample survey. On the contrary, it is argued that sampling provides a better option since it addresses the survey population in a short period of time and produces comparable and equally valid results.

There are two main types of sampling. The first is probability sampling, also known as random sampling. This places emphasis on the fact that there is an equal chance of potential participants being selected from the whole population (Henry, 1990:25). This technique can be adopted by applying ‘simple random sampling’, ‘systematic sampling’, ‘cluster sampling’ and ‘multi-stage sampling’. The second type of sampling is non-probability sampling, in which the elements in the population do not have a known or predetermined chance of being selected as sample subjects (Sekaran, 2002). Non-probability sampling allows the researcher to apply or use subjective judgements in selecting the sample (Henry, 1990, p. 17). However, according to Remenyi et al. (2000):

in business and management research, it is often the case that a biased sample is required. If the researcher is interested in developing guidelines for managers, then he or she is only interested in learning from organizations that may be considered to be good or excellent performers. Even when the researcher wants to avoid bias, then the sample that he or she would seek would also be biased.

In fact, it has also been agreed by many authors that non-probability sampling methods are relevant in exploratory research (Churchill, 1991; De vaus, 2002; Henry, 1990; Remenyi et al., 2000). ‘Purposive samples’, ‘convenience samples’, ‘judgement samples’ and ‘snowball samples’ are popular methods used under this category. As this research has no other purpose in mind except to explore the anticipated impact of the implementation of the NMW in the hotel industry, the researcher employed convenience and snowball sampling.

As its name implies, convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it (Sekaran, 2002). In this study, only 50 hotels were available for the fieldwork in both stages. From the convenience sample that the researcher gathered, more contacts for the questionnaire survey were generated through the snowball technique. The snowball technique normally relies on a previously identified group of participants recruiting other participants from the population. The researcher normally did this when she went to the hotel to do the questionnaire survey and in-depth interviews for both stages. After the end of each session, the researcher asked the hotel manager if they could refer her to any other hotels or any important individuals for further discussion on the relevant research matters. From this, the researcher managed to gain access to several other respondents. Thus, a newly identified respondent would name others and the sample grew somewhat like a snowball.

In this study, the sample of 50 hotels (both employers and employees sample) is considered reasonably representative of the whole population. This is because the number of returned questionnaire surveys (i.e. the first stage with employers: 50 employers participated in the questionnaire survey and interview; the second stage: the questionnaires were only distributed to the rank & file (non-managerial) employees from the 50 hotels which had participated in the first stage. During the second stage, 810 returned employee questionnaires) thus satisfying the rule of thumb as proposed by Roscoe (1975), which is noted by Sekaran (2002). According to Roscoe, a sample size larger than 30 and less than 500 is representative for most research. Furthermore, these 50 hotels covered 3 to 5 star hotels in the selected states and the 810 employees were from the 50 hotels which had participated in the first

stage.

In the current research context, at the time when the researcher conducted her fieldwork, there were about 1,017 hotels registered with the MAH in Malaysia. There are known to be many more hotels that are not registered with the MAH and their exclusion from this study on grounds of inaccessibility does represent a limitation because these are likely to be lower than 3 star hotels and amongst the lowest paying employers. For this reason, the conclusion reached about the potential impact on employment may be understated.

The selection of respondents began by obtaining a list of hotels obtained from the Malaysian Association of Hotels (MAH). Table 3.2 shows the distribution of hotels in Malaysia by state (in 2010). From this list and with the assistance of MAH, the researcher selected a sample of hotels.

**Table 3.2: Total number of hotels in Malaysia as of 2011**

States	Star			Total hotels
	5	4	3	
<b>Perlis</b>	0	1	1	2
<b>Kedah</b>	8	8	9	25
<b>Penang</b>	5	19	4	28
<b>Perak</b>	0	4	11	15
<b>Selangor</b>	12	13	14	39
<b>Negri Sembilan</b>	1	9	10	20
<b>Melaka</b>	3	4	11	18
<b>Johor</b>	4	4	20	28
<b>Pahang</b>	2	6	15	23
<b>Kelantan</b>	1	1	4	6
<b>Terengganu</b>	2	5	6	13
<b>Sabah</b>	8	8	18	34
<b>Sarawak</b>	5	12	20	37
<b>Kuala Lumpur</b>	21	19	35	75
<b>Putrajaya</b>	1	1	0	2
<b>Labuan</b>	1	2	1	4
<b>Total</b>	74	116	179	369

Source: Malaysian Association of Hotels (MAH)

In selecting the sample, the following states with the most incoming tourists were chosen: (1) Kuala Lumpur, (2) Selangor, (3) Penang, (4) Negri Sembilan (Port Dickson), (5) Pahang (Cherating) and (6) Kedah (Langkawi Island). Of all the hotels, 70 hotels provided feedback for both stages of the survey. For the first stage, the researcher attempted to arrange questionnaire surveys and in-depth semi-structured interviews with the managers of the hotels. Of the 70 hotels contacted, 30 co-operated. The rest either did not respond or did not wish to participate.

For the second stage of the study, the researcher intended to go back to all the hotels in the first stage to conduct the questionnaire survey for employees. However, some of the managers from the hotels had been transferred to branch hotels around Malaysia and others could no longer be contacted as they did not respond to email and phone calls. The researcher sent the questionnaire survey questions to the participating hotels; however, the returning rate was disappointing. The researcher later expanded the hotel contacts to the hotel chains and sister hotels. To sum up, 50 hotels accepted the questionnaire survey for the employees, while the rest did not respond at all or refused to co-operate.

### **3.3 Data Collection Method**

#### **3.3.1 Employers survey and in-depth semi structured interview**

##### **3.3.1.1 Questionnaire and interview design and the rationale behind the questions**

###### *a. Questionnaires for employers*

In stage one, questionnaires were distributed among hotel employers to obtain their views on the minimum wage and to gather information about anticipated changes in employment patterns, training, compensation and benefits and the impact on motivation and productivity arising from the implementation of a new minimum wage. The questionnaire for employers was divided into eight parts as follows:

- i) Part A – Description of the hotel.
- ii) Part B – Minimum wages in general and reactions to minimum wage issues.
- iii) Part C – Current rates of pay.
- iv) Part D – Implementation of the new minimum wage rate.
- v) Part E – Anticipated changes in employment patterns.
- vi) Part F – Anticipated changes in compensation and benefits.
- vii) Part G – Conclusion.
- viii) Part H – General comment.

*Part A – Description of hotel.*

In Part A, the hotel employer was asked to provide a general description of the hotel such as its location, the hotel chain, star rating, the hotel size, current employment levels and the ethnicity of workforce.

*Part B – Minimum wages in general and reaction to the minimum wage issue.*

Part B explores the respondents' knowledge of minimum wages in general and in Malaysia as well as their reactions towards this issue and their views about the level at which the wage should be set.

*Part C – Current rates of pay.*

Part C of the questionnaire was designed to obtain data on current rates of pay and benefits for non-managerial staff. In this section, a set of Likert scale questions was also provided to explore employers' perceptions of the connections between wages and productivity. The Likert scale was adapted from a study by Brown and Crossman (2000) with some changes to reflect Malaysian work culture and environment. Table 3.3 below illustrates the questions in the study by Brown and Crossman (2000) and the modified questions used in this study.



**Table 3.3: Questions in the study by Brown and Crossman (2000) and modified questions for the current study**

Brown and Crossman (2000)	Current Study by the researcher
<p><b><u>Cost minimization</u></b>            Employ more young staff            Use more part timers            Cut training            Cut annual Holiday            Cut/stop holiday pay*            Cut overtime premia            Introduce unpaid breaks+            Charge for staff meals            Raise charge for staff meals#            Raise charge accommodation#</p>	<p><b><u>Cost minimization</u></b>            Reduce staff            Employ more young staff            Use more part time workers            Reduce training            Cut annual holiday            Cut overtime premium            Introduce unpaid leaves            Charge meals            Charge accommodation            Charge transport            Increase casual workers</p>
<p><b><u>Quality Maximization</u></b>            Employ more old staff            Employ better quality staff            Increase training            Use agency staff</p>	<p><b><u>Quality Maximization</u></b>            Replace older workers            Replace permanent workers            Use staffing agency            Increase graduates</p>
<p><b><u>Ad-Hoc changes</u></b>            Increase prices            Cut profits            Close</p>	<p><b><u>Ad-Hoc changes</u></b>            Increase room rates            Use more technology</p>

Source: Brown and Crossman (2000) and Section C of the questionnaire for employers.

*Part D – Conclusion.*

Part D of the questionnaire consisted of questions which followed up on how the implementation of the new minimum wage might affect current pay rates, levels of employment and the operation of the compensation and benefit system in the participating organization.

*Part E – General comment.*

Finally, respondents were invited to leave their general comments or any thoughts and feedback on the minimum wage that had not been covered in the questionnaire. After thanking the respondents, a blank space was provided for the respondents to leave their particulars should they desire to have a copy of the abstract of the findings of this research.

### ***b. Semi structured interviews guide for employers***

The employers' interview session took place after the respondent had completed the questionnaire. Most of the questions in the interview guide were based on the questionnaire and given to the respondent in advance of the interview. The interview was conducted to gain more information and a detailed understanding of respondents' views regarding the implementation of the NMW in the hotel industry. The interview guide was divided into three parts:

#### *Part A – Anticipated changes in employment patterns.*

Part A of the interview guide was designed to further explore the recruitment and selection process in the participating hotel and the anticipated changes to employment patterns in the hotel with the implementation of the NMW.

#### *Part B – Anticipated changes in compensation and benefits.*

Part B of the interview guide explored the anticipated changes in the hotel's compensation and benefit plan. It also explored the sufficiency of the compensation and benefits plan in terms of employee retention.

#### *Part C – Conclusion.*

Before concluding the interview, some questions were asked about respondents' views and the organisations' attitudes towards the NMW's implementation.

### **3.3.1.2 Pilot testing**

According to Sekaran (1992) and Zikmund (1997), the main purposes of conducting a pilot test is to double check whether the questions are well understood by the respondents, to look at the questionnaire's continuity and flow, and to experiment with question sequencing and patterning. Piloting is also required to lessen response bias due to poor questionnaire design. It is crucial to conduct pilot testing in order to achieve the best use of language and sequence of questions, and this stage is essential for the design of a good questionnaire (Mat Noor, 2005; Moser & Kalton, 1985).

A pilot test for the first stage was conducted in nine hotels in Shah Alam (the capital state of Selangor) between September and October 2009. Since both questionnaires seemed to be easily understood no changes were made. The questionnaires were then distributed to the intended respondents. The questionnaire for employers can be found in the Appendix for chapter 3.

### **3.3.1.3 Data collection – stage 1: employers’ survey and in-depth interviews**

After completing the pilot test in Shah Alam, Selangor, and with permission from the Malaysia Economic Planning Unit<sup>15</sup> to conduct research in Malaysia, the researcher started contacting the ‘liaison officers’ (the person nominated to liaise with the MAH and named in the MAH list). Normally, the liaison officers were the human resources executives, human resource managers, public relations officers, operations managers or business development managers of the hotels. The researcher sent an email to all the liaison officers with a letter of introduction requesting permission to send the questionnaire via email to these hotels for approval. At times, she also contacted them by phone. Those who responded to this request were then chosen to be the participating hotels in this study.

After appointments were made, the researcher met the respondents. A set of questionnaires and an interview sheet was provided for the respondents. The interview was conducted on a one-to-one basis in a quiet meeting room, training room or the manager’s office after the questionnaire survey session.

The interview session took place after asking for permission to audio record the interview using a digital recorder. This was to ensure that information was fully recorded and to assist in the transcribing process. Interview guides were used in the interview session. The interview guide consisted of three parts: (i) anticipated changes in employment patterns, (ii) anticipated changes in compensation and

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<sup>15</sup> The purpose of this regulation is to expedite and coordinate the research work of any foreign researchers or Malaysian researchers from foreign institutions and/or organizations.  
<http://www.epu.gov.my/en/undertaking-research-in-malaysia>

benefits and (iii) conclusion.

Although the interview guide was used during the semi-structured interviews, the respondents were invited to express their opinions and views on matters arising relating to the research. The researcher was flexible and listened to the respondents and was able to ask for clarifications and further detail. After completing the survey, the researcher usually had a polite chat with the respondents before the interview was conducted to create a comfortable atmosphere.

Hospitality managers are almost always busy and not surprisingly, some respondents cancelled their appointments at short notice, kindly offering to return their surveys and respond to the questionnaire via email. Some of the interview sheets were thus filled in by the respondents and were emailed back to the researcher. The interview sessions normally took about one to one-and-a-half hours to complete. Among the interviews conducted, the longest interview session took about two hours and the shortest session took about 45 minutes. In total, of the 50 respondents, 35 were interviewed on a one-on-one basis, 11 were interviewed over the phone and 4 answered the interview guide via email

#### **3.3.1.4 Data analysis**

The quantitative data gathered from the employers' survey were analysed using the SPSS for Windows software, while the qualitative data were analysed using thematic coding. The data are presented in the findings using side-by-side comparison for merged data analysis (Creswell & Plano Clark, 2011).

##### **a. Quantitative data analysis**

The returned questionnaires were coded numerically, e.g. 'R1, R2, R3...'. A code book was then prepared, involving the process of defining and labelling each variable and assigning numbers to each of the responses (Pallant, 2010). An example of the code book for this study follows:

**Table 3.4: Employers' data code book sample**

<b>Variable</b>	<b>SPSS variable name</b>	<b>Coding</b>
Hotel location	Location	1 = Kuala Lumpur
		2 = Selangor
		3 = Pulau Pinang
		4 = Negri Sembilan
		5 = Pahang
		6 = Kedah
		7 = Malacca
		8 = Terengganu
		9 = Perak
		10 = Johor
		11 = Putrajaya
		12 = Sabah
		13 = Sarawak
		14 = Kelantan
Hotel chain	Chain	1 = Local chain
		2 = International Chain
		3 = National Chain

For responses to the open-ended questions, specific themes were given before a code was given. For example, Part C, Question 14 was 'Is the organisation well prepared to comply with the changes should the minimum wage proposal be implemented?' The codes given were (1)'Prepared to comply', (2)'Not prepared to comply', (3)'Neutral', (4)'In line with changes' and (5)'Paying more'.<sup>16</sup>

The data were then entered into the SPSS software. At this point, descriptive analyses were generated from the software (discussed in Chapter Four).

#### **b. Qualitative data analysis**

The transcribing process and development started in July, 2010. During the

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<sup>16</sup> This listing does not imply as a scale.

transcribing process, the interview information was gathered in text form in a Microsoft Word file. Data interpretation was conducted using manual coding and categorizing. As explained by Flick (2000, p. 176):

Interpretation of text may pursue two opposite goals. One is revealing, uncovering or contextualizing of statements in the text, which normally leads to an augmentation of the textual materials; for short passages in the original text, page-long interpretations are sometimes written. The other aims at reducing the original text by paraphrasing, summarising or categorizing. These two strategies are applied either alternatively or successively.

Interviews were conducted in English; however, respondents sometimes used Malay and mixed languages in explaining their views. Thus the process of managing data involved some translation of the transcripts into English by the researcher.

Translation involves more than just 'changing the words'. As Simon (1969, pp. 137-138) cited in Temple 2002, p. 5) says:

The solutions to many of the translator's dilemmas are not to be found in dictionaries, but rather in an understanding of the way language is tied to local realities, to literally forms and to changing identities. Translators must constantly make decisions about the cultural meaning which language carries, and evaluate the degree to which the two different worlds they inhabit are the same.

Considering the importance of integrating the actual content, summarising the interview text could have led to misinterpretation. Therefore, the researcher decided to attempt a 'word for word' translation. However, structural changes and missing fragments were added to the text to increase the reader's understanding (Birbili, 2000).

Flick (2000, p. 218) explains that there are no set procedures in assessing qualitative research, and that many approaches are available. As he says, ‘the problem of how to assess qualitative research has not yet been solved’. In this study, the researcher adopted thematic coding as discussed by Strauss and Corbin (1990) and Flick (2000). The codes were generated and categorised for each stage of the research, e.g. Part A – Anticipated changes in employment patterns, Part B – Anticipated changes in compensation and benefits, Part C – Conclusion. The questions are presented with themes; e.g. ‘downsize workforce’, ‘recruitment processes’, ‘selection processes’, ‘maintain benefits’, ‘sufficient benefits’, ‘support for MW’, ‘attitudes towards MW’ and ‘opting for technology’.

### **3.3.2 Employees’ Survey and In-depth Semi-structured Interviews**

#### **3.3.2.1 Questionnaire and interview design and the rationale behind the questions**

The questionnaire for the respondents in stage two was designed in the response to the results of the findings from the employers’ surveys in stage one. The questionnaires were then distributed among hotel employees. They explored respondents’ knowledge in general about minimum wage issues in Malaysia. The questionnaire also asked for respondent’s profiles, their current benefits system, their levels of workload, motivation, training and performance in their jobs, job security, job flexibility and work-life balance. The questionnaire was divided into 7 parts as follows:

- i) Part A – Minimum wage in general.
- ii) Part B – Current rates of pay.
- iii) Part C – Level of work and workload.
- iv) Part D – Motivation, training and performance.
- v) Part E – Job security.
- vi) Part F – Flexibility and work-life balance.
- vii) Part G – Demographic data.

*Part A – Minimum wage in general.*

Part A of the questionnaire sought respondents’ view in general on minimum wages

in Malaysia and the idea of the new minimum wage rate.

*Part B – Current rates of pay.*

Part B explored the respondents' current rates of pay and the monetary and non-monetary benefits they currently received. These data enable a rough estimation of the respondents' take-home pay plus the benefits they received. Next there was a question about the respondents' preference for monetary versus non-monetary benefits. Part B later explored the respondents' willingness to let go of the traditional 'point system'<sup>17</sup> currently used in their pay system should the new minimum wage rate be implemented. A question about the proportion of earnings saved each month was included to determine the extent to which current earnings were sufficient to cover normal living costs. Finally, respondents were asked to indicate their levels of satisfaction with their current pay and benefits.

*Part C – Level of workload and productivity.*

Part C of the questionnaire sought information about respondents' workloads and capacities. Respondents were asked about their perceptions of productivity and the factors that they thought influenced their productivity. This section aimed to explore the link between pay, workload and productivity levels.

*Part D – Motivation, training and performance.*

Part D, building on the productivity data collected in Part C, used a Likert scale to gather data on respondents' motivation and their review about training and performance.

*Part E – Job security.*

Part E was designed to obtain respondents' views on job security and the extent to which they felt secure in their current employment.

*Part F – Flexibility and work-life balance.*

Part F introduced questions about flexibility and work-life balance using a Likert scale.

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<sup>17</sup> This is fully explained in Chapter 2



*Part G – About the respondents.*

Finally, Part G was designed to generate a profile of respondents in terms of gender, age, marital status, levels of education, length of service, job position, trade union membership, employment contract and previous hotel working experience.

After thanking the respondents, the questionnaire provided a blank space which allowed respondents to leave their particulars should they want to have a copy of the abstract of the findings of this research.

### **3.3.2.2 Pilot Testing**

A pilot test of the employees' survey was conducted from the end of May until mid-June 2010 in the same hotels as the employers' survey. The questionnaires were deemed to be easily understood by respondents and no changes were made. The questionnaires were then distributed to the intended respondents. The questionnaire for employees can be found in the Appendix for chapter 3.

### **3.3.2.3 Administration of the data collection – stage 2: employees' survey**

A set of 30 questionnaires was provided to the liaison officers of each hotel to be distributed to their employees.<sup>18</sup> In cases where the researcher was not allowed to conduct the questionnaire survey on her own, the researcher had to leave the questionnaires with the managers and collect them after two weeks or more. Respondents were given envelopes in which to place the completed the questionnaires before returning them to their managers in order to maintain the confidentiality of each questionnaire. For respondents outside Selangor (where the researcher stayed during the data collection period), some hotels managed to collect the employees' questionnaires within the three days duration of the researcher's visit. If they could not manage to collect the completed questionnaires during the time the researcher was there, the managers then sent the completed questionnaires to the

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<sup>18</sup> The numbers of questionnaire distributed to the employees were based on 10% from the total workforce in the hotel. Most of the participating hotels have about 300 employees. In some hotels the researcher was not allowed to distribute more than 30 questionnaires but in others no such limit was applied.

researcher via courier service or express mail envelopes supplied by the researcher. The response rate was encouraging, generating at a total of 810 useable responses which is 54% out of the total of 1500 questionnaires distributed.

### 3.3.2.4 Data analysis

As with the employer questionnaires, the completed employees' questionnaires were coded numerically before the data were entered into SPSS for Windows. A code book was prepared (Pallant, 2010). An example of the code book follows:

**Table 3.5: Employees' data code book sample**

Variable	SPSS variable name	Coding
Awareness on MW	Awareness	1 = Yes 2 = I have heard a little bit about it 3 = No
Support for MW	Support	1 = Strongly Agree 2 = Agree 3 = Neutral 4 = Disagree 5 = Strongly Disagree 6 = I don't know
Support on proposed amount	Support on proposed amount	1 = Strongly Agree 2 = Agree 3 = Neutral 4 = Disagree 5 = Strongly Disagree 6 = I don't know

Since there were some open-ended questions in the questionnaire, specific themes were given before coding in SPSS. For example, Part C, Question 20: 'Can you please describe how productivity can be measured in your work, e.g. number of rooms serviced per hour?'. Based on the responses, codes given were 'efficiency', 'timeliness', 'ability to solve customers' problems', 'providing smooth operations', 'meeting requirements', 'standards of work delivered', 'courtesy', 'sensitivity to customers' needs', 'doing more than what is expected', 'the speed of doing the job',

‘efforts to give more’, ‘rewards’, ‘commitment to the job’, ‘compliments from customers’, ‘positive feedback from customers’, ‘decreases in complaints’, ‘increases in customers’, ‘acknowledgement from customers’, ‘superiors’ feedback’, ‘following the job scope given’ and ‘performance appraisals’.

A reliability analysis was conducted on section D (motivation, training and performance) and Section F (flexibility and work-life balance) of the employees’ questionnaire to test the internal consistency of the measurement instrument as recommended by Nunnally and Berstein (1994). For the purpose of this study, a minimum reliability (Chronbach Alpha) with the value of 0.6 was set. According to Nunnally and Berstein (1994), an alpha of 0.7 is considered good, but any value exceeding 0.6 is acceptable. As shown in Table 3.6 below, the Cronbach Alphas of both section D and Section F were higher than 0.6.

**Table 3.6 Reliability statistics**

<b>Sections</b>	<b>Cronbach’s Alpha</b>	<b>Cronbach's Alpha Based on Standardized Items</b>	<b>N of Items</b>
Section D	0.917	0.918	21
Section F	0.748	0.759	8

Descriptive analyses were generated from the software and the researcher then ran factor analysis for section D (motivation, training and performance) and F (work-life balance), in which four factors were extracted and renamed as motivation, organisational support (training and performance), rewards (which includes the usage of minimum wage and service points) and work-life balance. The mean for each of these factors was computed. At this stage, the result of the employees’ survey seemed to lend themselves to Hierarchical Linear Modelling (HLM).

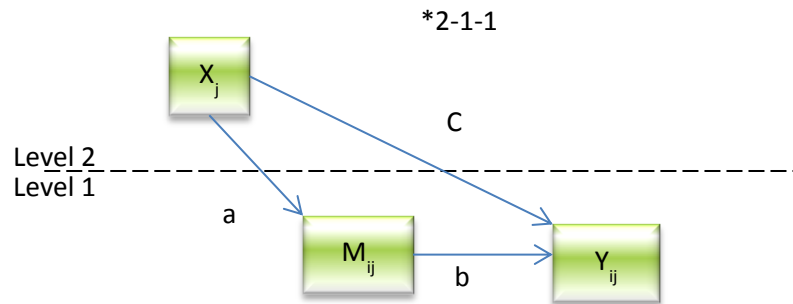
HLM is considered a relatively new approach in research, although it has been around for many years. It has been used widely by researchers in various areas, including Zhang, Zyphur and Preacher (2009), Woltman, Feldstain, MacKay and Rocchi (2012) and Idris, Dollard, Coward and Dormann (2012). It is a technique that takes into account the similarities of observations within individuals and allows for a

different number of observations for each individual. According to Raudenbush and Bryk (2002, pp. 5-6), HLM is also known by names which vary according to discipline, e.g. Mixed-effects Models and Random-effects Models in biometrics, Random-coefficient Regression Models in econometrics, Multilevel Linear Models in sociology, and Covariance Components Models in statistical literature.

One of the reasons for choosing this method lies in the benefits of the method itself. Multilevel modelling (or HLM) permits researchers to hypothesize and test interesting questions about multilevel mediation which are not achievable using the conventional statistical procedures (Mathieu, DeShon, & Bergh, 2008; Zhang, Zyphur, & Preacher, 2009) especially in research where data are collected at different times and under different conditions (Woltman, Feldstain, MacKay, & Rocchi, 2012). Braun, Jenkins and Griggs (2006, p. 4) explain that HLM is a class of techniques used to analyse data that have a nested structure:

For example, a database may consist of students who are nested within the schools they attend. Analysing such data structures poses special problems. Conventional regression techniques either treat the school as the unit of analysis (ignoring the variation among students within schools) or treat the student as the unit of analysis (ignoring the nesting within schools). Neither approach is satisfactory.

HLM is a form of ordinary least squares (OLS) regression. In order to analyse variance in the outcome variables, HLM is used, especially when the predictor varies in the hierarchical levels (Woltman, Feldstain, MacKay, & Rocchi, 2012). Hofmann (1997) adds that HLM provides accurate estimates for lower level variables, e.g. students, and for higher level variables, e.g. classroom. As for this research, the lower level represents the hotel employees while the higher level represents the hotel employers (hotel). Figure 3.3 below illustrates an example of the multilevel model used in this research.



Source: Zhang, Zyphur and Preacher, 2009

Figure 3.3: HLM-based multilevel mediation models

In Figure 3.3, X is the antecedent; Y is the outcome variable and M is the mediator. The figure above is a 2-1-1 model where a Level 2 antecedent influences a Level 1 mediator which then affects a Level 1 outcome. Baron and Kenny (1986, p. 1176) explain a, b and c as follows:

(a) variations in the levels of the independent variable significantly account for variations in the presumed mediator (i.e. Path a), (b) variations in the mediator significantly account for variations in the dependent variable (i.e. Path b), and (c) when Path a and b are controlled, a previously significant relation between the independent and dependent variables is no longer significant, with the strongest demonstration of mediation occurring when Path c is zero.

This study examines the relationship between organisational support (training and performance) (level 2 antecedents) and motivation (level 1 outcomes), mediated by rewards (the minimum wage) as shown in Figure 3.4:

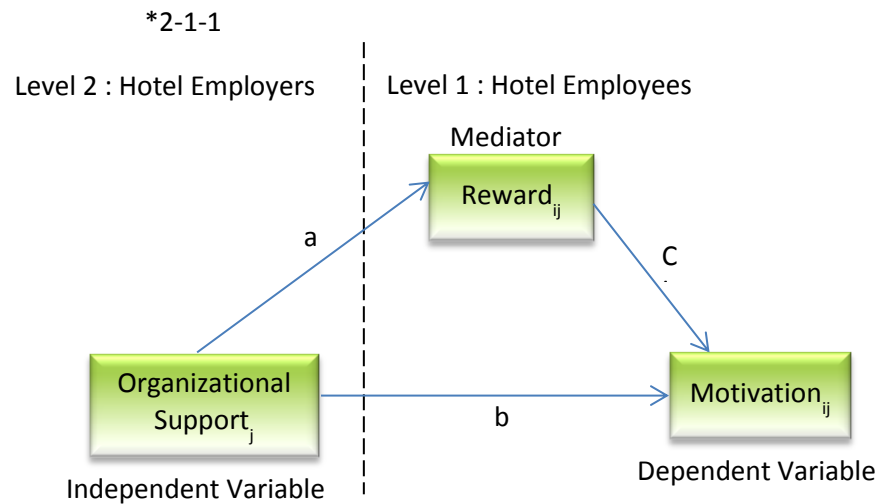


Figure 3.4: HLM-based multilevel mediation model for this study

### 3.4 Ethical Implications

There are ethical issues to be considered when carrying out social science survey-based research. These include the participants' right to privacy, avoiding the use of deception, the respondents' rights to be informed about the research, the need for confidentiality, the need for honesty in collecting data, and the need for objectivity in reporting the data (Zickmund, 1997, p. 257).

In conducting this research, the researcher required two ethical approvals. Approval was first obtained from the Social and Behavioural Research Ethics Committee of Flinders University (SBREC no: 4381). Then, approval for conducting research in Malaysia was obtained from the Economic Planning Unit (EPU) in the Prime Minister's Department of Malaysia. Before meeting the respondents to conduct the interviews and surveys, a letter of introduction was emailed to the respondents together with the interview guides and questionnaires. The respondents were informed by the researcher about the research purpose and their rights to confidentiality. The researcher also asked for permission to record the interviews. If the respondents refused to be recorded, then the researcher would not record the interview.

### **3.5 Summary**

This chapter began with an explanation of the research design employed in this study — a mixed methods research design in which convergent parallel design was used for the employers' sample and a quantitative research design for the employees' sample. For the employers, a questionnaire survey and semi-structured interviews were conducted; questionnaire surveys were conducted for the employees. The data analysis procedure was then discussed. Descriptive statistics and thematic coding were used to analyse the employers' data. For the employees, descriptive statistics, coding for the open ended questions, reliability analysis and factor analysis were used. Hierarchical Linear Modelling software was used to analyse the employees' data in order to test the relationships between organisational support and motivation with rewards as the mediator. The ethical implications have been noted.

## **CHAPTER 4 - EMPLOYERS' FINDINGS**

### **4. Introduction**

This chapter presents the findings of the hotel employers' survey. Beginning with a profile of the organizations that participated in the research, the results are then reported thematically, incorporating both quantitative and qualitative data. This analysis helps to address the following research questions:

- How well aware are employers of the NMW and what is their attitude towards it?
- What are the anticipated changes in HRP (employment, training and compensation & benefits and other HRM strategies)?
- Are the employers, in implementing the NMW, likely to follow the 'high road' or the 'low road'?

### **4.1 Profile of the participating organizations**

Fifty respondents from 3 to 5 star hotels participated in both the questionnaire survey and the in-depth interviews. The profiles of the 50 hotels are summarised in Tables A4.1 to A4.4 in Section 1 of the Appendix to this chapter.

This sample is broadly representative of the Malaysian hotel sector concentrated around the major metropolitan centres of Kuala Lumpur, Selangor and Pulau Pinang. The majority belonged to an international chain (that would typically be 4 and 5 star hotels). Just over a third of the hotels in the sample were locally owned and these would typically be in the 3 star category.



## 4.2 The Introduction of a National Minimum Wage: Anticipated Responses

The findings in this section directly address the first research question: *How well aware are employers of the NMW and what is their attitude towards it?*

### 4.2.1 Employers' attitudes and perceptions towards the introduction of a national minimum wage

The results of this study indicate that just 26 percent of the respondents were very familiar with the MTUC's proposal for a national minimum wage. As shown in Table A4.5 in section 1 of the Appendix, the majority of the respondents knew about the proposal but their knowledge was limited. Ten percent had no knowledge on the entire proposal. The survey for the employers commenced in 2008 when the NMW is still at the proposal phase. During this early phase, MTUC in its effort to disseminate the details on the proposal of NMW submitted the proposal to the former Prime Minister of Malaysia. This detail was published in the union's bulletin and on its website. However, the detail on the proposal of the NMW did not effectively reached the general public including hotel employers and employees. As most of the hotels were not governed by any trade union, the details of the minimum wage proposal did not reach them, hence, the lack of knowledge of the overall proposal. The implementation of the NMW of was formally announced at the end of 2011. This limited knowledge seems to indicate that employers in this sample had not been proactive in planning their responses to the proposed changes in the wage policy.

**Table 4.1: Respondents' feedback on the MTUC's proposal**

	<b>Frequency</b>	<b>Percent</b>
Strongly Agree	8	16.0
Agree	33	66.0
Disagree	8	16.0
Strongly disagree	1	2.0
Total	50	100.0

Table 4.1 shows that, despite their limited knowledge, most respondents tended to agree with the proposal for a national minimum wage. Only one respondent strongly disagreed.

**Table 4.2: Respondents' perceptions on the minimum wage for hotel workers**

	<b>Frequency</b>	<b>Percent</b>
Strongly agree	8	16.0
Agree	33	66.0
Disagree	7	14.0
Strongly disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

Similarly, when asked about their views on a minimum wage specifically for the hotel industry, respondents also tended to agree with the idea of having a minimum wage for hotel workers with just two respondents strongly disagreeing. However, this does not quite tally with responses to the next question concerning the rate at which the wage might be set.

**Table 4.3: Respondents' reactions to the proposed amount for a minimum wage of RM 900 plus RM 300 (Cost of Living Allowance)**

	<b>Frequency</b>	<b>Percent</b>
Too high	30	60.0
Sufficient	14	28.0
Too low	1	2.0
There should be no minimum wage	5	10.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

It should be noted that at this stage respondents answered in the context of the rate proposed by the MTUC in 2007 of RM 900 (+RM 300 COLA). From the table above, clearly most respondents indicated that they felt the amount proposed by MTUC was too high, while 10 percent thought that there should not be a minimum wage at all.

In terms of attitudes towards the minimum wage, these findings suggest that most respondents were accepting of the need of a minimum wage, but thought that the rate proposed at the time of this survey was too high. However, respondents were willing to cooperate with the new policy should the rate suggested be more affordable, especially for hotels with lower star ratings. For example, some of the respondents further explained:

Well, I do understand the need for the minimum wage; personally, it is a good move. You know the basic salary for hotels are low, not only here but everywhere, any state, you name it. It is hard for them, with the EPF and SOCSO payment based on the basic salary. So, it is a good move. Other than that, we will have to wait and see what the figure is going to be and when it is going to be implemented. R3, p. 5, lines 93–97

Normally, any organisation will oppose at first but later, they will accept it. That is normal right? Here in this hotel, we look at the staff benefits, we are totally concern about that. Because we believe that if the staff is happy, the guest will be happy too. As employers, we give them what we need to give them, and the staff will serve happily. R8, p. 6, lines 103–106

Well, that depends on the hotel ranking actually. Lower ranking might not be able to pay the minimum wage proposed. And the higher level, where it is more affordable, might say, we are paying even more, so, the minimum wage should act like a guide, there is nothing wrong with minimum wage. It is good, but just provide the guidance, then it is fair enough, terjamin [secured] ...everybody will be happy. R29, p. 5, lines 96–100

Here, respondent R3 made it clear that the minimum wage is needed in the industry because the basic wage is low. Furthermore, the deductions made for the EPF and

SOCSO were based on this low basic wage, severely limiting funds available for pensions and social security. Although R8 mentioned that there would be negative reactions from some organisations, there was some acceptance of inevitability. R29—a 3 star hotel itself—worried that smaller hotels (e.g. 3 star institutions) might not be able to cope with the financial change .

As mentioned previously, the employers’ survey for this study was conducted in 2009 and 2010, when the minimum wage was still not finalised and the government had shifted policy positions a number of times. However, more than 80% of the respondents understood the importance of maintaining competitive pay scales. Using a scale, respondents were asked to rate the importance of wages in their organisation in terms of competitiveness, motivation, recruitment, retention and links to productivity. Table 4.4 below summarizes the general feedback from respondents.

**Table 4.4: The importance of wages in general**

<b>Factor</b>	<b>Very Important</b>	<b>Somewhat Important</b>	<b>Unimportant</b>	<b>Don't know</b>
Comparable with competitors	39(78%)	8(16%)	2(4%)	1(2%)
Motivate employees	45(90%)	5(10%)	0(0%)	0(0%)
Attract higher quality employee	45(90%)	5(10%)	0(0%)	0(0%)
Retain good employee	43(86%)	7(14%)	0(0%)	0(0%)
Reduce turnover	46(92%)	4(8%)	0(0%)	0(0%)
Increase productivity	46(92%)	4(8%)	0(0%)	0(0%)
Maintain productivity	39(78%)	9(18%)	2(4%)	0(0%)
Increase in wage should reflect increase in productivity	42(84%)	6(12%)	2(4%)	0(0%)

Table 4.4 demonstrates the respondents’ knowledge of the concept and the importance of wages in their hotels. Respondents, who comprised directors of human

resources, HR managers, operation managers and executive assistant managers, understood the importance of wages in terms of maintaining human resources in their hotels. Most of the respondents agreed that wages are important for comparability with competitors, motivating employees, attracting higher quality employees, retaining employees, reducing turnover, increasing productivity, maintaining productivity and reflecting increases in productivity.

So far, the findings of this study indicate that although they broadly agreed on the need for a minimum wage for their industry, respondents had limited knowledge about the minimum wage proposal. This would suggest that plans for the implementation of the minimum wage had hardly begun. Respondents also agreed on their perspectives of the positive links between wages, employee recruitment, retention, and productivity. They were less positive about the level of the MTUC's proposed minimum wage, and it seems evident that the scale and nature of employers' responses were likely to be sensitive to the rate at which the minimum wage might be set.

### **4.3 Anticipated Changes in Employment and Human Resource Management Practices**

This subsection addresses the second research question: *What are the anticipated changes in HRP (employment, training and compensation & benefits and other HRM strategies)?*

Employers were asked to indicate (using a scale) what changes they would expect to make in response to the implementation of a minimum wage. The set of 17 questions in this section were adopted from Brown and Crossman (2000) and derived from a model developed by Kochan et al. (1984) and Schuler and Jackson (1987). This model proposed that organisations might adopt one of three strategies to gain competitive advantage: (i) quality enhancement; (ii) cost reduction; and (iii) innovation. Hoque (1999a) also adapted the Schuler and Jackson (1987) model, but left out the innovation strategy and added a new category of 'other' to include organisations that chose to take an ad hoc approach. Brown and Crossman (2000) followed Hoque's (1999a) adaptation of the Schuler and Jackson model. Brown and

Crossman (2000) further identified three categories of response to the introduction of minimum wages: (i) cost minimisation; (ii) quality enhancement; and (iii) a more reactive, ad-hoc approach (raising prices or cutting profits). Some questions were altered and some were added to fit the Malaysian environment; these questions are reproduced in Figure 4.1, followed by the employers' findings in Table 4.5. The analysis of these results will be discussed in the following section, according to theme: employment pattern, training and development, compensation and rewards and other strategies in human resource management

11. Should the minimum wage be implemented, my organization would.....

**INTRUCTION:** Please complete the scale below for the reaction to Minimum Wage. Please circle at the number that best represents your view

Strongly Agree	Agree	Disagree	Strongly Disagree
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1	2	3	4
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Strongly Agree	Agree	Disagree	Strongly Disagree
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		1	2	3	4
a	Reduce Staff	1	2	3	4
b	Employ more young staff ( 18-21)	1	2	3	4
c	Use more part timers to replace full time and part time workers	1	2	3	4
d	Replace older workers with young workers	1	2	3	4
e	Replace permanent with temporary increase casual workers	1	2	3	4
f	Increase casual workers	1	2	3	4
g	Reduce training	1	2	3	4
h	Cut annual holidays	1	2	3	4
i	Cut overtime premium	1	2	3	4
j	Introduce unpaid leave/breaks	1	2	3	4
k	Charge for staff meals	1	2	3	4
l	Raise charge for staff accommodation	1	2	3	4
m	Raise charges for staff transport	1	2	3	4
n	Increase the proportion of graduates	1	2	3	4
o	Use staffing agency	1	2	3	4
p	Increase the prices of room rates and other services	1	2	3	4
q	Use more technology	1	2	3	4

Figure 4.1: Question 11 from the questionnaire for employers

**Table 4.5: Overall findings on the employers' reaction to minimum wage.**

		Strongly Agree	Agree	Disagree	Strongly Disagree
a.	Reduce staff		10%	66%	24%
b.	Employ more young staff	4%	24%	50%	22%
c.	Use more part timers to replace full time and part time workers		16%	48%	36%
d.	Replace older workers with young workers		24%	48%	28%
e.	Replace permanent with temporary workers		10%	56%	34%
f.	Increase casual workers		18%	54%	28%
g.	Reduce training		4%	56%	40%
h.	Cut annual holidays			58%	42%
i.	Cut overtime premium	4%	24%	38%	34%
j.	Introduce unpaid leave/breaks	4%	8%	52%	36%
k.	Charge for staff meals			56%	44%
l.	Raise charge for staff accommodation		10%	50%	40%
m.	Raise charge for staff transportation		14%	50%	36%
n.	Increase the proportion of graduates	4%	56%	30%	10
o.	Use staffing agency	2%	48%	42%	8%
p.	Increase the price of room rates and other services	10%	80%	6%	4%
q.	Use more technology	4%	58%	18%	20%

#### 4.3.1 Employment patterns

This subsection explores the anticipated impact of the implementation of the NMW on employment patterns in the hotel industry. Table A4.6 and Table A4.7 (appended to this chapter) present the results of the anticipated changes to the HR practices in terms of reducing workforce and replacing permanent employees.

Table A4.6 shows that, of the 50 respondents, 90% stated that they would not make staff reductions. Table A4.7 shows an even stronger reluctance to replace permanent workers. These findings were supported in the interview results. Most employers stated that they did not anticipate workforce reductions or increased casualization.



Amongst the reasons given was compliance with the hotel star rating guidelines. One of the criteria in the minimum requirements for star rating of hotels by the Malaysian Association of Hotels is to have an adequate number of employees in accordance with the expected level of service in each category. This includes a requirement that only Malaysian citizens are allowed to work as ‘front-liners’, while foreign workers are allowed to work only at the back of house. According to R40, the manager of a 4 star hotel, staff reductions would compromise their recently upgraded star rating:

Actually, we were recently upgraded to a 5 star hotel. To get the 5 stars recognition, we have to follow a few guidelines provided by the hotel association. You know, like the standard of rooms, decorations, a certain things that we must have to comply. To reach 5 stars, we must have a certain number of employees, so we don’t think we would be reducing the number of employees, or else we would be in trouble. R40, p. 1, lines 7–11

Similarly, R24 from a 5 star boutique hotel also revealed that their organisation assigned two employees per room to attend to the guests’ needs. They also endeavoured to maintain staff continuity so that returning guests would be greeted and served by familiar faces.

We have a lot of returning guests, and when they return, they want to be served by the employees who served them in their previous stay. Do we cannot simply let go of employees, you see. R24, p. 1, lines 11-13

Even 3 star hotels had an obligation to maintain a certain ratio of employees in their hotel to comply with their 3 star standards:

We would be maintaining the workforce at the minimal number as budgeted. We have a ratio for this, the ratio of the staff to rooms, 50 staff to 120 rooms. This is for the full time workers. R12, p. 1, lines 4–6

R12, who represents a national chain hotel in Malaysia, together with their sister hotels, R25 and R43, adopts a method that sets a ratio of a minimum of 50 workers to the 120 rooms available in their hotels. However, there were some employers who, though not planning to reduce their workforce, could not state this with absolute certainty. For example, R32 stated:

We will not reduce the workforce, but it depends in the future. R32, p. 1, line13

Certainly, the level at which the minimum wage is set may trigger different responses. R3 stated that they would maintain their workforce, but qualified this:

Actually, we must maintain the workforce. So I can say, no, no intention of downsizing. But...( pause)... it maybe depend on the position. Depends...if the position is not that important, we may reduce. R3, p. 1, lines 7–9

Like, if we have too many employees on a certain job, we may reduce lah...But then, it depends on situation also. R3, p. 1, lines 11–12

R10 stated:

We do not expect to reduce the workforce, because in this industry, we cannot afford to reduce the workforce, because the service is there, so we cannot compromise by losing workforce. R10, p. 1, lines 11–12

Tables A4.8 to A4.10 in the Appendix summarise the anticipated changes in workforce composition in terms of employing more young staff, using more part time workers and increasing casual employment. Table A4.8 to Table A4.10 show that the majority of respondents disagree with employing more young staff, using more part-time employees or increasing casual workers. In the in-depth semi-structured interviews, respondents indicated that they were not anticipating the

employment of more part-time or casual employees. They would hire part-time and casual employees only when it was necessary or during certain events or occasions. Most casual employees are paid on an hourly basis and they are mostly university students, school students and people who want to earn extra pocket money. As explained by R29 and R3:

Okay, we cannot have too much of casual workers or part timers. It would be a problem for us. We train our workers, and then suddenly, they might not turn up or suddenly change, the new ones that we employ do not know the standard room's quality, how it should look like, so the room quality might not be the same. So, it is better to have permanent workers. Part timers are okay, just some extra hand to help around during peak months, like school holiday where many guest come in, But casual or semi-skilled workers, we will only take them for extra hand for special events and we pay them by the hour, alright? R29, p. 1, lines 11–17

We mentioned just now, we will not hire part timers, because, they are part timers, not regulars, and they don't understand the customers. Customers will complain. We have regular customers in this hotel, so they know our staff, and they expect the staff to know what they want. You see...so it's difficult with the part timer lah. So we don't intent to hire more part timers. But part timer or casual employees, we only employ them for special events or occasions like weddings, where we need the workers. R3, p. 1, lines 15–22

**Table 4.6: Intention to replace older employees**

	<b>Frequency</b>	<b>Percent</b>
Agree	12	24.0
Disagree	24	48.0
Strongly disagree	14	28.0
Total	50	100.0

Most respondents disagreed with the idea of displacing their older workers, as shown in Table 4.6 above. Older employees are defined as workers who have served the hotel for between 5 to 20 years<sup>19</sup> and are highly capable and experienced in performing their jobs. These employees are considered to be loyal, skilful, and less troublesome than young employees who tend to job-hop and to lack interest in performing their jobs. R40 explained:

Oh, No. We will keep the older worker. They are the ones who are willing to work and they know the flow of work. They are very happy to work and never cause trouble. We will retain the older or senior workers. R40, p. 1, lines 14–16

R10 further explained that it is not practical to concentrate on employing young and part-time employees since turnover amongst these groups is high:

Talking about age rate, 40% of our workforce has worked for 15-20 years with us. These workers are valuable to us rather than the new ones. Regarding the new ones, our statistics show that the young workers come to work for a few months and then they tend to leave, so the turnover for the new workers is high. So it is not that practical to only concentrate on young workers, considering using part time instead of full time workers. R10, p. 1, lines 7–11

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<sup>19</sup> Sometimes up to retirement, where the retirement age in the private sector in Malaysia is at 60 years of age.

### 4.3.2 Training and development

In the hospitality industry, training tends to be on-the-job and task-focussed e.g., waitressing or housekeeping. Some formal off-the-job training in service skills at the front of house is also provided, especially in larger corporates.

In this study, all of the participating organisations provided in-house training to their employees. Among the participating organisations, R14, R29, R38 and R44 belong to a franchise that provides in house training and also annual training by the parent company. Quoting R38:

We are a franchisee, you see, the HQ lets us do our own recruitment and selection and training. But once a year, the HQ provides the annual training, so we will send the workers accordingly. R38, p. 3, lines 59–61

The results of this study (table 4.7) do not support the prediction (based on the literature discussed in Chapter 2) that a minimum wage will adversely affect spending on training.

**Table 4.7: Intention to reduce training.**

	Frequency	Percent
Agree	2	4.0
Disagree	28	56.0
Strongly disagree	20	40.0
Total	50	100.0

R49 and R37 were among the respondents unwilling to reduce training, even though staff turnover is high:

Training is still training, you have to train your employees, if not, how do you expect them to work? The problem is, after training, they quit. R49, p. 3, lines 45–46

Cannot reduce training...All scope of training must be done to get the employees to understand the job...we cannot only rely on senior workers to show new workers how to do things...must have training also to let them understand the...what do we say... [kerja itu sendiri dan tanggungjawab dia terhadap kerja tu] the nature of the job and their responsibility towards the job itself. R37, p. 4, lines 69–73

R10's hotel provides a different approach to the training program. According to R10, training is the most important instrument in nurturing a sense of belonging for employees. The quirky training program provided by R10 included the singing of an especially composed theme song with inspirational lyrics propagating the do's and don'ts of serving guests. During their performance appraisal interviews, employees are tested on their ability to sing the song. R10 explained:

When they first came, we give them induction. We have our own training program, MANJA. This is a must for new staff and this is done during their 3 months' probation period. We have classes here in this training room. Sing the MANJA song, after 3 months, we evaluate them with test, the song of MANJA etc. R10, p. 3 lines 53–56

MANJA stands for:

M = Must smile and be courteous,

A = Anticipate guest needs

N = Never ever forget Guest is Number one

J = Just ensure there is follow up

A = Always give our personal best to the guest

[then start singing the song]. R10, p. 3, lines 58–

60

The key point here is that each employee must not just memorise the song but also understand it and feel inspired to improve their performance. Training was described by other respondents as including dealing with guests and ethics. None of the respondents provided English language classes for employees, despite the importance of speaking English in the hospitality industry. Respondents overall were unwilling to sacrifice training in order to cope with the increased costs of a NMW.

### **4.3.3 Compensation and rewards**

This subsection explores the anticipated impact of the NMW on compensation and rewards, with a particular focus on benefits. Although the basic wage is often low in the hotel industry, the compensation system is complex, including an array of fringe benefits, allowances and leave arrangements. One way for employers to cope with an increase in basic wages might be to cut back on some of these elements of the compensation system. Of particular interest is the impact on service points and bonuses.—Tables 4.8 to 4.11 illustrate the range of non-monetary and monetary benefits reported by respondents. The non-monetary benefits provided by most of the respondents included the basic benefits, leave and other benefits. In terms of basic benefits, most respondent from the four and five star hotels provided meals, uniform, transportation for late night and early morning shifts, laundry and training. However, respondents that provided accommodation for their employees are only those located in a tourism spot away from the city. Almost all of the respondents provided leave entitlement to their employees, complying with the Malaysian Employment Act 1965 that requires employers to provide an off day, at least 10 days of public holiday, annual leave and sick leave. As for other benefits, most respondents provided their employees with discount on hotel products, discount on the hotel room price (including sister hotels worldwide), company trips and awards recognition. Only five star hotels provided their employees with gym memberships (sports club). The Table below presents the results of 49 of the 50 respondent hotels, as 1 of the 50 is not a starred hotel.

**Table 4.8: Non-monetary benefits – basic benefits**

	3 stars	4 stars	5 stars
<b>Base number of hotels</b>	21 100%	11 100%	17 100%
<b>Frequency of Basic Benefits</b>			
<b>Meals</b>	21 100%	11 100%	17 100%
<b>Uniform</b>	21 100%	11 100%	17 100%
<b>Accommodation</b>	5 24%	2 18%	3 18%
<b>Transportation</b>	21 100%	11 100%	17 100%
<b>Laundry</b>	4 19%	10 91%	17 100%
<b>Training</b>	21 100%	11 100%	17 100%



**Table 4.9: Non-monetary benefits – leave**

	3 stars	4 stars	5 stars
<b>Base number of hotels</b>	<b>21</b> <b>100%</b>	<b>11</b> <b>100%</b>	<b>17</b> <b>100%</b>
<b>Frequency of Non-Monetary Benefits - Leaves</b>			
<b>Public</b>	21 100%	11 100%	17 100%
<b>Annual</b>	21 100%	11 100%	17 100%
<b>Medical</b>	21 24%	11 100%	17 100%
<b>Maternity</b>	21 100%	11 100%	17 100%
<b>Matrimony</b>	21 100%	10 91%	17 100%
<b>Bereavement</b>	21 100%	11 100%	17 100%
<b>Exam</b>	10 48%	10 91%	17 100%
<b>Unpaid</b>	21 100%	11 100%	17 100%

**Table 4.10: Non-monetary benefits – other benefits**

	3 stars	4 stars	5 stars
<b>Base number of hotels</b>	<b>21</b>	<b>11</b>	<b>17</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Frequency of Non-Monetary Benefits - Other</b>			
<b>Sports Club</b>	0	0	5
	0%	0%	29%
<b>Discount on Hotel Products</b>	20	11	17
	95%	100%	100%
<b>Discount on Hotel Room Price</b>	20	11	17
	95%	100%	100%
<b>Company Trip</b>	11	11	17
	100%	100%	100%
<b>Awards</b>	21	11	17
	100%	100%	100%

**Table 4.11: Monetary benefits**

	3 stars	4 stars	5 stars
<b>Base number of hotels</b>	<b>21</b>	<b>11</b>	<b>17</b>
	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Frequency of Monetary Benefits</b>			
<b>Contract Bonus</b>	21	11	17
	100%	100%	100%
<b>Performance Bonus</b>	21	11	17
	100%	100%	100%
<b>Increment</b>	20	11	17
	95%	100%	100%
<b>Loans</b>	3	11	6
	14%	100%	35%
<b>Donations</b>	21	11	17
	100%	100%	100%
<b>COLA*</b>	2	3	9
	10%	27%	53%
<b>Insurance</b>	6	3	7
	29%	27%	41%

\*COLA = Cost of living allowance

Table 4.11 shows the monetary benefits provided according to the star ratings of the hotels. Most of the hotels provided their employees with contractual bonuses, performance bonuses, yearly increments, insurance and donations (as a token on injury or death of family members), while loans and the cost of living allowance were less prevalent.

Tables A4.11 to A.14 (in the Appendix) show the anticipated responses to the impact of the NMW on benefits. Very few respondents would reduce or charge for the benefits currently provided. Their answers tended to refute any suggestion that they might resort to a cost minimisation approach to compensate for the minimum wage by cutting benefits or imposing charges for meals, transport and accommodation. However, R8 explained that some adjustment to the frequency of benefits might be

necessary:

We will not change or cut off, totally cut off, no, we won't do that. We will just reduce the amount of stuff to fit the expenses. Like, we will reduce the entertainment benefits for the workers. We used to celebrate workers' birthdays once in 3 months you see, but now we do it once in 6 months. We still keep the benefits, but just reduce the portion in its kind of way. Like minor adjustment only. R8, p. 2, lines 77–81

R8 further explained that they might also consider clustering a few of the benefits without cutting any benefits. Clustering of benefits includes grouping all of the related benefits into one. For example, the individual benefits such as celebrating employees' birthday, annual dinner celebration and family day celebration might be grouped into one entertainment benefit.

R12, on the other hand, confirmed the complexity of the current benefits system, describing it as a 'handful', covering not only employees in person, but also their family members. For instance, R12's organisation and its sister hotels provided medical benefits for their employee and their family members:

The organisation will maintain the benefits, we don't reduce the benefit. It is not good to do that. For now, we provide a lot of benefits to them, medical benefits, not only for one, but for all, the whole family, insurance plan, meals, uniforms, dry cleaning for the uniforms, we provide a hostel for employees that we sent for outstation.<sup>20</sup> Birthday celebrations, once in three months, family day, yeah. R12, p. 2, lines 43–47

On the other hand, R24 and R26 both work in 5 star hotels that are located in a

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remote area of a resort island. With the implementation of the minimum wage, neither R24 nor R26 will cut any benefits. Although they acknowledged that the basic pay is low, with the service points received and with the benefits given, the take home pay is more respectable. R24 explained:

Our service point is high and the employees enjoy this. We give them meals, every day, uniforms, shoes, it is a package lah<sup>21</sup>. The shoes and uniforms. Some more, we give free laundry for their uniforms. You see just regarding the meals, they come to work for the morning shift, and we have breakfast for them, then morning tea, then lunch. If they do overtime, they eat dinner here. If they don't, they will take dinner on their own lah...on top of that, we give them accommodation, a hostel in the town, and to get here, the hotel's van will pick them up and send them home. It is all free. Even though the basic wage is low, the employees are happy. We give them good benefits, and they work hard. You see, if we reduce the benefits, cannot la, even with a minimum wage, we will maintain the benefits la. R24, p. 3, lines 48–55

Similarly, R26 explains its intention to maintain benefits:

No. We will not reduce the benefits. You see, the basic wage is already low, but our service points are good, so far it is okay, room occupancy all good, all year round. Actually, our benefit is also good and attractive, although our location is quite far off, but that's how we compensate la. They come and work with us, we provide a hostel and transport for them, and then, we also give them food, what you call that, meals. Ours is

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<sup>21</sup> "Lah" is a Malaysian slang which is similar to the term "you see".

according to the shift, if they start at 8 in the morning, finish in the evening, they get breakfast, tea, lunch, afternoon tea. You see, if you work in KL, your lunch itself costs you RM 10 already, so they save a lot la...and then, uniforms. We give 2 sets of uniform every year, if it gets torn, can they get a new one. R26, p. 3, lines 50–58

Among the respondents interviewed, only R32's organisation had a pay and benefits system governed by a collective agreement. R32 reported on the benefits provided employees:

Back to the benefits, the benefits given are EPF, SOCSO, Medical, free meals, we own a canteen for our workers. Some hotels only give one or two meals, but we cover the whole day, from breakfast, lunch, coffee break, dinner, supper although we provide RM4 allocation per person. This is reasonable for workers because they save a lot for food. They get lavish food: apart from the canteen food, sometimes we have leftovers from the events, buffet breakfast or lunch, and we provide that to the workers to eat. They save a lot. Our hotel has a collective agreement where we provide the worker with increments every year because that's what the CA says. It is not based on performance, we just give. R32, p. 4, lines 68–76

In terms of adjusting or altering the benefits should the NMW be implemented, R32 explained:

Erm, no, we will not alter because it is all written in the CA. The one we have is already good. R32, p. 4, lines 79–80

According to R29, from a local franchise hotel, they will not alter the benefits given, but they will rely on any decisions made by their parent company in the future as the parent company could have more strategic plans for their hotels.

Well, we will not alter. But again, depends on our HQ  
for any further changes. R29, p. 4, line 69

Most respondents pointed out in the interviews that the service charges received by their rank and file employees offset the low level of the basic pay. R29, R8, R12, and R3 said:

We cannot comply with all their needs and requirements; we must look at the hotels' affordability also. So far, what we give, the basic EPF, SOCSO, medical, uniforms, duty meals, laundry, training, the one by HQ and also by us here, Yes, the basic wage is low, but the service points are what is keeping them.  
R29, p. 4, lines 73–76

Some workers might not think it is sufficient, some might think it is. It depends on the workers themselves. However much you give, it will never meet their demand; they are never satisfied. So we let them go if they want to go, but we do revise our system like I told you just now, we have our own set of minimum wage for now. R8, p. 4, lines 84–87

For now, it is alright; the rank and file workers are more dependent on the service charge, which is 10% of the total bills. So this will be added up with the basic salary.  
R12, p. 3, lines 50-52

Well, so far so good, as far as I can see, everyone is happy, especially with the service points. Yes, the basic wage is kind of low, but the service points they receive increase the take home pay. They are happy, and they are doing a good job. It is normal if workers come and go, sometimes, they change jobs to gain experience...and to get better position, that's normal in the industry. I also changed job a lot before until now with a better and secured position. I am getting older, so I will stay here (laughing). R3, p. 3, lines 68-73

Most respondents agreed that pay and benefits contribute to high turnover rates in this industry, where employees tend to job hop. Nonetheless, according to R3, high labour turnover is accepted as an industry norm. Employees tend to job hop not only to gain experience, but also to get better pay.

Table 4.12 shows the basic wages for the rank and file employees in the participating hotels. As the basic wage rates were regarded by some respondents as private and confidential data, some of these data were given in approximate terms, rounded up to the nearest figure.



**Table 4.12: Monthly basic wages provided for hotel employees**

<b>Work Position</b>	<b>RM500 &amp; below</b>	<b>RM501- RM1000</b>	<b>RM1001- RM1500</b>	<b>RM1501- RM2000</b>
F & B Supervisor	16(32%)	16(32%)	8(16%)	10(20%)
Front Office Supervisor	23(46%)	12(24%)	8(16%)	7(14%)
Housekeeping Supervisor	22(44%)	13(26%)	11(22%)	4(8%)
Chef De Parte	13(26%)	19(38%)	2(4%)	16(32%)
Bell Captain	28(56%)	8(16%)	7(14%)	7(14%)
Front office assistant	33(66%)	8(16%)	9(18%)	0(0%)
Reservation assistant/clerk	30(60%)	11(22%)	8(16%)	1(2%)
Waiter/waitress	34(68%)	12(24%)	4(8%)	0(0%)
Bartender	34(68%)	12(24%)	4(8%)	0(0%)
Cook	32(64%)	11(22%)	7(14%)	0(0%)
Kitchen helper	34(68%)	14(28%)	2(4%)	0(0%)
Bellman	34(68%)	14(28%)	2(4%)	0(0%)
F&B Cashier	33(66%)	13(26%)	4(8%)	0(0%)
Steward	33(66%)	15(30%)	2(4%)	0(0%)
Laundry attendant	34(68%)	14(28%)	2(4%)	0(0%)
Chambermaids	33(66%)	15(30%)	2(4%)	0(0%)
Kitchen Porters	34(68%)	14(28%)	2(4%)	0(0%)

Based on Table 4.12, over 60% of employees lower than supervisor have basic wages of RM500 or less. The poverty line in Malaysia is RM 700 (Ministry of Human Resources, 2010) and the data in Table 4.17 clearly show that the basic wage in the hospitality industry is indeed low. But service points and other monetary and non-monetary benefits alter the overall result for the employees' take home pay. Figure 4.2, which reproduces a pay slip, provides an example of the monthly take home pay of an employee in a 5 star hotel. It demonstrates the complexity of the wage structure in the Malaysian hotel industry.

DEPARTMENT : CC - ADMINISTRATOR		SECTION : D - EXECUTIVE OFFICE	
NAME :		[REDACTED]	
STAFF NUMBER :		[REDACTED]	
PAY PERIOD : JUL		PAY DATE : 30/07/2012	
EARNINGS		DESCRIPTION	AMOUNT
	AMOUNT	DESCRIPTION	AMOUNT
BASIC PAY	990.00	EPF	110.00
SERVICE CHARGE	1,113.00 (371x3)	SOCSCO	10.75
TRAVELLING ALLOW	250.00	GREAT EASTERN LIFE ASSUR	51.00
GROSS PAY		TOTAL DEDUCTIONS	171.75
2,353.00			
EMPLOYER'S CONTRIBUTION			
EPF	150.00	SOCSCO	37.65
NETT PAY			2,181.25

Figure 4.2: An example of the monthly take home pay for a rank and file employee in a 5 star hotel.

In the example shown in Figure 4.2, the basic wage is RM 990 and with the addition of the service points and allowance and the deductions for Employees Provident Fund (EPF), the Social Security (SOCSCO) fund, and insurance, the total monthly take home pay of this employee is roughly RM 2181.25. The points received per employee depend on the length of their service and experience in the organisation e.g. from Figure 4.1 (3 points x RM 372), 3 points indicate that this employee has worked more than 3 years in the hotel. The value of the service points fluctuates monthly, ranging from RM 250 up to RM 500 or more per point in accordance with the convention of 10% of the organisation's monthly revenue (of which nine tenths is distributed to the employees).

Figure 4.3 shows the service point rates obtained in 2011 in a 5 stars hotel. The service points fluctuate monthly. They increase in April, July and November, as these are the school holiday periods in Malaysia. In other months, levels depend on incoming tourists from countries such as the Middle East, Australia, Japan, the U.S.A. and Europe. Most of the respondents claimed that they would leave it to their hotel associations to make any decisions about changes to wages should the new rate of the NMW be implemented. They were not willing to abolish the service points system, as it is one of the main factors that contribute towards the overall productivity in their hotels. Critically, the question is whether the minimum wage will include or exclude service points.

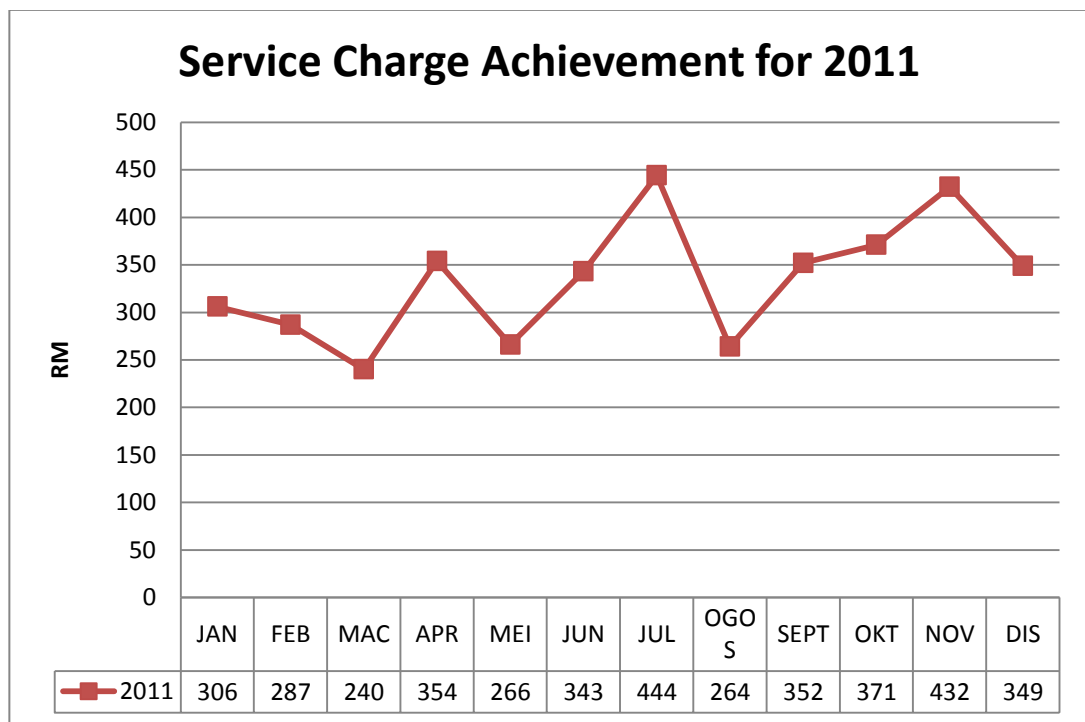


Figure 4.3: The value of monthly service points in a 5 star hotel in 2011.

#### 4.3.4 Other strategies in Human Resource Management

This subsection explores the anticipated impact of the implementation of the NMW on human resource management in the respondents' hotels, specifically in terms of recruitment and selection policies, opting for technological change and the management of labour turnover issues.

##### a. Recruitment and selection policies

A challenging issue for employers is not just to fill posts well, but also to keep search costs low. Increasingly, firms are turning to specialised staffing agencies to conduct at least part of the search process. Table 4.13 shows the respondents' anticipated changes to their recruitment and selection processes.

**Table 4.13 : Changes to the recruitment and selection process**

	Frequency	Percent
Strongly disagree	1	2.0
Disagree	24	48.0
Agree	21	42.0
Strongly agree	4	8.0
Total	50	100.0

At the time of the survey, all but two of the respondents planned and executed their own recruitment and selection processes. Would the NMW affect this? The table shows that 50% disagreed with engaging a staffing agency, while the other 50% would consider recruiting through an agency with the expectation of getting a better employee. Two respondents (R3, R32) were already using a staffing agency, but only for recruiting international employees. R3 described their recruitment and selection process:

We usually put the advertisement in the newspaper; we also use word of mouth and a staffing agency too. Then the normal interview procedures are done by HR people; HR will interview them and do the background check with their previous hotels. And then if we accept them, there's induction and training. In terms of selection, we prefer multi-skilled workers, as well as experience. Experience is very important in hotel industry. Well versed in English, to communicate with hotel guests to name a one. Education wise, it doesn't matter, as long as your experience is there. Because you see, when you have experience, not only the workers know what to do but also they understand the guest. R3, p. 2, lines 29–36

R3 further explained their involvement with a staffing agency:

We use a staffing agency to look for international workers such as the Japanese chef; we have our Japanese restaurant here. So, when the agencies have got them, we interview them and select. R3, p. 2, lines 43–45

R8 described the recruitment process and criteria used in the selection process in their organisation:

We don't ask for much, SPM<sup>22</sup> leavers are already fine. Experience is important, interest to work in the hotel line. Ability to speak simple English because we provide training, neat, clean, good record from the previous hotel. We even do a urine test, and a

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<sup>22</sup> SPM (Sijil Pelajaran Malaysia) is the High School Certificate, a compulsory examination for secondary school students in Malaysia.

background to check for criminal record, a no theft record. You know, this is important. Other than that it is just the normal procedure: we place the advert in the newspaper and they come for an interview. Then we select, have an induction, test and place them in the necessary department. R8, p. 3, lines 56-62

R12, R29 and R35 said:

Okay, for the rank and file, you know, the front office, chambermaids, waiters and all, we usually have walk in interview for them. We advertise the vacancy through the newspaper and sometimes the internet and they will come for the interview. R12, p. 1, lines 20–22

Recruitment, we advertise in the newspaper, then they will come for interview and if chosen, then we give them induction, training. We are a franchisee, you see, the HQ lets us do our own recruitment and selection and training. R29, p. 3, lines 56–58

Usually, we use the newspaper advertisement for walk in interviews. But, it is also open internally. SPM leavers, or lower or no higher education, we don't mind. As long as they can speak English, do their work well and are willing to learn. That's about it. R35, p. 3, lines 60–63

Most respondents are comfortable in conducting their own external recruitment and selection processes, although there are a few respondents who engage staffing agencies. The flow of the recruitment process is similar among organisations: utilising newspaper and internet advertisements, walk-in interviews and also word of mouth. The findings in this study show that half of the respondents would consider using staffing agencies in the future.

Selection criteria were very similar amongst the hotel employers' sample, with experience the dominant factor (Figure 4.4). Other criteria included communication skills, working skills, English proficiency, multi-tasking, personality, a clean record, job interest and attitude. Formal education was considered the least important criterion.

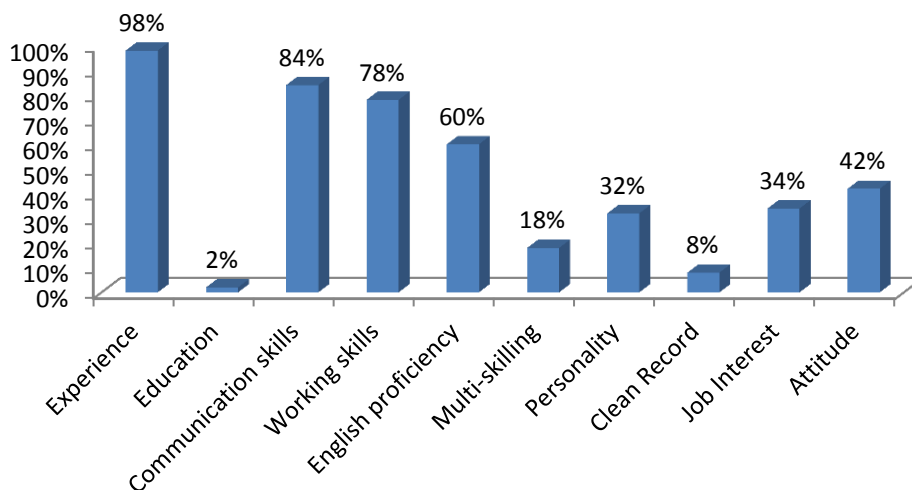


Figure 4.4: Percentages of the selection criteria mentioned by respondents

### b. Previous, current and future turnover

During the semi-structured in-depth interviews, respondents were asked to provide staff turnover rates for the previous and current years, and to estimate the turnover rate for the following year. The turnover rates are shown in table A4.15 in section 1 of the Appendix. Most of the respondents were reluctant to expose these rates because of concerns about confidentiality. Their estimates are likely to understate the true turnover rates. The crude labour turnover rate is usually calculated by the following formula (Riley 2000):

$$\frac{\text{Number of leavers in a specific period}}{\text{Average number of employees during the period}} \times 1000$$

A high turnover rate is one of the characteristics of the hotel industry including in

Malaysia, along with low basic pay (Hemdi & Rahman, 2010). Table 4.14 shows the average labour turnover rates of the respondents who provided estimates for their organisations. (These rates are based on Table A4.15.)

**Table 4.14: Average percentage of labour turnover rates according to star rating**

	Previous Year	Current Year	Anticipated Year
3 Stars	33	23	11
4 Stars	33	27	15
5 Stars	21	19	8

The 5 star hotels report the lowest turnover rates for the previous year compared to 3-star and 4-star hotels, which have the highest among these three hotels. From the interviews, it was possible to identify a number of factors that contribute to the turnover problem. According to R9, the labour turnover in their organisation for the previous year was high because they lost employees to their competitors. This organisation is well known, with a good reputation for hosting guests for an important annual event in Kuala Lumpur. This event has attracted new competitors, putting pressure on the local labour market. R9 explained:

Last year, our turnover was kind of bad, the sale was not good, with competitors around, visitors usually opt to stay with us during the special event, for meetings in PWTC you know, but now we have a lot of competitors. So our sales have gone down, our workers leave for better job. R9, p. 2, lines 26–29

R9 explained that the organisation’s turnover rate is connected to salary expectations:

Now, we understand that the basic wage is low. From our experience last year, I mentioned that our turnover is high, workers tend to leave. When we do our exit



interviews, 70% say that they want a better salary and better opportunity in other hotels. You see, KL has a high cost of living, and employees also tend to go outside KL; some go to resorts outside the city because they are paid better there, with low cost of living and all, and get so many benefits. R9, p. 2, line 40–44

As Table 4.14 shows, most of the respondents had higher turnovers in their previous years but reported lower rates in the current year. This is probably due to the onset of the global financial crisis. Nevertheless, turnover rates remain high (Rothwell, 1982).

Respondents also mentioned their organisations' strategies to cope with the turnover problem, including outsourcing work and offering improved wage rates. According to R9:

But this year, our turnover is not that high. We do a lot of outsourcing, contract based working. R9, p .2, lines 28–29

So what we did was to increase the salary to cope with the current situation. Slightly higher than before. Yes, sometimes we have the service points but we agree it is not enough for a person with a family. So, we set our own basic salary to cope with this situation. R9, p. 3, lines 44–47

Another approach was actively to target recruitment in less developed regions:

I just came back from Sabah, where we had some interviews, to get the workers from there to come here to work. We also get college students from one of the colleges with a hotel management course. R9, p. 1, lines 31–33

R11 targeted the student workforce in a creative industrial placement initiative in partnership with a hospitality college in Indonesia. Final year students from Indonesia were sent over to a hotel in Malaysia for six months' practical training whilst serving as temporary employees. These students were paid an allowance far below the take-home pay rate. R11 described this as a mutually beneficial arrangement:

These students are really hard working, and they don't give us problems. We are happy with that. They are willing to work all time. You know with locals we have problems of them not coming to work, like suddenly they don't turn up for work, and then they go missing for a few days, so it is difficult for us. Then there are not enough workers to handle the cafe, to clean rooms, and with the students, in return, we give them a good report and good grade for their practical training. We also pay them a wage including a service charge. It is affordable. It is a win-win situation. They get good grades in return. [bukan mahal pun, murah je, tapi masuk service charge semua lah. Kira macam win win situation lah. Diorang dapat markah bagus kan]. R11, p. 1, lines 22-28

Although this method could spark employment problems for local employees, R11 and their organisation were comfortable with it. This approach, according to R11, minimizes their problems in dealing with difficult and problematic employees.

Although reluctant to disclose details of their hotels' labour turnover rates, respondents were happy to discuss the problem at industry level. There was general agreement that the factors affecting the labour turnover rate included location and the star rating of organisations, with city-based lower star hotels having the hardest time. Organisations operating outside the city, especially the resorts in the scenic remote

areas or famous tourist spots, in an effort to retain their employees usually provide not only very reasonable pay, but also abundant basic benefits such as free meals, free uniforms, free laundry, free accommodation and transport. Amongst the 5 star rated organisations, attention to labour turnover is important in maintaining service standards and encouraging repeat business:

We provide our workers with meals, uniform including shoes and all, laundry. We give them transport and hostel. You can see our location, so for the ones working on night shift, we provide van to send them home and in the morning, to pick them up from their hostel. We also send home people who are not staying at the hostel, but staying in this island too. They save a lot, they are happy here. When they are happy, they work well and then our customers are also happy with them. Here, we put 2 or 3 people to take care of a room and the guests throughout the stay. R24, p. 2, lines 22-29

Lower ranking hotels with high turnover rates, such as R6, R12, R27, R29, R31, R36, R38, R44, R46 and R49, face difficulties in retaining their employees. With lower room rates and room occupancy, these hotels could not afford to provide lavish benefits for their employees. The low basic salaries and inadequate benefits often cause employees to leave within months. When the hotel employs new staff, the training process has to start again. To meet this difficulty, some of the lower ranked organisations reluctantly considered using contract based workers, particularly foreign workers who are prepared to work for lower rates.

Among other problems identified as affecting turnover are employees' attitudes and perceptions towards the job. R29 explained:

Yeah, it is difficult to get staff, we cannot use a lot of foreigners too. Sometime, we think, we might just take

foreigners, but we cannot... the problem is sustainability. You see, of course we want to employ the locals, but like I say, sustainability problem. First, the salary problem. The basic wage is low. But we give them 2 points, from the very day you start till the day you leave the hotel. It is fixed if the business prospers. That depends on seasonal factors lah. And then on average, 1 point is 250 – 400, on a good month; you can reach 1 point, RM 400. Okay, I give you an example, the chambermaids, the locals we employ lah, 2 points x RM 350 is 700 already, plus, basic pay, plus overtime. They can easily get thousand plus. The point system will always help in the hotel industry because the basic wage is low. R29, p. 2, lines 23–31

As to the nature of jobs, R29 added:

And then, the nature of the job, they complain, you know. They say the position is not suitable, they don't have the interest, and for example the receptionist have to stand all the time, so they can't help it, and then the issue of working during the weekends; they cannot take leave on weekends or sometimes on public holidays. You know, we cannot let them off on Sunday every time, who will take care of the hotel? This is rank and file not the management. R29, p. 3, lines 33–37

Referring to employees' attitudes, R29 said:

I simply don't understand. It is difficult to maintain. The workers nowadays are not committed like we were before. The graduates for example, are very different...Not prepared to work at entry level. They just

think of higher posts like supervisor, No, this is the mindset we have to change, Ya la, you have a degree, diploma, a paper qualification, but do you have experience, operational skills ?? You know, I started as an apprentice waiter 20 years ago. Then I went along and accumulated my experience. The mentality of students nowadays and all of us from the past is different. You want to work in this area, you must have the interest, we give rewards, we give promotions on the commitment given, but you must come in at entry level even with your degree, but then you will move fast, So, this is the problem lah. R29, p. 3, lines 41–50

Other respondents faced similar problems. Most of the respondents claimed that college and university graduates nowadays are more demanding than those of ten to fifteen years ago. These graduates are not prepared to start work at a very low level and work their way up, which is the normal pattern of progression in the hotel industry.

While other organisations struggled to juggle the turnover problem, some organisations were not able simply to increase basic pay for employees as they are governed by a collective agreement. One such organisation is R32. R32 explained:

Our hotel has a collective agreement where we provide the worker with increments every year because that's what the CA says and it is not based on performance, we just give. R32, p. 4, lines 75–76

R32 provided yearly increments as required by the collective agreement. The increments were not based on work performance, and the annual turnover was less than 50%.

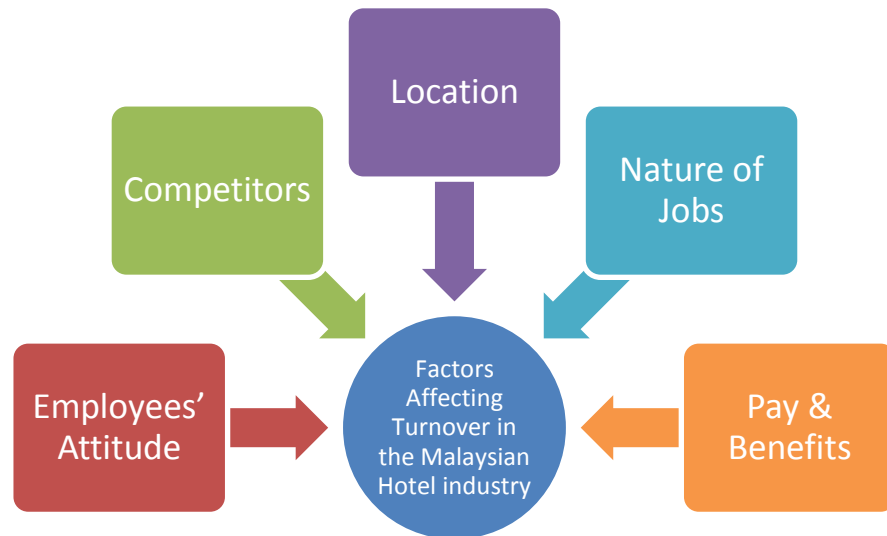


Figure 4.5: Factors affecting turnover based on the findings in this study

Based on the findings of this study, Figure 4.5 above shows the factors that affect turnover. The main factors are:

- (i) Competitors – employees tend to quit their current jobs in one hotel and hop to a competitor’s hotel to look for better pay and better benefits schemes;
- (ii) Location of hotels – hotels located in the city faces greater turnover problems. There are competitors all around and employees tend to job hob to either to look for their desired pay and benefits system, or to gain experience;
- (iii) Nature of the job – working long shift hours, dealing with customers’ attitudes and behaviour, and working during holidays and weekends are some aspects of working in the hotel industry;
- (iv) Pay and benefits – this is the major contributor to employee turnover. Pay and benefits play a crucial role as employees tend to compare their pay with competitors. As explained earlier, the hotel industry is well known for having a low basic salary. However, this low basic salary is accompanied by substantial benefits and monthly service points. While the service points fluctuate from month to month, employees look forward to service points

ratings to gain more take-home pay. Employees tend to job hop between hotels to look for the pay scheme that is most favourable to them; and

- (v) Employees' attitude and perceptions: sometimes the perceptions of employees, especially the fresh graduates, are inflated in the sense that they do not believe they should have to start from the lowest ranking. Employers reported that fresh graduates are unwilling to start in the lower ranking positions, although it is considered crucial for them to do so. Some organisations provide work rotation schemes that place new employees in every department to determine their strengths in order to match their skills with the job requirements.

All in all, turnover is costly for an organisation to handle, and this was of clear concern to the respondents in this sample. Reducing turnover could be one of the measures to cope with the NMW in the Malaysian hotel industry (which will be discussed further in Chapter 6 of this thesis). This might deter employers from seeking to absorb service points or to remove other employee benefits.

### c. Opting for technological changes

An alteration in the relative prices of capital and labour could trigger investments in labour saving technologies, particularly in front and back office administration areas such as check-in, billing and check-out services. The survey of employers indicated that 62% had positive views about technological changes as a response to the NMW (shown in Table 4.22).

**Table 4.15: Intention to opt for technological changes**

	Frequency	Percent
Strongly agree	2	4.0
Agree	29	58.0
Disagree	9	18.0
Strongly disagree	10	20.0
Total	50	100.0

Where there was any reluctance to opt for technological change, this was explained

in terms of service quality and the human touch. As explained by R3, R7 and R12:

Well, I don't believe that's possible for the hotel, we would still rely on the human touch for a more customer focused and for guest satisfaction for a personalized service. R12, p. 3, lines 66–67

No, I don't think so, the hotel industry is an industry which provides the human touch. I mean, people want the human touch, that's why they come to the hotel, you see. We still need workers, we cannot go for technology. R3, p. 4, lines 83–86

Definitely no! We are dealing with human being. Technology could not replace human being when dealing with feelings. R7, p. 4, lines 74–75

There were also some doubt about the cost and benefits of investing in technological change, notably from the 3 star hotels:

R1 on the labour intensive factor:

No, I don't think so lah... because a hotel is labour intensive, so it is a bit difficult lah to use technology instead of people. R1, p. 4, lines 70–71

R8, R29 and R32 on the cost factor:

Mostly, it would be unlikely because of the costing, for now, it is cheaper to use humans, and we might not at that level, to use greater technology yet. R8, p. 6, lines 112–113



No!!!! It's too costly for us. We still need the human touch. R29, p. 5, lines 101

That would be expensive, we might not afford it. But human touch is still the best for this industry. R32, p. 6, lines 126–127

R8 insisted that human contact is very important in the hotel industry and that technological changes would be costly. However, R8 thought that they might consider technological changes in administrative areas:

Hhmm. Maybe, BUT...it depends on which department. Yes, of course we need to upgrade the system like other various technological aspect like the key cards and all, but it comes back to Human contact. HUMAN CONTACT IS VERY IMPORTANT in this industry. R8, p. 6, lines 109–113

R3 agreed:

Maybe technology for internet bookings and all, but for rank and file workers, no. We can't do that. R3, p. 4, line 86

#### **4.4 Employers' readiness to implement the new NMW**

The findings in this section directly address the third research question: *Are the employers ready to implement the new NMW using the 'high road' or the 'low road'?* Some of the larger hotels, which were already paying above industry norms, could expect to experience a lesser financial impact compared to the lower ranking hotels. Table 4.16 shows the overall readiness of respondents to implement the NMW in their organizations.

**Table 4.16: Anticipated influence of implementing NMW in the hotel industry**

<b>MW implementa tion</b>	<b>A major influence</b>	<b>A moderate influence</b>	<b>A minor influence</b>	<b>Not an influence</b>
Affect current pay rate	22(44%)	13(26%)	6(12%)	9(18%)
Will reduce work force	6(12%)	12(24%)	12(24%)	20(40%)
Will reduce benefits	3(6%)	8(16%)	9(18%)	30(60%)

Most respondents considered that the NMW would have at least some influence in reducing workforce size. Respondents did not anticipate much change in benefits. As discussed previously, it has been the nature of the hotel industry to provide employees with attractive benefits to accompany the basic pay and service points, and most of the respondents were not intending any reduction. The degree of influence however, depends on the ranking of the hotel as shown in Table 4.17 below. The lower ranking hotels indicated that the NMW would have a major influence on their pay rates. Unlike the higher-ranking hotels, they anticipated a moderate reduction of their workforces.

**Table 4.17: The anticipated effects of the NMW according to hotel's star rating**

		Star rating			Total
		5 star	4 star	3 star	
MW will affect hotel's pay rate	A major influence	4	7	11	22
	A moderate influence	3	2	8	13
	A minor influence	5	0	1	6
	Not an influence at all	6	1	1	8
MW will reduce workforce	A major reduction	1	3	2	6
	A moderate reduction	5	3	12	20
	A minor reduction	5	2	4	12
	Not an influence at all	7	2	3	12
MW will reduce benefits	A major reduction	1	1	1	3
	A moderate reduction	2	2	4	8
	A minor reduction	2	3	4	9
	Not an influence at all	13	4	12	30

Implementation of the NMW would have little impact on the higher ranking hotels, but a significant effect on 3 star hotels across the states (Table demonstrating the anticipated effect of MW implementation on current pay rate, workforce reduction and benefits according to hotel's star rating and states are appended in the appendix of this chapter). The lower ranking hotels would have difficulty in covering the wage gap between the current basic wage and the new NMW rate. While the lower ranking hotels are not looking forward to reducing benefits, their difficulty in adjusting to the NMW explains the moderate workforce reduction that would affect the lower ranking hotels as shown in Table 4.17 above.

#### **4.4.1 Labour costs**

During the interviews, respondents were asked to provide information about their labour costs relative to revenue. They were somewhat reticent to provide these data. Table 4.18 shows that for most of the respondents who provided the information, labour costs absorbed between 21 and 40 per cent of revenue.

**Table 4.18: Labour costs as a proportion of monthly revenue**

	Frequency	Percent
less than 20%	6	12.0
21-30%	7	14.0
31-40%	10	20.0
41-50%	1	2.0
Total	24	48.0
	26	52.0
Total	50	

We have seen that basic pay for most non-supervisory or rank-and-file employees is RM 500 or less. The low basic wage is accompanied by service points resulting in higher take home pay (although the proportion varies). The proposed NMW of RM 900 would amount to an astonishing increase of about 80% for most employers in the sample. Most respondents were uncertain about how to meet the new requirement, with many expressing total reliance on the hotels association for direction and guidance. For example, as further explained by R32 and R8 below:

R32 on the uncertainty to meet the new NMW requirement,

And then, minimum wage have its pro and cons. So we must look at this first. For pro, you will have a fixed salary, then it will be easier for us to get more staff with the fixed salary because at the moment the turnover ratio is kind of bad, but then we will have to consider the hotel star ratings, which states... No doubt it will be easier for hotels, but there are a lot of things to be considered. R32, p. 5, lines 110–114

R3 on the total reliance on the hotel association,

Okay, actually, whatever the government do or say, we must follow, we must follow, we cannot not follow. But, you must remember, we have our hotel association, you know, they will discuss about this, if it meets the criteria, then okay, You know, if it were to be implemented, we

have no choice, our menu, price of food, have to be increase, and.....(pause)..... you know, of course pay roll will increase, if we can't meet out monthly target, then .. it's a headache !!! ( laughing)...We will see how things go and discuss with the association, you know... R3, page 3, line 58 - 64

Abolition of service points is a possible response, but this element of pay is valued for its motivational impact on staff. In January 2012, the National Wage Consultative Council finalised the rate for the NMW at RM 900. However, a group of associations comprising the Malaysian Employers Federation (MEF), the Malaysian Association of Hotel Owners (MAHO) and the Malaysian Association of Hotels (MAH) jointly agreed on a resolution calling for service points to be included as a part of the wages in the hotel industry. The associations submitted this resolution to the government for consideration (Section 2 , Appendix for Chapter 1).

Although the costs of employment will increase with the implementation of the NMW, and in many cases substantially, employers have little to say about the ways and means of covering these costs. Respondents from the franchised national chain hotels did not seem able to suggest any adjustments as they were bound by their parent companies' decisions. Some respondents were ready to face the changes without having to reduce employment or reduce benefits and training as they have sufficient funds to cover the costs of the NMW. Most respondents, however, hoped that the increase in costs would be passed on to the consumer in the form of higher rack rates and food and beverage charges, with service charges remaining fixed at 10%.

#### **4.5 Summary**

Most employers in this study expressed views which fit the 'high road' perspective of human resource management (Guest, 2002), with an emphasis on retaining older workers, providing high quality service, training retention and resistance to workforce casualisation. There was also a strong commitment to retaining the motivational value of the points system. On labour turnover, the respondents were

reluctant to disclose figures for their organisations, and the figures presented here are probably underestimates. Respondents were more comfortable talking about the industry generally and were more inclined to suggest that others in their industry might adopt the ‘low road’ approach characterised by job cuts, reduced expenditure on training, and workforce casualization.

It must nevertheless be said that, apart from some of the 5 star hotels, employers were not well prepared for the arrival of the minimum wage, although the hotels were already practising ‘high road’ strategies. Many foresaw an increase in the use of technology in the management of their organisations. The impact of capital substitution on employment can mean job losses, jobless growth, and/or a shift in the nature of jobs (Whitaker, 1992). Which of these scenarios will dominate is unknown. The main hope of employers in this sample is that the cost increases can be passed on to the consumer. In the context of a highly competitive global industry, however, this seems problematic. It is likely that the 3 star hotel sector will be heavily impacted.

It could be said that the compensation and rewards system in the Malaysian hotel sector is complex to the point of confusion, not least in the matter of the calculation of service points. While there was a good deal of common practice among the hotels in this sample, there were variations according to location, star rating and financial capacity.

## **CHAPTER 5 - EMPLOYEES' FINDINGS**

### **5. Introduction**

This section presents the findings of the questionnaire survey administered to Malaysian hotel employees during 2010 to 2011. (They will be further discussed in the following chapter.) The sample and the profile of the respondents will be presented in sections 5.1 and 5.2 followed by the findings according to the research questions of this study, namely:

- What are the anticipated responses of employees in the hotel industry to the introduction of the NMW?
- Will the implementation of the NMW affect employees' productivity?
- To what extent will anticipated changes in HR practices arising from the implementation of the NMW influence employees' motivation?

### **5.1 The Sample**

A total of 1500 questionnaires were distributed to the rank and file employees in 47 hotels around Malaysia (ranging from 3 to 5 star hotels). The completed questionnaires were placed in sealed envelopes and collected by the researcher after a two to three week gap. The total number of questionnaires returned was 810, giving a response rate of 54%. Full details of the distribution of questionnaires are shown in A5.0, in the Appendix to this chapter.

## **5.2 Profile of Respondents**

The profiles of the 810 respondents are summarised in A5.1. The majority (55%) worked in 3 star hotels, with the balance of 20% and 25% from 4 and 5 star hotels respectively. The largest groups of respondents were based in Kuala Lumpur (15%), followed by Pulau Pinang (13%) and Kedah (12%).

In terms of the demographic distribution, respondents consisted of 48% male and 52 % female. They were typically younger workers (less than 32 years old, 36%), and this broadly reflects the age composition of the hotel workforce. Most of the respondents were married (51%). The majority had achieved their high school certificate (41%). A further 11 % went on to complete their certificate in the local colleges, 25 % had completed their diploma and a fair number held higher qualifications e.g. bachelor's degree (11%). Most respondents had at least two years of experience working in the hotel sector, and the overwhelming majority worked full time (95%). Eighty per cent of the respondents did not belong to a trade union.

## **5.3 An Overview of Employees' Responses to the National Minimum Wage for Hotel Employees**

This section addresses the first research question: *What are the anticipated responses of employees in the hotel industry to the introduction of a NMW?*

As mentioned earlier, the minimum wage campaign began in 1996, when the MTUC proposed a RM 600 national minimum living wage. It was argued that with rapid industrialisation and modernisation, continued economic growth should have resulted in improved living standards for workers. The proposal was rejected by the government in 1996 and 2000. In 2007 the MTUC submitted its proposal for a national minimum wage of RM 900, plus the additional cost of living allowance (COLA) of RM 300 to ensure that private sector worker' rights were protected. Therefore, the questionnaire surveys started by determining employees' awareness of the proposal for a NMW before exploring their responses.



Most respondents (52%) were aware of the proposal, but a significant minority (23%) was not. Twenty-five percent knew a little bit about it. The questionnaire went on to further investigate the respondents' level of support for the NMW.

Of all the respondents, 56.8 per cent strongly agreed or agreed with the proposal. The number who disagreed was surprisingly high at 13% (see A5.2 and A5.3). The neutral group may have comprised mainly people who had no knowledge of the proposal.

In 2009, the Hotel and Catering Wage Council Committee suggested a minimum wage of RM 575 per month. However, in early 2011 a new wage council committee was set up to replace all the previous wage councils. It was during 2009 and 2010 that the survey for the employees was carried out. Therefore, respondents were asked their opinions of the proposed rate of RM 575 as the minimum wage for the hotel industry.

The results show that 44% of respondents disagreed with the amount proposed as the minimum wage. The proposed amount of RM575 would have been below their existing basic pay; therefore, the amount proposed might not be sufficient from their point of view. Thirty per cent of respondents agreed with the amount and twenty five per cent remained neutral in their opinions. (See A5.4).

#### **5.4 Anticipated Effects of NMW on Productivity**

This section deals with the respondents' views on productivity, addressing the second research question: *Will the implementation of the NMW affect employees' productivity?* It discusses the respondent's feedback on the links between pay and productivity, respondents' perspectives on productivity measurement and factors that positively affect their productivity.

### 5.4.1 Pay and productivity

Given that labour costs are a high proportion of total costs in service industries, and especially in hospitality, we might expect that any increase in labour costs would prompt employers to seek improvements in productivity. This sub-section therefore looks further at respondents' reactions to changes in term of productivity. Table 5.1 below provides further information about respondents' feedback on their pay and productivity.

**Table 5.1: Respondents' feedback on changes in pay and productivity**

	Frequency		Percent (%)	
	<u>YES</u>	<u>NO</u>	<u>YES</u>	<u>NO</u>
C17.The wages I received should reflect my productivity level.	616	194	76	24
C18.If wages are increased, I would be willing to work harder.	785	25	97	3
C19.Annual wage increase should be linked to productivity improvements.	719	91	89	11
C16. Does the point system encourage you to perform better in your work?	609	201	75	25

Most respondents agreed that their wages should reflect their productivity. Ninety-seven per cent of the respondents said that they would be willing to work harder if wages were increased and 89% of respondents agreed that the annual wage increase should be linked to productivity improvements. Simply put, the findings demonstrate that respondents are willing (or claim to be willing) to be more productive should their wages be increased. This suggests that should the NMW be implemented at RM 900, the employees would be willing to work harder, and be more productive.

As has been explained, Malaysian hotel employees are accustomed to the system of service points which augments their basic wage, in some cases substantially. There was a concern in the employers' survey that the service point system may not be

sustainable beyond the introduction of a national minimum wage. This is a critical issue. When asked whether the points system encouraged them to perform better at work, 75% said that it did.

The following section discusses the way in which employees assessed their productivity and some of the factors influencing their productive performance.

#### 5.4.2 Measuring productivity

It has been argued that measuring productivity is difficult, especially in the hotel industry, as some output is not easily measured or valued (Ball et al., 1986; Johnson & Ball, 1989; Jones & Lockwood, 1989). The findings of this study, however, demonstrate the respondents' understanding of productivity measurement. In question 20 of Section C of the employees' questionnaire, respondents were asked to describe how productivity was measured according to their job position. An example is provided below and the answers are categorised in A5.5.

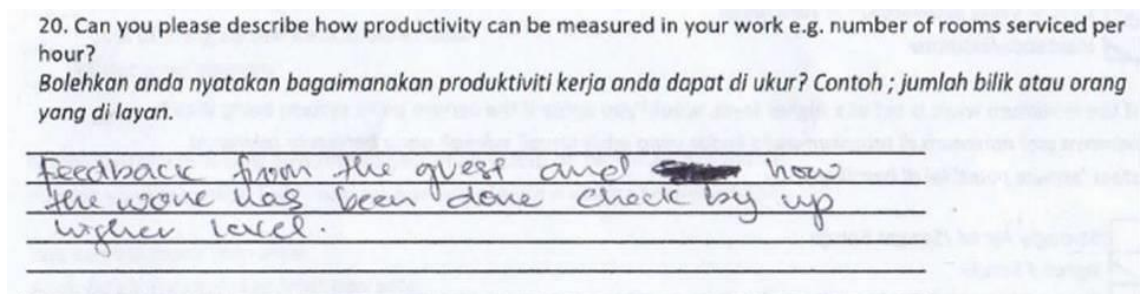


Figure 5.1: An example of respondents' feedback for question C20

With so few responses (14%), it is difficult to generalize, although rewards, performance appraisals and feedback from customers were cited most often. Other factors include efforts to improve self, own efforts to give more, doing more than what is expected, commitment, rewards, compliments from customers, positive feedback from customers, sensitivity to customers' needs, increase in the number of customers, acknowledgement, ability to solve customers' problems, courtesy, decreases in complaints, superior's feedback, follow job role and job description, efficiency, smooth operations, speed, standard of work delivered, and meeting

requirements. These responses have been clustered into three themes: motivation; customer satisfaction; and performance standards as shown in Table 5.2. Clearly, the perceptions of the rank and file differ from orthodox meanings of ‘productivity’, but the factors cited are significant for the performance of the industry.

**Table 5.2: Productivity measurement according to respondents according to theme**

Efforts to improve self	<b>MOTIVATION</b>
Own efforts to give more	
Rewards	
Commitment	
Doing more than what is expected	
Compliments from customers	<b>CUSTOMER SATISFACTION</b>
Positive feedback from customers	
Decreases in complaints	
Customer increases	
Acknowledgement	
Able to solve customers’ problems	
Courtesy	
Sensitive to customers’ needs	
Superior’s feedback	<b>PERFORMANCE STANDARDS</b>
Follow job role and description	
Efficiency	
Smooth operations	
Standard of work delivered	
Speed	

### 5.4.3 Factors that influence productivity

Respondents were also asked about the factors that positively influence their productivity. Figure 5.2 shows that, in the respondents’ estimation, service points had the most influence on their motivation and productivity. Of 810 respondents, 89% claimed to be positively influenced by service points. Work environment and monthly basic pay (which does not include service points) followed with 87% and 83% respectively. Other factors that positively influence motivation and productivity are work culture, bonuses and promotions, the relationship with co-workers, training,

job scope, employers, technology and management support. (The survey went on to consider other non-monetary benefits and other anticipated changes in activities in the HRP that could contribute to motivation. These will be discussed in section 5.5.3.)

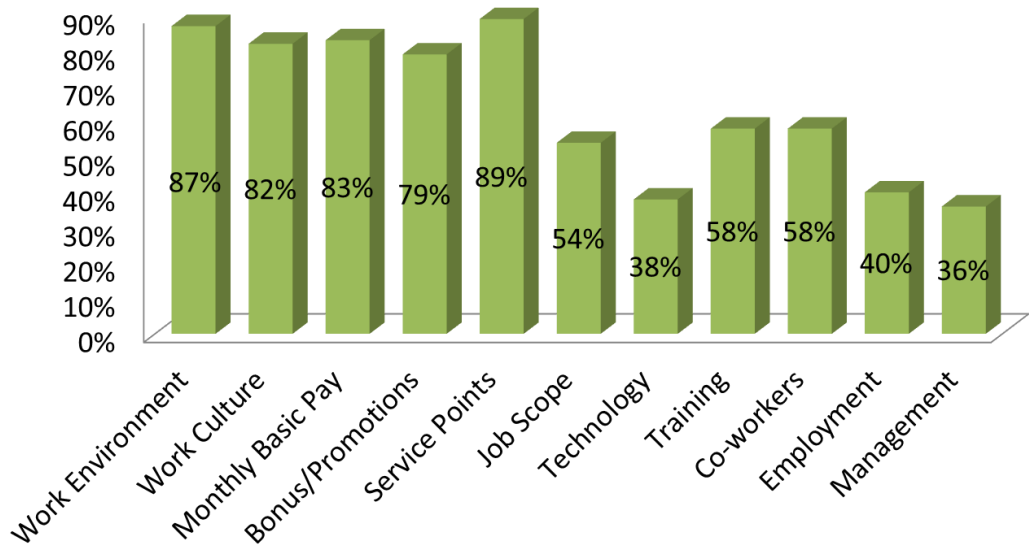


Figure 5.2: Factors that positively influence productivity

### **5.5 The Influence of the Anticipated Changes in HR Practices (Employment, Training and Compensation & Benefits) on Employees' Motivation**

This section will address the third research question: *To what extent will the anticipated changes in HR practices that occur after the implementation of the NMW influence employees' motivation?* The findings first report on views about potential changes to respondents' current compensation and working conditions as a part of the anticipated changes in HR practices. The relationship between changes in HR practices and employee motivation will be examined next, using Hierarchical Linear Modelling.

### **5.5.1 Respondents' views on their current compensation program**

Respondents were asked if they felt fairly compensated for their work. There was a mixed response here, with those saying that they were fairly compensated (39.4%) balanced by those that disagreed (40%) (Refer to A5.6). Twenty per cent of the respondents responded neutrally to this question. It should be noted that, in Malaysia, pay and compensation issues are still considered sensitive, private and confidential, which means employees are not normally comfortable sharing their opinions regarding this issue.

As previously explained, employees often receive a raft of benefits, including subsidised food, uniforms and in some hotels, accommodation and transportation in addition to service points. In this study, respondents were asked to indicate the type of benefits they received from their employers divided into non-monetary and monetary benefits. The results are shown in A5.7 and A5.8. The monetary benefits include contractual bonuses (annual fixed bonuses), performance bonuses (annual bonuses given to employees who had performed well during the year), yearly salary increments (salary increments are based on employees' performance and employers' discretion), staff loans (e.g. car loans), insurance, cost of living allowances and cash donations. Most of the respondents receive performance bonuses, yearly salary increments and health insurance policies from employers. Although the majority of respondents did receive some benefits, these varied according to their hotels' ranking, where higher ranking hotels usually provided more benefits than lower ranking hotels.

There was a mixed response in terms of the adequacy of their employers' benefit programs, with 35% regarding them as adequate and 28% seeing them as inadequate (Refer to A 5.9). The question concerning the extent to which their employers' benefit system was competitive (A5.10) produced a similar distribution of responses as demonstrated in Table 5.3. Usually, respondents gained information on benefit systems through their personal contacts in other hotels or from their previous experience working in other hotels. Respondents tended to compare and contrast the benefits offered by other employers. Table A5.10 indicates that 34% of respondents

were well aware of the competitiveness of the benefit system offered by competitors and 20% did not. As mentioned earlier, some of the respondents were not comfortable and refused to discuss anything related to their pay; these respondents were among the 36 % of respondents who were neutral with respect to this question.

As to whether their current rewards met their expectations, 49% of respondents were satisfied, while 33% were not (Table 5.3).

**Table 5.3: Respondents’ perception of their current rewards in their current jobs**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Below expectations	266	32.8	32.8
Meet expectations	344	42.5	75.3
Above expectations	53	6.5	81.9
Not sure	147	18.1	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	

Table 5.4 below shows that the extent to which expectations were met differed according to the star ratings of the hotels. Most respondents from 3 star hotels thought that their current rewards were below expectation. Most of the 5 star hotel respondents said that their current rewards met expectations. Clearly, the impact of the NMW is likely to be greater in the lower ranking hotels, and this places added pressure on the sustainability of service points, particularly where a fixed floor of service points exists to overcome seasonal variations in occupancy. (The fixed floor of service points is discussed in the employers’ findings in Chapter 4 and in Chapter 6.)

**Table 5.4: Cross tabulation (in percentage) between respondents’ perception on current rewards in their current job and the hotel star rating**

		Stars		
		3 star	4 star	5 star
Current rewards for current job	Below expectation	44	33	21
	Meet expectation	30	46	54
	Above expectation	3	5	11
	Not sure	23	17	14
Total		100	100	100

Table 5.5 provides respondents’ feedback about whether or not they think the point system should be abolished if the NMW is set a higher level than their basic pay. The intention of this question was to explore the circumstances of having a flat rate salary rather than the current point system. It is also to further explore the employers’ claim that their employees will resist if the point system is abolished. Fifty-five percent of the respondents disagreed or strongly disagreed with abolishing the points system. Clearly, any attempt by employers to abolish service points is likely to meet resistance.

**Table 5.5: Respondents’ answers to the question “If the minimum wage is set at a higher level, would you agree to the point system being abolished?”**

	Frequency	Percent	Cumulative Percent
Strongly agree	81	10	10
Agree	132	16.3	26.3
Neutral	153	18.9	45.2
Disagree	216	26.7	71.9
Strongly disagree	228	28.1	100
<b>Total</b>	<b>810</b>	<b>100</b>	

As explained in previous chapters, it is compulsory for employers to contribute to the employees’ provident fund, the contribution being 12% of an employee’s basic wage



or higher (according to the employer’s discretion). It is also compulsory for employees themselves to contribute to the fund at the rate of 11% from their basic wages (excluding service points). As the basic wage in the hotel industry is relatively low, this affects the hotel employers’ and employees’ contributions to the fund. The low contribution rates result in low accumulated funds in the future. This tends to cause problems as employees then receive lower financial benefits upon retirement. For this reason, employers expect and encourage employees to put more of their income into private savings. Worryingly, Table 5.6 indicates that a large proportion of respondents (32%) were not able to save anything and the great majority saved less than 20% of their income.

**Table 5.6: Percentage of pay saved by respondents after EPF and SOCSO deductions**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
20% and above	101	12.5	12.5
10 – 19 %	221	27.3	39.8
5-9%	118	14.6	54.3
less than 5%	112	13.8	68.1
I use up all my monthly salary	258	31.9	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	

This was a key factor justifying the introduction of a NMW in Malaysia. A reason for improving basic rates of pay is that the value of EPF and SOCSO contributions is based on basic pay. Therefore when basic pay is low, EPF and SOCSO contributions will also be low. This presents a problem. With an ageing population and rising cost of living, there will be insufficient funds to support people in their retirement unless they can accumulate assets over the course of their working lives.

### **5.5.2 Assessing the anticipated impact of the changes in HR practices (from the implementation of NMW) on employees’ motivation using Hierarchical Linear Modelling**

As explained in Chapter 3, Hierarchical Linear Modelling (HLM) is a technique that takes into account the mean group and similarities of observations of individuals and

allows for a different number of observations for each individual. This subsection reports on the anticipated impact of the changes in HR practices (from the implementation of NMW) on employees' motivation in the hotel industry using 22 items from section D and F (17 items in Section D and 5 items in Section F) of the questionnaire. However, before conducting the HLM analysis, all the 22 items were extracted using Factor Analysis on SPSS. After conducting Factor Analysis on Sections D and F, factors extracted in Section D were then re-labelled into motivation and rewards, while section F was re-labelled as work-life balance. The process of factor analysis is further explained in Section 2 of the Appendix to this chapter.

**a. Hierarchical Linear Modelling (HLM)**

The hierarchical linear modelling (HLM) technique was used with HLM 6.06 software (Raudenbush, Bryk, Cheong, & Congdon, 2005), which takes into account the nature of multilevel data — individuals within teams. The HLM technique was considered as it examines the relationships within and between hierarchical levels of grouped data simultaneously, which makes it more efficient in accounting for variance at different levels compared to other analyses (Woltman et al., 2012). In this study, employees are nested within hotels (employers), where Level 2 represents employers' data and Level 1 represents employees' data.

**Table 5.7 :Factor at each hierarchical level**

<b>Hierarchical Level</b>	<b>Example Level</b>	<b>Example Variable</b>
<b>Level 2</b>	Hotel	Hotel stars, Location
<b>Level 1</b>	Hotel employees	Gender, Socioeconomic, Motivation, work life balance.

---

Outcome variable is always a Level-1 variable

(i) The impact of organizational support (changes in HRP) and reward on motivation

Danish and Usman (2010) posit rewards as the drivers of motivation in the hospitality industry. This is because of the vital role of reward itself in determining significant job performance. The first hypothesis in this study is that reward (MW) has a positive impact on motivation. To test the hypothesis, we evaluate the impact of reward on motivation. The second hypothesis is that the organizational support (OS) has a positive relationship on motivation. According to Eisenberger, Huntington, Hutchison and Sowa (1986), OS induces employees to fulfil the organization's goal. In other words, the organization's treatment of employees, through changes in human resource practices, will affect employees' efforts to achieve the organization's goals. OS in this study includes training and performance evaluation. We predict that with the anticipated changes in the HRP due to the implementation of the NMW, OS will positively influence employee's motivation. Considering the second hypothesis, this study posed a lagged mediation hypothesis, which is the third hypothesis: OS positively relates to motivation via its positive relationship with rewards (the minimum wage). The third hypothesis is where the impact of the reward (the minimum wage) can be tested as the controlling variable between OS and motivation. The fourth hypothesis is that a direct relationship exists between OS and reward. Figure 5.3 below demonstrates the impact of reward (MW) on OS and motivation while Table 5.8 demonstrates the hypotheses of this study.

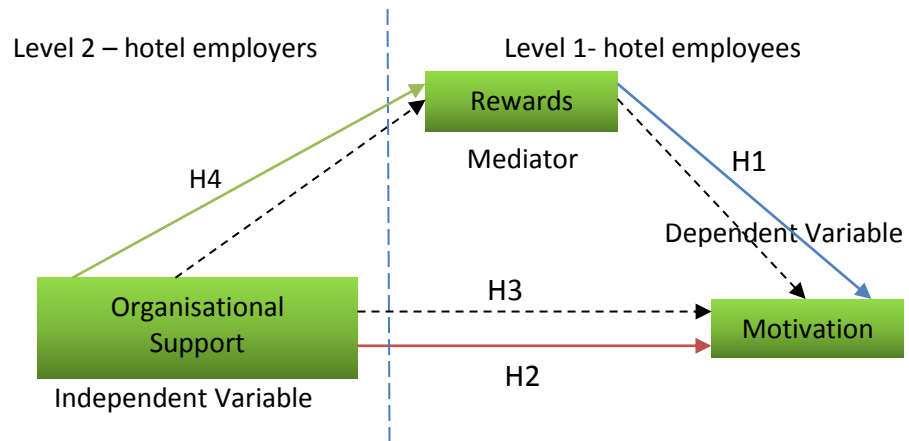


Figure 5.3: The impact of reward (MW) on organizational support and motivation

**Table 5.8: Hypothesis: The impact of reward (MW) on organizational support and motivation**

Hypotheses
Reward (MW) has a positive impact on motivation.
Organizational support (OS) has a positive impact on motivation.
Organizational support (OS) positively relates to motivation via its positive relationship with rewards.
Organizational support (OS) has a positive impact on reward.

(ii) The impact of organizational support (changes in HRP) via WLB on motivation

The reason for considering WLB is to test whether it has any positive effects on respondents' motivation apart from reward. Other studies have shown that inability of employees to balance work and life could lead to high turnover, reduced productivity, job dissatisfaction and lower commitment towards the organization (Rodgers & Rodgers, 1989; Thomas & Ganster, 1995; Hobson, Delunas, & Kesic, 2001). While organizational support reinforces employees' motivation, WLB is predicted to have a positive impact as a mediator. The hypotheses proposed for the impact of WLB on motivation are as follows:

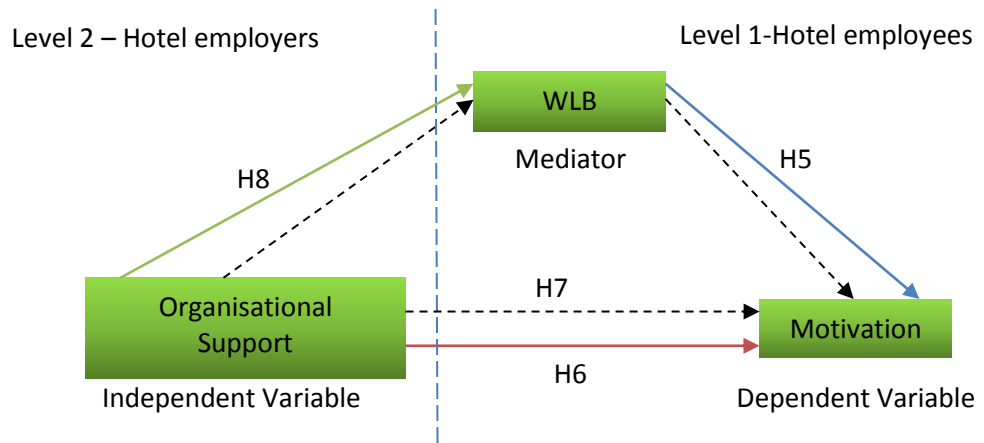


Figure 5.4: The impact of work-life balance on organizational support and motivation

**Table 5.9: Hypotheses: The impact of WLB on motivation**

Hypotheses
WLB has a positive impact on motivation.
Organizational support has a positive impact on motivation.
Organizational support positively relates to motivation via its positive relationship with work-life balance.
Organizational Support has a significant impact on work-life balance.

**b. Aggregation procedures**

Before conducting HLM analysis, a range of tests must be conducted to confirm that the factors vary significantly among groups. These tests are explained in the appendix to this chapter, where it is shown that the requirements for analysis by HLM are satisfied. In the aggregation procedure, one-way random effects ANOVA ( $F_{III}$ ) were used and the F values were found to be significant, thus indicating sufficient variance in the data due to groupings: motivation, organisational support, rewards (minimum wage) and work-life balance. The means, standard deviations, reliability and Pearson bivariate correlations are further explained in A5.11 of Section 2 in the Appendix.

### **c. Hypothesis testing**

#### **(i) The impact of organizational support and reward on motivation**

In order to test the hypotheses, steps as described in Mathieu and Taylor (2007) and Zhang, Zyphur and Preacher (2009) were followed. Firstly, we evaluated the lower level (Level 1) variables to test the direct effect of the variables on each other (Hypothesis 1). Then we tested the cross-level direct effect hypotheses which are Hypotheses 2, 3 and 4. In Hypothesis 3, the impact of the rewards (the minimum wage) is tested as the controlling variable between OS and motivation. To assess whether reward as the mediation is a full or a partial mediation, Baron and Kenny's (1986) mediation steps were then followed. A partial mediation is when the path from independent variable (X) to outcome variable (Y) is reduced in size but is still different from zero when the mediator is introduced (Kenny, 2014).<sup>23</sup> To further justify the mediation, the Monte Carlo test for mediation (Selig & Preacher, 2008) was used. The hypothesis testing, Baron and Kenny's (1986) mediation steps and the Monte Carlo test for mediation are further explained in Section 2.b (i) in the Appendix.

#### **(ii) The impact of WLB on motivation**

Similar hypothesis testing was undertaken for a second time, using similar variables, but with work-life balance (WLB) replacing rewards as mediator. Questions about WLB were asked in section F in the employees' questionnaire. As in the previous hypothesis testing, the first step taken was to evaluate the lower level (Level 1) variables to test the direct effect of the variables on each other (Hypothesis 5, WLB - MOT) using the HLM 6.06 software (Baron & Kenny, 1986; Zhang, Zyphur, & Preacher, 2009). The next step was to test the cross-level direct effect hypotheses which are Hypotheses 6, 7 and 8. As with rewards, WLB was assessed to confirm whether it is a full or a partial mediation. Baron and Kenny's (1986) mediation steps and the Monte Carlo test for mediation (Selig & Preacher, 2008) were used to further justify the mediation. (The hypothesis testing, Baron and Kenny's (1986) mediation

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<sup>23</sup> <http://davidakenny.net/cm/mediate.htm>

steps and the Monte Carlo test for mediation are further explained in Section 2.b (ii) in the Appendix.

#### d. Results

##### (i) The impact of MW as reward on motivation

In addition to looking at employees' anticipated responses to the introduction of a NMW, this study also looks at how employees' motivation might be affected by any changes in HRP due to the implementation of the NMW. In this case, the hypothesis is as presented in Table 5.8 above.

Several hypothesis-testing steps as described in Baron and Kenny (1986), Mathieu and Taylor (2007) and Zhang, Zyphur and Preacher (2009) were followed to obtain the result from HLM 6.06 software (Raudenbush, Bryk, Cheong, & Congdon, 2005). Table A5.12 in the Appendix further describes the HLM analyses of the cross level effects (results derived from the HLM software) of organisational support on the lower level (Level 1) outcomes — rewards and motivation. Each model (models 1 – 4) represents one of the hypotheses 1 – 4 respectively.

Rewards and organisational support (OS) have significant influence on motivation (model 1 and model 2 respectively as presented in Table A5.12.) As shown in model 4, organisational support also has significant influence on the rewards system. In model 3, OS (independent variable), through rewards (mediator), has significant influence on motivation (dependent variable). As explained in Chapter 3, mediation is a hypothesized causal chain in which one variable affects a second variable that, in turn, affects a third. The intervening variable (which in this study is reward) is the mediator which 'mediates' the relationship between a predictor (X) and an outcome (Y).

To assess whether the mediation by rewards is full or partial, Baron and Kenny's (1986) mediation steps were then followed. The Monte Carlo test for mediation (Selig & Preacher, 2008) was also used. The Monte Carlo test was run at 95% confidence intervals (CI) and 20,000 repetitions. Both the HLM and the Monte Carlo

test results show that rewards (minimum wage) as a mediator have a positive influence on employees' motivation. This implies that any increase or decrease in rewards would affect employees' motivation.

Figure 5.5 below shows that organizational support positively relates to motivation via its relationship with rewards. Organisational support has a direct significant and positive influence on employees' motivation, which confirms the presence of partial mediation in the model (Baron & Kenny, 1986).<sup>24</sup> Therefore, in this study, any changes in OS (changes in human resource practices) would impact upon employees' motivation. The presence of reward (MW) as the mediator controls the effect of OS on motivation. The influence of organizational support on motivation, mediated by reward (MW), is further discussed in Chapter

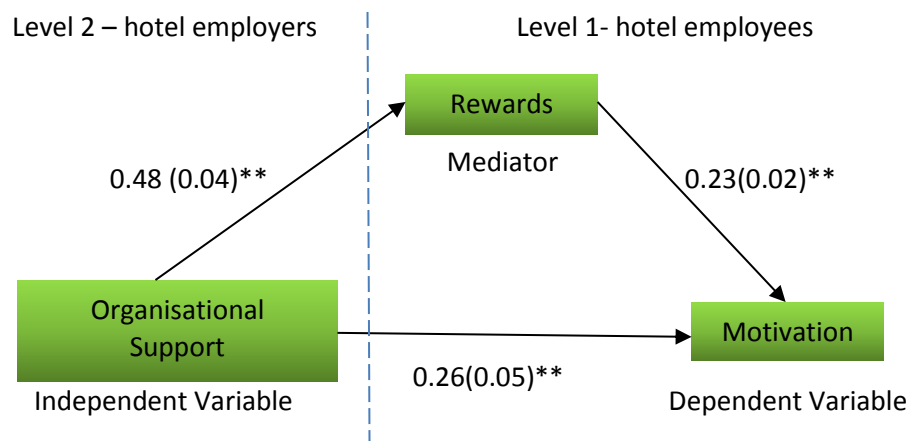


Figure 5.5: The relationship between organisational support, rewards and motivation

(ii) The impact of WLB on Motivation

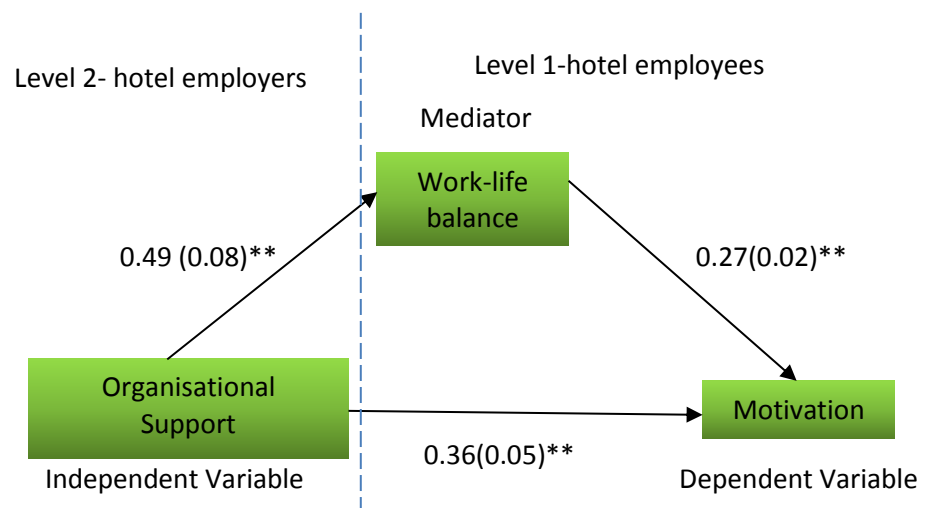
These steps were repeated, but with reward replaced by work life balance (WLB) as the mediator. Table A5.13 shows the cross-level effects (figures derived from the HLM software 6.06) of organisational support, work life balance and motivation. Each model (models 5 – 8) represents one of Hypotheses 5 – 8 respectively.

<sup>24</sup> The final model in Figure 5.5 is based on figures derived from the HLM software and demonstrated in table A5.13. (Detailed results are provided in the Appendix.)



Baron and Kenny's (1986) mediation steps were then followed to confirm whether the mediator in this study, WLB, is a full or partial mediator. The result shows that WLB is a partial mediator. Both the HLM and the Monte Carlo test results show that WLB as a mediator has a positive influence on employees' motivation. This implies that any change in WLB would affect employees' motivation

The earlier results showed that organizational support does have a positive and significant influence on motivation with reward as the mediator. The new results show that organisational support also has a positive and significant influence on employees' motivation with WLB as the mediator. They also confirm the presence of WLB as partial mediator in the model, as shown in Figure 5.6 below:



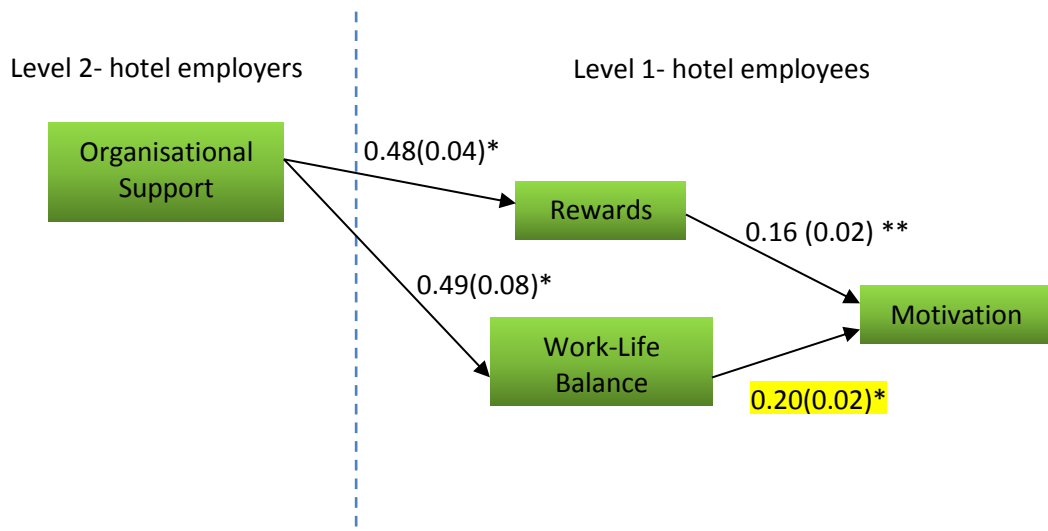
\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . The first value is the parameter estimate, and values in parentheses are the standard error.

Figure 5.6: The relationship between organisational support, work-life balance and motivation

To ensure further that accurate estimation of partial mediation is provided, both mediation variables (rewards and WLB) were run simultaneously in the HLM software. The results for both rewards and WLB showed significant effects (see Table A5.14). In order to test the significance of the mediation effect, the Monte Carlo test for mediation (Selig & Preacher, 2008) was used again on both rewards

and WLB, using the result of the simultaneous test performed in the HLM. The results (shown in the Appendix) confirm that both rewards and work life balance are significant mediation variables.

Overall, the results of this analysis have confirmed that organisational support through rewards (MW) is positive for motivation, and it is also clear that WLB has even higher positive influence on motivation. In fact, both the HLM and Monte Carlo results suggest that WLB (0.20 (0.02)\*\*) is more important than rewards (0.16 (0.02)\*\*) as a predictor of motivation. The final model of the relationship between organisational support, rewards, work-life balance and motivation is shown in Figure 5.7 below:



\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . The first value is the parameter estimate, and values in parentheses are the standard error.

Figure 5.7: The final model of the relationship between organisational support, rewards, work-life balance and motivation

The HLM test confirmed that OS, which, in this study, is driven by changes in human resource practices, has a significant direct influence on employees' motivation; however, the presence of rewards (MW) as a mediator provides a further positive influence of OS on employees' motivation. A new finding emerged after testing the same independent variable (OS) and dependent variable (motivation), using WLB as the mediator. Both the results from the HLM and Monte Carlo test

demonstrate that organisational support through work-life balance (WLB) significantly influences employees' motivation. WLB as mediator also produces a higher result in the Monte Carlo test on motivation. These findings indicate that respondents are motivated by both rewards (MW) (extrinsic motivation) and work-life balance (intrinsic motivation). These findings will be further discussed in Chapter 6.

## 5.6 Summary

This chapter has addressed the following research questions:

- What are the anticipated responses of employees in the hotel industry to the introduction of the NMW?
- Will the implementation of NMW (pay) affect employees' productivity?
- To what extent will anticipated changes in HR practices (training, performance, compensation, etc.) arising from the implementation of the NMW influence employees' motivation?

The first research question explored the anticipated responses of the hotel employees to the introduction of the NMW. Their awareness and anticipated responses were investigated. The findings clearly indicate that most of the respondents were aware of the NMW proposal in Malaysia, although many had only limited knowledge of it. Most respondents were uncertain about what the NMW rates and implementation would be, as the actual rates had not been finalised by the government.<sup>25</sup>

The second research question explores the effect of the NMW's implementation on employees' productivity. Respondents' perspectives on productivity determinants were obtained and clustered into three categories: motivation, customer satisfaction and performance standards. Respondents understood the concept of productivity from their own perspectives. They provided feedback about the factors that positively influenced their productivity, which were: service points, work environment, work culture, bonuses and promotions, co-workers, training, job scope, employers, technology and management support. From the findings in this study, it is

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<sup>25</sup> The final minimum wage rate was yet to be finalized during the data collection stage of this study.

clear that, in terms of productivity and motivation, the respondents were willing to respond favourably to changes in their employment patterns provided that the wages are increased. However, the respondents were not willing to let go of the service points. As Malaysia is looking forward to the implementation of the NMW, a well-structured wage mechanism and a new productivity model should be considered, especially for the labour-intensive hotel industry.

In relation to the third research question, the new NMW implementation will invite changes especially towards the pay and benefit program; therefore, this study explored respondents' views about their current compensation programs, and used HLM to assess the anticipated impact of the NMW on HR practices (organizational support, rewards and work-life balance) as they affect motivation. In terms of their current compensation, the majority of respondents agreed that the compensation system in the industry is competitive. They also claimed that the current compensation provided by employer met their expectation, although this was not the case in the lower paid 3 star hotels. Furthermore, respondents were much happier and satisfied with the current pay systems in their organisations, which they claimed to provide better benefits in terms of the service points they received. In relation to the third research question, the respondents revealed that they were unwilling for the service points to be abolished or absorbed to offset the cost of implementing the NMW. The results derived from HLM indicate that organisational support (training and performance management) which is driven by the changes of the HRP due to the implementation of the NMW, through rewards (the minimum wage), would influence employees' motivation positively after the NMW is implemented. The results also suggest that organisational support (training and performance) through WLB (work-life balance) also has a positive influence on employees' motivation. Therefore, the findings suggested that employees should be incentivised through both intrinsic and extrinsic motivation upon the implementation of the NMW.

In short, like the employers, the respondents demonstrated uncertainty about the implementation of the NMW. They were willing to respond positively in terms of productivity and motivation if wages were actually increased. The implementation of the NMW should be carefully constructed to consider the new NMW rate, and the

rate of the service points and benefit packages so that respondents can gain from the benefits without feeling demotivated. Not only would a carefully crafted wage and benefit system embracing the new NMW rate boost the respondents' motivation and productivity, employers support in terms of intrinsic value also plays a part in affecting employees' motivation. The following chapter further discusses the findings pertaining both to employers and employees and the contribution of this thesis to the literature on Minimum Wage studies and Malaysian Minimum Wage studies.

## CHAPTER 6 - DISCUSSION

### 6. Introduction

The purpose of this chapter is to develop an understanding about the impact of the NMW on human resources in the Malaysian hotel industry. The first part will discuss the impact of the NMW on HRP in the Malaysian hotel industry, reflecting the employers' responses; the second considers the effects on employees' behaviour.

#### 6.1 The Impact of the NMW on Human Resource Practices in the Malaysian Hotel Industry: the Employers' View

The following discussion addresses the following research questions:

- How well aware are employers of the NMW and what is their attitude towards it?
- What are the anticipated changes in HRP (employment, training, compensation and benefits, and other HRM strategies)?
- Are the employers, in implementing the NMW, likely to follow the 'high road' or the 'low road'?

A series of survey and semi-structured interviews were conducted with the hotel employers. The following subsections will discuss the findings from this research.

##### 6.1.1 Exploring the anticipated response of employers in the hotel industry to the introduction of the NMW.

Employers demonstrated limited knowledge about the minimum wage proposal, although they tended to agree on the need for a minimum wage for their industry. As supported by Wee, Y, Mohammad, R, Mustapha, N Kaur, S. (2013), employers tended to agree to the minimum wage as the intervention would help alleviate

poverty in Malaysia. However, the rate proposed by MTUC during the survey period (RM 900 + a Cost of living allowance of RM 300, summing to RM1200) was thought by the employers to be too high for a basic wage.

Saget (2008) explains the impact a high minimum wage with her ‘maxi minimum wage’ theory. The MTUC’s proposal for a NMW of RM 900 plus RM 300 (COLA) would fall into the category of a ‘maxi minimum wage’, i.e. one that is more than 60 per cent of the average wage for the economy (Saget, 2008).<sup>26</sup>

There are some disadvantages in setting a NMW at a relatively high level in a developing country: (i) it may result in displacement of workers from the formal to the informal sector, where the increased supply of labour may cause wages to fall; (ii) it will discourage workers from joining trade unions and keep collective bargaining weak; (iii) the minimum wage will be unaffordable for some employers (especially small firms), who will demand exemptions and thus weaken the coverage of the minimum wage; (iv) there will be a high level of non-compliance requiring strong enforcement of the policy; and (v) the increase in wages, if not balanced by corresponding productivity increases, will result in inflation that can impact most on low income groups (Saget, 2002, 2008; Whitaker & Mohd, 2010).<sup>27</sup>

Often, poorly developed collective bargaining is a rationale for the setting of ‘maxi minimum wages’. The Malaysian hotel industry is characterized by having low trade union activity and this is not unusual for hotel industry (Bland, 1999; Cully et al., 1999). Only 1 of the 50 employers mentioned that their employees are protected by the collective agreements while the employees’ survey confirms that most of the employees in this study do not belong to a union (Table A5.1, Appendix for Chapter 5). This issue will be further discussed in subsection 6.2.1.

According to Brown and Crossman (2000) a NMW would have a financial impact

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<sup>26</sup> Based on a minimum wage of RM900 + RM 300 / 1731.66 (monthly GDP per capita as at first quarter est 2007) = 0.63

<sup>27</sup> This part was informed by discussions between the researcher and stakeholders including the MTUC, the government and the MEF and was published in two conference proceedings (i) UWA Postgraduate Conference 2009 ([www.voced.edu.au/content/ngv48347](http://www.voced.edu.au/content/ngv48347)), (ii) RLDWL Regional and Local Development of Work & Labour, 2010 - Labour Sustainable Development( ISBN 978-3-653-01324-5) (eBook)

especially on the lower ranking hotels, and employers are likely to respond to the changes in a reactive rather than a strategic fashion. However, the findings of this study revealed that employers are aware that maintaining competitive pay scales is important in retaining their organizations' competitiveness. Most employers in this study had not developed plans to handle the NMW, but it is likely that employers will respond to the changes in a strategic way, having regard to the stakeholders of the organization.

Brown and Crossman (2000) predicted that employers would compete at the lowest cost, taking the 'low road' strategy. Taking 'low road' strategies, employers would employ more young staff, reduce training and reduce overtime premium. This study however, shows that employers are most likely to adopt the 'high road' strategy. The strategy adopted by the Malaysian hotel employers will be further discussed in 6.1.3 in accordance with the third research objective of this study.

### **6.1.2 Anticipated changes in HRP (employment, training, compensation and benefits and other HRP strategies).**

#### **a. Employment**

Employers demonstrated their unwillingness to reduce their staffing levels, preferring to remain in compliance with the requirements of the hotel association's star rating system. In Malaysia, hotels follow regulations by the hotel association and the Ministry in order to earn their ranking status. In respect of changes to the composition of the workforce, employers did not see much benefit in hiring part-time and casual workers, except to cover peaks in demand during special occasions and events. Some scholars have suggested that the employment of part-time and young staff is an obvious means of coping with a higher wages floor. Brown and Crossman (2000, p. 209) wrote:

The introduction of wage floors often involves a youth sub-minimum, providing a simple way for managers to substitute in cheaper staff and so limit the impact on their wage bill. Using part time workers and tailoring employment to fill peak demand is



also recognised as a means of reduction the pay bill, without necessarily suffering a similar reduction in effort or service quality.

The findings of this study suggest that older and experienced employees would be retained rather than substituted by younger employees. Part of the explanation for this is the need to retain experienced staff. This finding is not unusual. Research by Card and Krueger (1995) and Katz and Krueger (1992) suggests that changes in the minimum wage across states in the U.S.A. led to full-time employees substituting for part-time employees. Card and Krueger (1995) pointed out that full-time employees tend to be older, with experience, leading to higher productivity, and are less likely to quit.

The reasons for the employers' reluctance to decrease their workforces or to make substantial changes in workforce composition included concerns for quality, the staff ratio criterion of the Malaysian Association of Hotels (MAH), and the need to retain skilled (especially older) staff. This suggests that respondents are moving towards the 'high road' quality improvement strategy instead of the 'low road' cost minimization strategy outlined in Brown and Crossman (2000). If this holds true, it bodes well for the security and quality of employment in the Malaysian hotel sector following the implementation of the minimum wage.

#### b. Training and development

Earlier research on the effect of wage growth on training suggests that a minimum wage reduces training (Neumark & Wascher, 2001; Schiller, 1994). Studies by Rosen (1972), Feldstein (1973) and Welch (1978) conclude that a minimum wage has an adverse impact on training. Hashimoto (1982) suggests that an effective minimum wage affects wage growth in two ways: (i) where the minimum wage leads to a loss of jobs, employees are deprived of the access to training; and (ii) growth of earnings affected by minimum wages may reduce training opportunities, in which, since workers must 'pay' for their training, the wage rate received is lower than they would receive with no training provided. There are also studies that find no significant impact of the minimum wage on training, for example, Grossberg and

Sicilian (1999) and Acemoglu and Pischke (1999).

Most employers in this study did not anticipate reducing training as a response to the NMW, and this is consistent with the view that less training would adversely affect quality of service. Employers also considered training to be part of the benefits package in this industry. This result concurs with the findings of Goodenough and Page, 1993; Conrade, Woods and Ninemeier, 1994; Clines, 1997; and Janes, 2000; Chun-Fang Kian, Ki-Joon Back and Canter, 2005. Previous studies by Conrade, Woods and Ninemeier (1994) on hotels show that 93 percent of employees stated that training would ‘encourage them to stay at a property’. In studies by Goodenough and Page (1993) and Janes (2000) employees indicated that, when training is provided, they gain more self-esteem, greater job satisfaction and higher rewards. Moreover, in Clines’ (1997) study of 500 international hospitality executives, the respondents stated that training exposure was one of the four areas that could improve employee satisfaction. A study which focused on the perceptions and expectations of training quality of hotel employers and employees concluded that training is important for improving knowledge, skills and attitudes, while employers need to provide quality training in order to increase employees’ effort (Chun-Fang Kian, Ki-Joon Back, & Canter, 2005).

Consistent with the findings of this study, Walker and Miller (2011) suggest that training can actually provide more time for employers to lead in the sense that they do not have to spend so much time dealing with day-to-day issues. They contend that training benefits employers and employees as follows:

**Table 6.1: The benefits of training for hotel employers and employees**

Employers	Employees
<ul style="list-style-type: none"><li>• Provides more time to lead</li><li>• Less absenteeism and turnover</li><li>• Reduced tensions between employers and employees</li><li>• Easier to maintain consistency of products and services</li><li>• Lower costs</li><li>• Trained employees produce happier guests</li><li>• Craft a career path</li></ul>	<ul style="list-style-type: none"><li>• Eliminates reasons to perform poorly</li><li>• Increases employees' confidence levels</li><li>• Reduces employees' tension</li><li>• Boosts employees' morale and job satisfaction</li><li>• Reduces accidents and injuries</li><li>• Provides a chance for employees to advance</li></ul>

Source: Walker and Miller (2011)

Cheng and Brown (1998), McGunnigle and Jameson (2000) and Nankervis (1995) show that the importance of training is recognised by many other practitioners. In the hospitality industry particularly, training is considered to be a route that leads to quality customer service, job performance consistency, job satisfaction and greater commitment towards the organisation ( Roehl & Swerdlow, 1999). Training is often offered in a workplace during or after working hours and can either be formal or informal. Formal training has a defined format and takes place away from the work setting, where it is usually conducted in the form of classroom, video, lectures, seminars and computer-based training. Informal training, on the other hand, is the on-the-job training that is usually conducted in the form of individual instruction, observation or personal training by the managers, supervisors or co-workers (Carnevale & Carnevale, 1994; Lynch & Black, 1996; U.S. Department of Labour, 1996).

Our findings show that there are various ways of conducting training, depending on the creativity of employers in gaining the employees' organization commitment. When employees have become personally engaged in the organization, they will have direction and will perform better. There are studies that point to the emerging and increasing provision of employee training and development in hospitality organisations. The requirements of service quality, customer satisfaction and customer loyalty can make training a major concern in the pursuit of competitive

advantage (Buck & Muthu, 1997; Harrington & Akehurst, 1996; ILO, 2001; Watson & D'Annunzio-Green, 1996). Training can also be viewed as a part of the service-profit chain (Heskett et al., 1994). Studies also show that induction and training for managerial and non-managerial employees in lower ranking organisations in the tourism and hospitality industry suffers from lack of support (Anastassova & Purcell, 1995; Baum, 1995; Boella, 2000; ILO, 2001; O'Neill & Black, 1996; Pizam, 1999; Prais, Jarvis & Wagner, 1989). In this study, however, the lower ranking hotels, as much as they recognised the important of training, often struggle to provide it. Employers claimed that their turnover is high and employees often resigned after a few months working. It is during first few months of the employment that employees are trained. They will have to repeat the training process in their new employment. Janes (2000) listed the top five reasons for the failure of employers to provide training for employees as: (i) a lack of time; (ii) high employee turnover; (iii) high business demands; (iv) costs; and (v) lack of training resources. This finding is related to the factors that govern turnover in the hotel industry, which will be further discussed in 6.1.2 d.

The findings of this study suggest that the NMW will have a low impact on training in the Malaysian hotel industry, suggesting that employers intend a 'high road' quality improvement strategy as outlined by Brown and Crossman (2000).

#### c. Compensation and benefits

There can be no doubt that for most employers in the hotel sector the implementation of the NMW will have a financial impact due to the compensation and benefits package, and in some cases it will be substantial, especially for the lower ranking hotels. Although in their U.K. study, Brown and Crossman (2002) argue that many employers would use the cost minimisation strategies to cope with a minimum wage implementation, the findings of this study suggest a different outlook for Malaysia.

In relation to compensation and benefits, most respondents had identified no way to offset the NMW, and were reliant upon the direction of the Hotels Association with respect to decisions regarding whether service points would be folded into the new minimum wage or remain as free-standing incentives. In some countries it is normal

for customers to tip staff in the hotels and restaurants and this can represent an important source of extra income for low paid staff (Boella, 2000). In Malaysia, tipping is not customary: a service charge is raised against each customer's account and this is disbursed amongst staff by means of service points. The findings of this study show that respondents are worried about the abolition of the points system because of its motivational role. The motivational role of service points will be further discussed in section 6.2.2.

The basic wages offered to the rank and file employees in Malaysia are fairly low. This is not unusual in the hotel industry worldwide (Boella, 2000; Hjalager & Andersen, 2001; Woods, 1999). This study found, however, that the respondents provide their employees with substantial benefits (based on the findings in section 4.3.3, page 84 – page 95). This accord with the study by Walker and Miller (2011), which describes various other benefits offered in the hotel industry, including uniforms, employee meals, transportation and accommodation, moving expenses, purchase discounts and college tuition fees. Table 6.2 below demonstrates the comparisons of the benefits offered in the hotel industry according to Walker and Miller (2011) and the findings of this study:

**Table 6.2: Benefits offered in the hotel industry**

<b>Benefits offered in the hotel industry based on Walker and Miller (2011)</b>	<b>Benefits offered in the hotel industry based on this study</b>
	<b><u>Non-Monetary Benefits – Basic Benefits</u></b>
Uniforms	Uniforms & Laundry
Employee Meals	Meals
Transportation	Transportation
Accommodation	Accommodation
	<b><u>Non- Monetary Benefits – other benefits</u></b>
Purchase Discounts College Tuition Fees	Sports club, discount on hotel products and room price, company trip and awards
	<b><u>Non-monetary benefits – Leave</u></b>
	Public leave, Annual Leave, Medical leave, Maternity leave, Matrimony leave, Bereavement leave. Exam leave and Unpaid leave.
	<b><u>Monetary benefits</u></b>
	Contract bonus, Performance bonus, Increment, Loans, Donations, COLA (Cost of Living Allowance) and Insurance.

Arguably, many organisations do not have clear strategies underlying their remuneration programs. As a result, remuneration issues are administered in an ad hoc way, instead of looking at the issue comprehensively (O’Neil & Berry, 2002). Nevertheless, the achievement of a pay and benefits program depends on each organisation’s financial forecasts and responses (DeCenzo & Robbins, 2007; Garvey, 2005). The findings of this study confirm that a benefit program depends on the hotel’s ranking and financial standing. The service points, however, are not standardized and differ between hotels, which makes the compensation package in the hotel industry more complicated.

At the time when the fieldwork was conducted, there was uncertainty about whether a NMW would be introduced, and if so at what rate it might be set. Not surprisingly, this uncertainty, together with limited knowledge, meant that most employers had not considered a strategic response to the issue, although the findings suggested that employers were most likely to follow the ‘high road’.

#### d. Other strategies in HRP

Armstrong (1995) stated that the purpose of recruitment and selection is to employ the right people, in the right numbers, in the right place, at the right time, and to do so cost effectively. A critical question concerns the definition of 'right people'. In this sense, some employers go to considerable lengths to plan strategically their recruitment and selection policies and procedures. Amongst other things, this involves specifying detailed job and person descriptions, and carefully selecting candidates against measurable criteria using a range of sophisticated, valid and reliable techniques e.g. assessment centres (Gatewood & Feild, 2001). Most respondents in this study are comfortable conducting their own external recruitment and selection processes and are not planning to change the process, although there are a few who use staffing agencies. The flow of the recruitment process is similar among organisations: utilising newspaper and internet advertisements, walk-in interviews and also word of mouth. Mostly, employers could not afford to adopt costly recruitment processes and tend to go with the simple and less costly methods. This is consistent with Walker and Miller's (2011) finding that many employers cannot afford the luxury of lengthy and costly recruitment and selection processes and thus adopt less stringent approaches. Price (1994), Lucas (1995, 1996), Kelliher and Johnson (1997), Hoque (1999b) and Kusluvan (2003) likewise explain that recruitment and selection are often not conducted rigorously in the hotel industry.

The selection processes used by most hotels are said to be 'intuitive'. Partly, this is attributed to high labour turnover, which makes it difficult for employers to justify spending time and money on sophisticated recruitment and selection methods. It may also reflect the ease with which employers can recruit from the lower skilled labour pool, although in the case of scarce talent e.g. a Japanese chef, a special agency was used. The findings of this study suggest, however, that though employers prefer to conduct the selection process on their own, their methods are not 'intuitive'. According to the employers, having working experience in other hotels is the most critical factor in selection criteria for the Malaysian hotel industry. This is followed by communication skills, working skills, English proficiency, multi-tasking, personality, a clean record, job interest, attitude and lastly, formal education (as

demonstrated in Figure 4.4).

This study also throws light on turnover in the Malaysian hotel industry. The 5 star hotels report the lowest turnover rates and the 4 star hotels the highest. The factors that the employers see as influencing turnover in the Malaysian hotel industry include competition of other employers, location of hotels, the nature of jobs, pay and benefits, and employees' attitude.

A previous study of turnover culture in the hospitality industry by Iverson and Deery (1997) identified five variables that govern turnover. These are: (i) Job features and setting in the organization have an indirect impact on the intention to leave (Arnold & Feldman, 1982; Hom & Griffeth, 1995; Iverson & Kuruvilla, 1995); (ii) Job satisfaction (Agho et al., 1993); (iii) Job opportunities: these are factors which lie beyond the scope of work, for example external job opportunities. Iverson and Roy (1994) contend that external job opportunities have a negative effect on job satisfaction and increase the employees' propensity to leave; (iv) Union variables: these look at how union memberships become a predictor of job satisfaction and turnover, with union loyalty among employees reducing the likelihood of their leaving (Freeman & Medoff, 1984; Iverson & Deery, 1997). And (v) Employees' attitude: the way employees respond to their job scope and work environment affects the likelihood of their leaving (Iverson & Deery, 1997).

In comparison, in this study only two of the factors listed as influencing turnover match those of Iverson and Deery (1997): the nature of jobs and employees' attitude (Figure 6.1). Inter-country differences in the factors governing turnover could be a subject of further research.



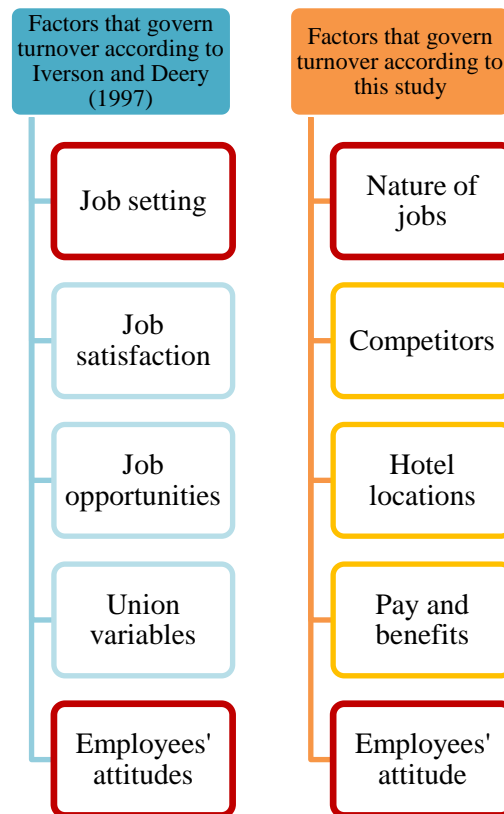


Figure 6.1: The comparison between factors that govern turnover culture in the hotel industry

The labour-intensive hotel industry offers limited opportunities for investment in labour saving technology. For example, while it is technically possible to devise a robot that will make and turn down beds, the cost of doing so would be prohibitive compared to the cost of employing chambermaids. Where hotel employers have sought to reduce their reliance on labour, they have generally adopted the self-servicing approach e.g. customers make their own beds and use in-room catering facilities. Such establishments would usually be described as budget hotels or hostels, which form limited segments of the hospitality market. Our findings indicate that, while the employers have the intention of using technology, they are not sure about which technology to use and also the cost implications. They are concerned about losing their identity as providers of service for customers. The ‘human touch’ is a quality that a hotel would not want to lose. A hotel guest wants to be served and pampered.

However, there are technologies that can be used in the hotel industry without neglecting the ‘human touch’. An internet check-in similar to online flight check-in

could be used to minimize the time spent at the front desk when arriving at the hotel. Online checking-out, where guests are also allowed to do online payment, would also minimize the time spent at the front desk. Upon arrival, a simple swipe or scanning of the QRR code using the smart phone will call a bell-boy to take the guest to their booked room. Chambermaids could be ready to clear the room immediately after the previous guest has left after using the same scanning method. In terms of online payment, the hotel website should be furnished with extensions and links to the payment centre. The hotel industry has made significant investments in information technologies since the 1980s (Boella, 2000; Whitaker, 1992). But the employer respondents seemed to be reluctant, because of cost and concern for customer service, to see further adoption of technology as a helpful response to the NMW.

### **6.1.3 Exploring the readiness of employers to implement the NMW policy using the ‘high road’ or ‘low road’ strategy.**

Table 6.3, derived from Brown and Crossman (2000), shows employers’ responses to the NMW in the U.K., while Table 6.4 sums up the overall results of the anticipated strategy of the Malaysian hotel industry in the current study. The three strategic categories are: (i) cost minimisation, (ii) quality enhancement and (iii) a more reactive approach (raising prices or cutting profits). The reason for the comparison is to demonstrate the different approaches of employers in the two countries when confronted with a NMW.

It has been explained previously that the questionnaire was modified to suit Malaysia’s cultural differences. The scale was also altered into a scale of four, comprising: strongly agree, agree, disagree and strongly disagree (Malaysian respondents to questionnaires have a tendency to tick ‘maybe’ or ‘neutral’ without giving their real point of view on a subject). To provide a clearer comparison, this scale of four was reduced to a two-part scale of ‘Yes’ and ‘No,’ where ‘Yes’ covers both strongly agree and agree and ‘No’ covers disagree and strongly disagree.

**Table 6.3: Employers' responses to a NMW in the U.K. hospitality industry**

Strategy	Yes (%)	Maybe (%)	No (%)
<u>Cost minimization</u>			
Employ more young staff	20.5	33.3	46.2
Use more part timers	54.6	31.5	13.9
Cut training	18.5	21.9	59.6
Cut annual holiday	21.8	23.1	55.1
Cut/stop holiday pay*	25.5	27	47.5
Cut overtime premia	40.7	24.8	34.5
Introduce unpaid breaks+	40.1	26.8	33.1
Charge for staff meals	36.5	23.1	40.4
Raise charge for staff meals#	10.6	15.6	73.8
Raise charge accommodation#	25	22.1	52.9
<u>Quality Maximization</u>			
Employ more old staff	13.7	36	50.3
Employ better quality staff	45.8	30.3	23.9
Increase training	14.8	23.2	61.9
Use agency staff	4	20.5	75.5
<u>Ad-Hoc changes</u>			
Increase prices	41.1	42.3	16.6
Cut profits	14.7	28.9	56.4
Close	4.1	33.3	62.6

Some of the policy options were conflated to ease the principal component analysis.

\*these options were combined to form a 'pay squeeze' policy.

+these were combined to form a 'cut benefits' policy.

#these were combined to form a 'squeeze fringe benefits' policy.

Source: Brown and Crossman (2000)

**Table 6.4: Employers' responses to a NMW in Malaysia based on the findings of the current study**

Strategy	Yes (%)	No (%)
<u>Cost minimization</u>		
Reduce staff	10	90
Employ more young staff	28	72
Use more part time workers	16	84
Reduce training	4	96
Cut annual holiday	-	100
Cut overtime premium	28	72
Introduce unpaid leave	12	88
Charge meals	-	100
Charge accommodation	10	90
Charge transport	14	86
Increase casual workers	18	82
<u>Quality Maximization</u>		
Replace older workers	24	76
Replace permanent workers	10	90
Use staffing agency	50	50
Increase graduates	60	40
<u>Ad-Hoc changes</u>		
Increase room rates	90	10
Use more technology	62	38

Source: Brown and Crossman (2000)

\* The questionnaire was modified to suit Malaysia's cultural differences.

Although in both cases some employers would be willing to employ more young staff, experience is considered to be such an important factor in maintaining hotel standards and reputations that most employers reject this option. Employers in the U.K. tend to agree with the option of hiring more part-timers, while in Malaysia more than 80% of employers disagreed. This may reflect differences in employment cultures between the countries. In the U.K., employers see part-time employment as a cost-saving strategy. In Malaysia, the term 'part-timers' is equated with casual employees, who are used only when necessary, for example during a special occasion or event.

In both countries, the employers tend to reject the option of reducing training to cut costs. To provide a high quality service, employees need to undergo training to maintain their skills and performance levels, and it is essential for service-based

businesses, such as those in hospitality, to maintain service quality to attract customers. The cost minimisation strategy reported by Brown and Crossman (2000) includes the alteration of benefits. In Malaysia, employers did not contemplate altering the benefits provided, for example by cutting annual leave, cutting overtime premiums, introducing unpaid leave, or charging for meals, accommodation and transport. Employers in the U.K. considered cutting overtime premiums and introducing unpaid breaks, but only a few favoured raising charges for meals and transport.

One of the aspects of the cost maximisation strategy suggested by Brown and Crossman (2000) is to use a staffing agency. In the U.K., 70% of employers decided against this. From the findings, some hotels are currently using a staffing agency for both their local and international employees. Most of the 5 star hotels employ international chefs through international staffing agencies, while some others employ local employees through local staffing agencies. However, most employers are comfortable recruiting their own staff.

The second strategy suggested by Brown and Crossman (2000) is quality maximisation, which includes employing older staff, employing better quality staff, increased training and the use of agency staff. While U.K. employers are not prepared to employ older employees to maintain their quality standards, Malaysian employers are unwilling to replace their older employees. Malaysian employers value older and experienced workers more than their younger counterparts. As for employing better quality staff, such as graduates, employers in the two countries agree. As noted earlier in the findings, many employers in the Malaysian sample reported difficulties with new graduates' negative attitudes to work at entry level. However, they looked forward to employing graduates nonetheless.

The third strategy suggested by Brown and Crossman (2000) comprises ad hoc changes. In the Brown and Crossman study, the suggested ad hoc changes were to increase prices, to cut profits and to close down the premises. For this study the options were changed to: increasing casual workers, increasing room rates and using more technology. Both the U.K. and the Malaysian respondents favoured the

recourse to higher prices. Whereas the U.K. employers saw the reduction of profits and closing the premises as possible outcomes of the NMW, these options were not put to the Malaysian employers. The Malaysian respondents saw the resort to using more technology as generally too costly, though it was deemed appropriate for managerial purposes, not involving rank and file employees. However, employers in this study did not see technological usage as a major stepping-stone for advancement in their business. Lower ranking hotels might perhaps switch their business model with proper funding so as to create a whole new level of hotel service which concentrates on self-service: hotels guests would be required to use self-check-in machines, to make their own beds and to handle the housekeeping without depending on the chambermaids.

The findings of this study lead us to predict that hotel employers in Malaysia would adopt a 'high road', or 'quality enhancement' strategy, whereas most hotels in Brown and Crossman's survey anticipated a cost minimisation or 'low road' strategy. 'Low road' strategies include employing more young staff, reducing training and reducing overtime premiums. As was demonstrated in the findings of this study, 'high road' strategies had already existed among hotels in Malaysia, where the employment pattern, training and development and compensation programs had 'high road' attributes.

Studies by Bullock et al. 2001, Heyes and Gray, 2003, and Ram et al. 2001, on the other hand, show that the pressure felt by firms to provide higher wages has had a positive impact in terms of improving services and product quality. In this case, the NMW in Malaysia could improve the hotel standards and service quality by investing in human resources. For instance, Heskett et al. (1994) developed the notion of the Service Profit Chain, which demonstrates a relationship between customer loyalty, employee satisfaction, employee loyalty, productivity and organisations' profitability. Profit and growth are stimulated by customer loyalty, while loyalty is created from customer satisfaction. Customer satisfaction is heavily influenced by the value of services provided, where value is enhanced by loyal, productive and satisfied employees. Employee satisfaction is created from the quality of training procedures provided by the organisation to assist employees in

performing their job. In summary, a virtuous circle begins with investment in training. The findings of this study indicate that employers are likely to use the 'high road' strategy, and it could also be expected that the advent of a NMW in Malaysia, especially in the hotel industry, would create competition in product quality, switching to niche markets and investment in training and productivity.

## **6.2 The Impact of the NMW on Human Resource Practices in the Malaysian Hotel Industry: Employees' View**

Turning to employees, our study addressed the following research questions:

- What are the anticipated responses of employees in the hotel industry to the introduction of the NMW?
- Will the NMW affect employees' productivity?
- To what extent will anticipated changes in HR practices (training, performance, compensation, etc.), arising from the implementation of the NMW, influence employees' motivation?

### **6.2.1 Exploring the anticipated response of employees in the hotel industry to the introduction of the NMW.**

The first question takes into account employees' awareness of the NMW, the amount proposed and the level of support for the NMW. Our study finds that respondents had only limited knowledge of the NMW proposal. Most rank and file workers joined the industry after completing their SPM (Sijil Pelajaran Malaysia or Higher Certificate of Education) at school and had been working with the organization for more than three years. As rank and file workers, their take home pay consisted of basic pay and service points. They also enjoyed non-monetary benefits provided by the organization. The respondents' limited awareness of the NMW suggests a level of complacency about their existing pay, especially in comparison with the then-proposed NMW of RM 575. Mars and Mitchell (1976) and Mars and Nicod (1984) agree that having ample monetary and non-monetary benefits can have a substantial

effect on employees.

Another reason for employees having limited knowledge about the minimum wage could be the character of the hotel industry itself. The industry is characterized by low trade union activity (Bland, 1999 & Cully et. al., 1999). Most of the respondents did not belong to the trade union (Table A5.1, Appendix for Chapter 5). In Malaysia, even if the hotels were to be governed under their union, which is the National Union of Hotel, Bar and Restaurant workers (NUHBRW), the union claimed that there is a tension between the union and MTUC. NUHBRW states that the service charges should not be included in the NMW and the basic wages of employees should be raised to RM 900 by the employers. However, MTUC as the umbrella trade union movement in Malaysia accepted otherwise following the Wages Consultative Councils' guidelines which include the service charge in the minimum wage computation<sup>28</sup>. In the absence of joint regulation, the employment climate is largely controlled by the employers. While the NMW proposal will cause employers to face increased labour cost, they disseminate little information to the employees. The determination of pay and rewards in this sector has been a managerial prerogative.

While the minimum wage rate was still under consideration at the time of the survey (the minimum wage rate was finally set at RM 900 in 2012), the respondents supported the idea of having a NMW in spite of their limited knowledge about it. Work positions, age, background and education level played important roles in influencing their general knowledge of and response towards the idea of implementing a NMW for the country.

### **6.2.2 The potential effect of NMW on employees' productivity.**

As the literature discussed in Chapter 2 shows, productivity in the hotel industry is difficult to define and measure (Ball et al., 1986; Fitzsimmons & Fitzsimmons; 1998; Johnson & Ball, 1989; Jones & Lockwood, 1989; Riley, 2000; Witt & Witt, 1989). The products and services in this industry are perishable. They are also uncertain

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<sup>28</sup> <http://pejuangpekerjapahang.blogspot.com/2013/05/service-charge-and-employees-of-hotel.html>



when it is not known how many customers will arrive and how much they will consume. The uncertainty is a challenge to the organization in choosing the best way to use resources and complicates the concept of productivity and its measurement.

The findings demonstrate that employees have some understanding of the concept of productivity and sympathy for the idea that their wages should reflect their productivity. There was some willingness to see wage increases linked to productivity improvements and to work harder if wages are increased. This finding accords with the contentions of Saget (2000) and Howard and Paska (2000) that employees who are paid a decent wage are more motivated to work hard. Productivity can be improved through higher wages and improved labour practices, especially in developing countries such as Malaysia (Howard & Paska, 2000).

Mars and Mitchell (1976), Mars and Nicod (1984) and Adam-Smith, Norris and Williams (2003) assert that hotel employees have the greatest access not only to non-monetary rewards but also to 'informal rewards' including tips. As explained in previous chapters, tipping is not being practiced in Malaysia. Instead, the service point system was created to accompany the low basic wage, which, according to Wood, (1992) is common in the hotel industry worldwide. However, the wage structure is rather complicated with its composition of basic pay plus fluctuating service points and other non-monetary benefits.

Employees expected service points to be awarded on top of the minimum wage proposed. For employers, however, absorbing service points in the basic wage would seem to be a way of minimising the cost impact of the NMW (based on the employers' findings and discussion in Chapter 4). If employers are not able to do this, the employment implications may be difficult, especially in the lower star hotels where basic wages are typically very low. However, employers are leaving the decision to the hotel association. If employment reductions are to be avoided, improvement in productivity will be needed to cope with the increased wage cost as suggested by Saget (2000) and Howard and Paska (2000). Malaysia is looking forward to implementing the NMW as one means of breaking the 'low wage, low productivity' linkage. Therefore, employers must also tackle employees in terms of

productivity.

Employees, being not highly educated on productivity and labour management, have their own perceptions on measuring productivity. They tend to take into consideration the gestures of hotel guests as a measure of their productivity, for example, a simple nod or smile acknowledging the task they are currently doing. Table 5.2 shows productivity measurement according to theme. The themes are motivation, customer satisfaction, and performance standards. This study also finds that the factor that positively influences employee motivation and productivity the most is service points (rewards).

While the three themes can be linked, and provided that rewards (service points) are related to the improvements in customer satisfaction and performance standards, a virtuous circle of productivity improvement could result, as depicted in Figure 6.2.



Figure 6.2 : A virtuous circle of performance improvement

This finding is consistent with other studies of the hotel sector (Charles & Marshall, 1992; Darder, 1994; Kovach, 1987; Simon & Enz, 1995), which argue that pay and bonuses are amongst the most important factors motivating higher performance among employees. The findings of this study clearly indicated that hotel employees in Malaysia are incentivised by the service points.

Job design plays an important role in relation to productivity as it shapes the job, its scope and the skills needed. Based on the findings listed Table 5.2 of Chapter 5, criteria listed in performance standards include ‘follow job role and description’, ‘meet requirement’, ‘standard of work delivered’ and ‘smooth operation’. These criteria demonstrated that employees are more motivated to perform once the job skills and job scope are properly understood. When the job is properly designed, necessary skills among employees can be developed through training. Customer satisfaction then can be achieved as the employees have performed their job well in terms of serving and entertaining the hotel guests. In relation to these criteria, employees’ motivation contributes towards their productivity. A motivated employee usually performs well. In a broader context, productivity of employees leads to customer loyalty. This will tend to increase profits, as good service provided by employees will retain and attract more hotel guests. Figure 6.3 below describes the relation between job design and organisational performance via the effects on training, motivation and productivity. However, there are ways of motivating employees other than pay, which will be discussed in the next section.

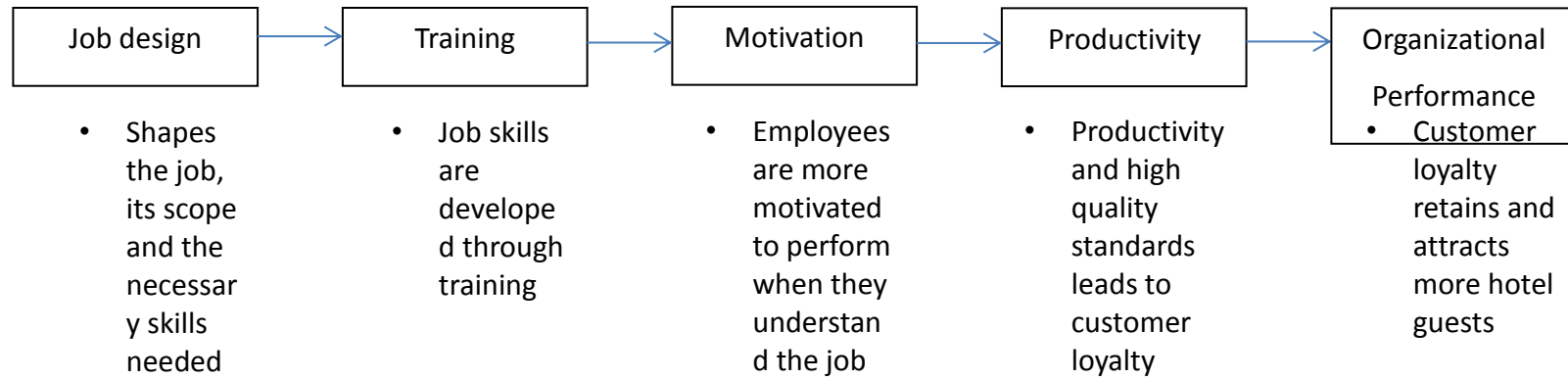


Figure 6.3: Job design as a factor that leads to employees' productivity

Source: Developed for this thesis

In terms of productivity in the hotel industry, McMahon (1994) found that hotels in the U.K. and Ireland make only limited use of operations management techniques (work study techniques) compared to the approach used by the German hotel industry. The German hotel industry has teamed up with their education system to emphasize training for the hotel staff. As a result of this approach, hotels in Germany achieved similar standards to the U.K. hotels with significantly less labour used. This shows that productivity improvements can be tackled differently in different countries and regions. McMahon (1994) further suggested a productivity improvement model (Figure 6.4) that consists of ten steps, which could be combined to fit any hotel at any rank.

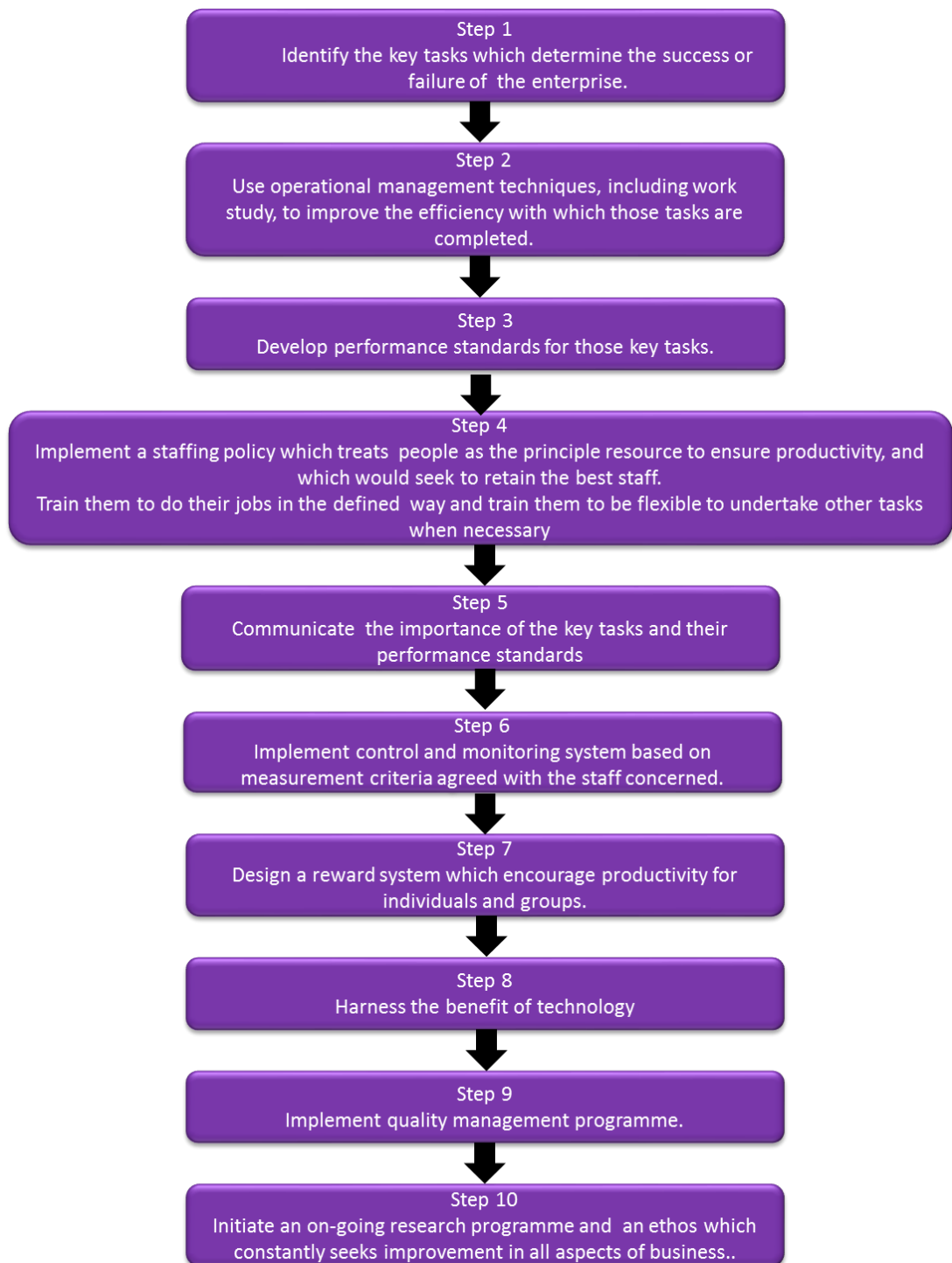


Figure 6.4: Productivity Improvement Model

Source: McMahon (1994)

Figure 6.5 below modifies McMahon's model to fit the Malaysian hotel industry and the Malaysian work culture.

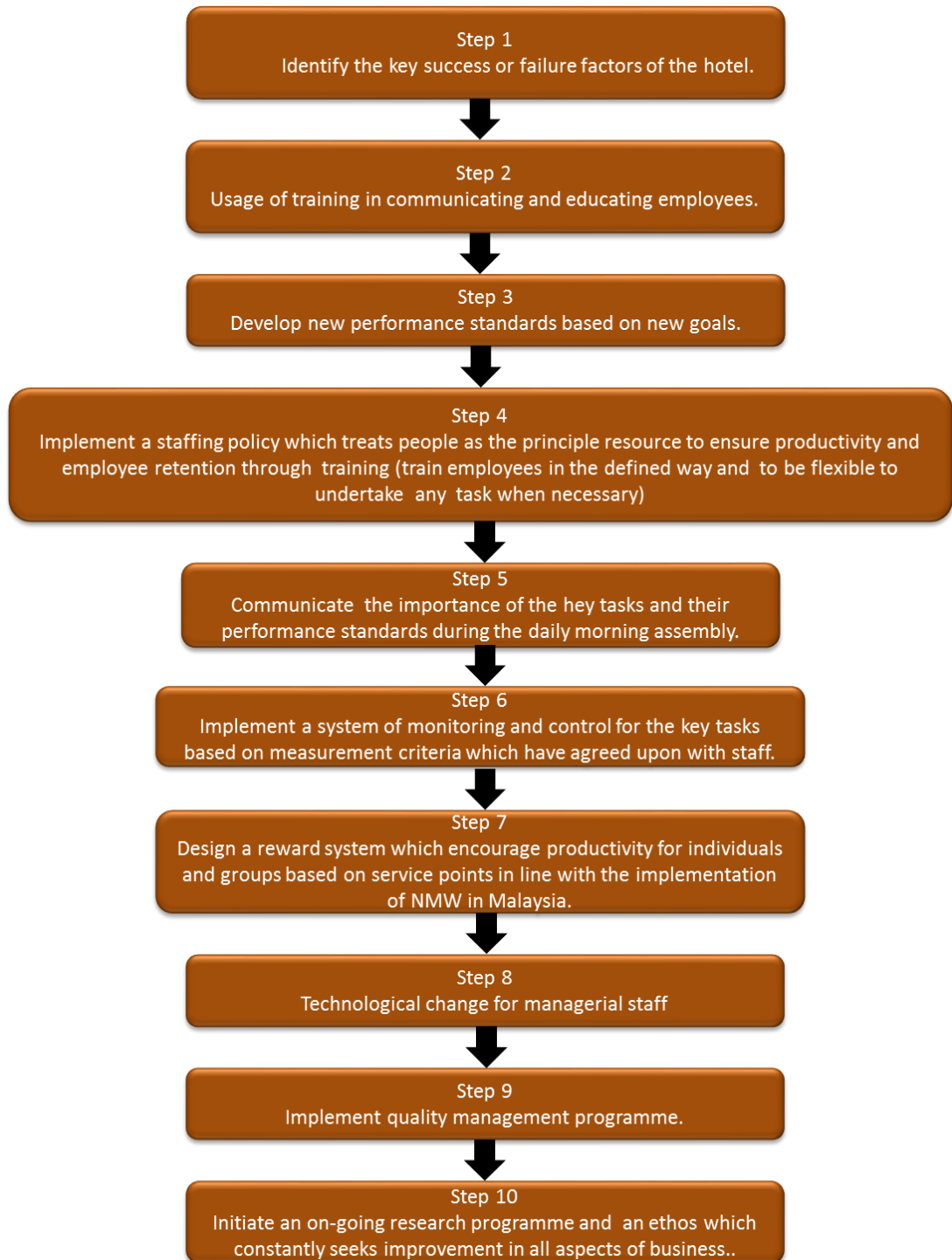


Figure 6.5: Productivity Improvement Model for the Malaysian hotel industry based on McMahon's Model.

The first step is to identify the key success and failure factors in order to develop new goals. Based on the productivity measurement criteria provided by the employees and described in Table 5.2 in Chapter 5, the findings further suggest that the following issues which are common in the hotel industry need to be considered in

order to improve employees productivity: (i) dealing with difficult customers; (ii) dealing with foreign tourists; (iii) improving hospitality traits and gestures; (iv) improving English language efficiency; and (v) learning about different cultures in different countries around the world. Although most of these issues are usually considered during training, more concentration should be given to developing employees' skills that will lead to higher productivity.

The second step is to consider different ways to communicate with and educate employees. Through training, all the issues mentioned above can be communicated. As most of the hotels in this study conduct their own training programs, it will be easier for these organisations to communicate and educate their employees.

The third step is to develop a new performance standards system in line with the new goals developed. This leads to the fourth step where a better staffing policy can be developed in which qualifications and experience can be better matched. As indicated in the findings of this study, employers are keen to employ candidates with experience and graduates are less likely to apply for non-managerial posts in the hotel industry, even if they have Hotel and Tourism majors.

Step five looks at the communication between employers and employees about goal setting. As employee feedback is essential in improving organisational goals, it is important for employers to have discussions with their employees. One suggestion is that discussion can occur during the daily morning assembly. In Malaysia, it is normal for hotel managers to have a morning briefing with all their heads of department and supervisors. This can cause task performance to be improved and daily productivity to be increased.

Step six is to monitor and control the workforce, relying on the new measurement of performance standards. Along with step six, step seven looks at alterations to the rewards system to encourage productivity. In Malaysia, hotels are encouraged to use the PLWS, which includes the usage of the service points and other non-monetary benefits. This is in line with the implementation of the new NMW for Malaysia, particularly for the hotel industry, where productivity can be improved through higher wages and improved labour practices. This is especially true in developing



countries like Malaysia as suggested by Howard and Paska (2000).

McMahon (1994) suggests that step eight is to make better use of technology and to have a better match between employees and technology. In Malaysia, employers believe that the hotel industry still needs to retain the 'human touch' in the services provided by the rank and file staff. Advanced technological changes such as online hotel bookings and payment will be left to the managerial staff.

Most hotels in Malaysia have their own training programs, including those in chain hotels where training is conducted by the parent company. These hotels also have their own quality management programs that can be improved along with these recommendations. Step nine suggests that quality management programs should be implemented in order to control the quality of services and work done. McMahon (1994) suggests in step ten that an ongoing research program be instituted to ensure that the quality of service and productivity are be continuously improved.

### **6.2.3 The relationship between HR practices and employee motivation.**

In this subsection, we first discuss the respondents' views about their current compensation programs. As expected, most respondents' from 3 star hotels said that their rewards in their current jobs were below expectation. Most of the 5 star hotel respondents said that their current rewards met expectations. Clearly, the impact of the NMW is likely to be greater in the lower ranking hotels and this places added pressure on the sustainability of service points, particularly where a fixed floor of service points exists to overcome seasonal variations in occupancy.

Scholars suggest that tipping as a reward device should be substituted by a better system of measures, incentives and benefits. They report that customers' perceptions of service are almost unrelated to the size of tip given and argue that tipping does not seem to serve employers' interests (Lynn, 2001; Lynn & Graves, 1996). However, in the Malaysian hotel industry, as mentioned earlier, 'tipping' is not practiced. Instead, on a monthly basis, the accumulated service charges are divided between workers in a point system called 'Service Points'. Service points are usually determined on the

basis of years of service, experience and employee performance.

Employees' base wages would generally be raised by the NMW of 900. Chapter 2 (2.1.2) provides an example of a receptionist whose basic wage would rise by RM 400 on the implementation of the NMW. The critical question is how hotel employers, particularly the lower ranking hotels, will cope with such a significant increase in their labour cost. One obvious measure would be to eliminate the service points or to absorb the value of service points into the NMW rate. However, the consequences of this could be damaging to the employment relationship, giving rise to disputes, lower motivation and commitment, reduced performance, and higher labour turnover. Clearly, this is an outcome that management would wish to avoid. But if the increased basic wage is not offset by reduced service points, the NMW will create a financial burden on employers. If service points remain unchanged, then employers may seek to cover the gap by increasing productivity. One key component in improving labour productivity may be to improve employee motivation. The next paragraph provides some technical modelling of the factors that are likely to contribute to greater motivation, and how these factors are related to each other.

It is obvious from the findings that any changes in rewards (by reducing service points) would impact employees' motivation directly. The results from the HLM test also showed that OS (training, performance management) has a significant influence on employees' motivation; the presence of rewards as a mediator increases the influence of OS on employees' motivation. The Monte Carlo test further confirms the role of rewards as mediator. A new finding emerged after testing the same independent variable (OS) and dependent variable (motivation). This time, work life balance (WLB) replaced rewards as mediator. The results demonstrated that organisational support through WLB also significantly influenced employees' motivation. Both the results from the HLM and Monte Carlo's test demonstrate that WLB as mediator also produces a higher result compared to rewards as mediator.

These findings indicate that respondents are motivated by both rewards and work-life balance, which means that employees are motivated by both extrinsic and intrinsic

factors. Extrinsic motivation means that an employee performs the job in order to achieve a certain outcome, while intrinsic motivation means that the employee does something because he/she is interested and enjoys doing his/her job. In relation to the different types of motivation, the first findings using the HLM test suggest that the level of rewards affects the impact of organisational support on motivation. This suggests that extrinsic motivation influences the respondents' motivation, as reward is the most common extrinsic motivator. This confirms the findings of Charles and Marshal (1992), Darder (1994) and Simons and Enz (1995) as discussed earlier. Research into the Caribbean hospitality industry by Charles and Marshal (1992) showed that good wages and good working condition were ranked by employees as the most important and second-most important job attributes. Other studies by Darder (1994) and Simons and Enz (1995) found that good wages and job security were ranked first and second. Clearly, wages are an important factor in motivation, both directly and indirectly as mediator between organisational support and motivation. It is also clear that in service industries, monetary rewards such as minimum wage and service points were more effective (Stajkovic & Luthans, 1997).

The second set of findings using the HLM test show that WLB has an even more significant effect on motivation than does compared reward. WLB is where employees benefit the working conditions and employers' support to balance their working life and leisure time (Bardoel et al., 1998; Russell and Bowman, 2000). When an organisation provides work life balance through adequate time off and a balanced workload, the employee is motivated to perform his/her job better and to have more interest in it. The importance of intrinsic motivation is evident in the studies of Kovach (1986) and Tan (2000). These authors found that factors such as interesting work, appreciation and employer acceptance of employees were ranked higher than wages in terms of motivation. As Tan (2000, p. 4) says,

Valuing people and their contribution will go a long way towards motivating people and achieve more for themselves as well as for their organizations. Leaders who care for people and show genuine concern for people will win their respect and commitment.

Previous studies also concluded that intrinsic motivation is significant for employees' creativity. (Amabile, 1983; Oldham & Cummings, 1996; Torrance, 1987). Greer and Levine (1991) states that intrinsic motivation is powerful that thinking about its reason will boost a person's creativity. Kochan et al. (1984) also argues that although employers often perceive that higher rewards will motivate employees, they may not be the principal motivator. The importance of WLB, as shown in the present study, supports this understanding.

It has been argued that WLB improves employee retention where organizations must be aware of the changing needs of employees (Bruck et al., 2002; Lambert, 2000; Macran et al., 1996). This is supported by De Cieri et al, (2005), Cappelli, (2000), Lewis and Cooper (1995), Nord et al., (2002) where WLB is a key element for employee retention strategies. As stated by Cappelli (2000), organizations will improve in terms of the ability to recruit and retain employees once the organizations recognizes WLB such as increase employee commitment, satisfaction, morale and reduces work problem and work related stress therefore, in aiming to increase competitive advantages, organizations must not only concentrate on HR approaches but also WLB strategies that can accommodate the various need of employees (Dass and Parker, 1999; De Cieri and Olekalns, 2001; De Cieri et al, 2005; Joplin and Daus, 1997).

All in all, in response to the third research question, *To what extent will anticipated changes in HR practices arising after the implementation of the NMW (training, performance, etc.) influence employees' motivation?*, we can say the following. Implementation of the NMW would increase the basic wage in the hotel industry. The higher basic wage would increase both employers' and respondents' monthly contribution for the EPF. However, in order to cope with the new NMW rate, some employers may seek to offset it by reducing amounts paid in respect of service points. Employee respondents are clearly not ready for the service points to be abolished or to be absorbed into their basic pay. Reduction or abolition of service point payments, even if the total wage is maintained or increased, could well have a seriously negative effect on motivation. Our findings also indicate the importance of

maintaining good WLB in the organisation. Employers would be unwise to respond to the NMW by diminishing their commitments to WLB.

### **6.3 Summary**

The key aim of this study was to explore the effects of the NMW on HR practices in the Malaysian hotel industry, considering the perspectives of both employers and employees. Most hotel employers, when interviewed, were in favour of the introduction of the national minimum wage, though few had clear plans for its implementation. The uncertainty surrounding the development of the policy, which involved numerous changes of direction, no doubt contributed to employers' failure to develop strategies. Our findings demonstrated that employers from all rankings were not willing to reduce employment, reduce training, or offset the service points in the remuneration system with the proposed minimum wage. This has led us to infer that employers are moving towards a 'high road' strategy. The 'low road' involves reducing employment, hours, fringe benefits and training, in order to contain labour costs. In contrast, the 'high road' involves enhancing productivity, increased training, hiring higher quality staff, managing retention and the use of advanced technologies. Most employers in this study favoured the 'high road'. Nevertheless their lack of plans for responding to the NMW raises concern about their ability to deliver 'high road' solutions. The employers least likely to take the 'high road' are the lower ranking hotels. There are, however, possible responses for these employers which do not entail 'low road' employment practices, such as adopting the self-servicing method (i.e. online check-in, self-check-in machine and hotel guest handling the room without having chambermaids) so as to offset the increased labour cost. Tables 6.5, 6.6 and 6.7 provide a summary of the findings of the employers' study.

Our survey of employees revealed that they are aware of the NMW, though their knowledge about the rate and mechanism was limited. Looking at factors affecting their productivity, we found that they are accustomed to the service points system, which boosts their take home pay and is itself a motivating factor. The employees, indeed, claimed that service points are the number-one factor that influences their

productivity. (We noted, however, that employees had diverse understandings of productivity and its measurement.). Our findings suggest that the NMW will cause organisations to make changes in their HRP. The HLM analysis revealed that changes in the HRP, and hence organisational support due to the implementation of the NMW, would positively affect the employees' motivation. Work-life balance is a further factor influencing motivation. Our findings suggest, therefore, that employees should be incentivised through both extrinsic motivation (rewards) and intrinsic (work-life balance) motivation so as to offset the added cost of the NMW. The summary finding of the employees' study is provided in Tables 6.8, 6.9 and 6.10.

**Table 6.5: Summary findings regarding the first research question of the employers' study:**

*What are the anticipated responses of employers in the hotel industry to the introduction of the NMW?*

Previous Research	Current Findings
<ul style="list-style-type: none"> <li>• Brown and Crossman (2000): NMW's implementation would also have some financial impact especially for the lower ranking hotels. Employers are likely to respond to the introduction of the NMW in a more reactive than strategic fashion.</li> <li>• Kochan et al. (1984): An organisation's environment can be affected through competitive shocks; for example, in a situation where the NMW is being introduced.</li> <li>• Brown and Crossman (2000): Employers are predicted to compete at the lowest cost, taking the 'low road' strategy, which can minimise overheads.</li> </ul>	<ul style="list-style-type: none"> <li>• Employers had limited knowledge about the minimum wage proposal, although they tended to agree about the need for a minimum wage for their industry.</li> <li>• Employers are aware that maintaining competitive pay scales is important to retain a company's competitiveness in the industry, which would impact the hotels, especially the lower ranking ones.</li> <li>• Employers are most likely to adopt the 'high road' strategy instead of the 'low road' strategy as suggested by Brown and Crossman (2000).</li> </ul>

**Table 6.6: Summary findings regarding the second research question of the employers' study:**

*What are the anticipated changes in HRP (employment, training and compensation & benefits)?*

Previous Research	Current Findings
<p><u>Employment</u></p> <ul style="list-style-type: none"> <li>• Forth and Millward (2004), and Handel and Gittleman (2004): Employment is indeed influenced by levels of pay.</li> <li>• Consistent with Machine and Manning (1994), Card and Krueger (1995), Bhaskar and To (1999), Manning (2003), and Grimshaw and Carroll (2006): Monopsony traits exist in organisations where wages can be increased without having to reduce employment.</li> </ul> <p><u>Training</u></p> <ul style="list-style-type: none"> <li>• Rosen (1972), Feldstein (1973), Welch (1978) Hashimoto (1982) Schiller (1994), Neumark and Wascher (2001): MW will reduces training.</li> <li>• Grossberg and Sicilian (1999), Pischke (2003) and Arulampalam et al. (2004): There are also studies that found no significant impact of the minimum wage on training, for example,</li> <li>• Goodenough and Page, 1993; Conrade, Woods and Ninemeier, 1994; Clines, 1997; Janes, 2000; Chun-Fang Kian, Ki-Joon Back and Canter, 2005: Training as part of benefit packages.</li> <li>• Roehl and Swerdlow, 1999 , Walker and Miller (2011): Training is a route that leads to quality</li> </ul>	<p><u>Employment</u></p> <ul style="list-style-type: none"> <li>• Respondents were not willing to reduce their employment but remain in compliance with the requirements of the hotel association's star rating system.</li> </ul> <p><u>Training</u></p> <ul style="list-style-type: none"> <li>• Respondents invest a lot on training.</li> <li>• Reduction in training activities is not the main choice of most respondents. Reduced training would undermine quality standards.</li> <li>• There are various ways of conducting training depending on the creativity of employers in engaging their employees towards the organization and to gain the employees' organization commitment.</li> <li>• It is when employees have peronally engaged in the organization that they will have direction and will perform better.</li> </ul>



Previous Research	Current Findings
<p>customer service, job performance consistency, job satisfaction and greater commitment towards the organisation.</p> <ul style="list-style-type: none"> <li>Heskett et al. (1994): Training can also be viewed as a part of the service-profit chain</li> </ul> <p><b><u>Other Strategies</u></b></p> <p><u>Recruitment and selection</u></p> <ul style="list-style-type: none"> <li>Stone (2011) suggests that while most recruitment and selection process vary from one organization to another in terms of company objectives, culture, size, and location that affect company decisions, the recruitment and selection process is more or less the same regardless.</li> <li>Walker and Miller (2011): Employers cannot afford the luxury of such lengthy and costly recruitment and selection processes and thus adopted less stringent approaches.</li> <li>Price (1994), Lucas (1995, 1996), Kelliher and Johnson (1997), Hoque (1999b) and Kusluvan (2003) likewise explained that recruitment and selection are often not conducted rigorously in the hotel industry.</li> <li>Decenzo and Robbins (2007) stated that the mission and goals of an organisation will set the bar for strategy making. These goals can be achieved through proper human resource management, which involves creating job vacancies and attracting employees with the appropriate skills, knowledge and abilities needed to fill the positions.</li> </ul>	<p><b><u>Other Strategies</u></b></p> <p><u>Recruitment and selection</u></p> <ul style="list-style-type: none"> <li>Employers in this study agreed that they could not afford to adopt costly recruitment processes and tend to go with the simple and less costly methods such as walk-in interviews.</li> <li>Most respondents are comfortable with conducting their own internal and external recruitment and selection processes, although there are a few respondents who engage a staffing agency and claimed their recruitment process to be the normal (textbook) process.</li> <li>Employers prefer to conduct the selection process on their own. Having working experience in other hotels is the most critical factor in selection criteria for the Malaysian hotel industry. This is followed by communication skills, working skills, English proficiency, multi-tasking, personality, a clean record, job interest, attitude and lastly, formal education (as demonstrated in Figure 4.11 and Table 4.19).</li> <li>Four reactions identified in terms of recruitment:: <ul style="list-style-type: none"> <li>(i) no alteration;</li> <li>(ii) will alter the procedures;</li> <li>(iii) depends on the situation;</li> </ul> </li> </ul>

Previous Research	Current Findings
<p data-bbox="352 479 834 512"><u>Previous, current and future turnover</u></p> <ul data-bbox="352 539 852 831" style="list-style-type: none"> <li>• Iverson and Deery (1997), identified five variables that cause turnover: <ul style="list-style-type: none"> <li>(i) Structural variables,</li> <li>(ii) Pre-entry variables,</li> <li>(iii) Environmental variables,</li> <li>(iv) Union variables, and</li> <li>(v) Employees' behaviour.</li> </ul> </li> </ul> <p data-bbox="352 1084 783 1117"><u>Opting for technological changes</u></p> <ul data-bbox="352 1144 879 1252" style="list-style-type: none"> <li>• Technologies that can be used in the hotel industry without neglecting the 'human touch'.</li> </ul>	<p data-bbox="954 259 1394 344">(iv) depends on parent company's decision.</p> <p data-bbox="903 427 1385 461"><u>Previous, current and future turnover</u></p> <ul data-bbox="903 488 1414 981" style="list-style-type: none"> <li>• Most of the organizations reported higher turnovers in their previous years, but report a lower rate in the current year.</li> <li>• This study identified 5 factors that influenced turnover in the Malaysian hotel industry: <ul style="list-style-type: none"> <li>(i) Competitors,</li> <li>(ii) Location of organisation,</li> <li>(iii) Nature of jobs,</li> <li>(iv) Pay and benefits,</li> <li>(v) Employees' attitudes.</li> </ul> </li> </ul> <p data-bbox="954 1037 1390 1070"><u>Opting for technological changes</u></p> <ul data-bbox="903 1097 1422 1547" style="list-style-type: none"> <li>• The survey in this study indicated that 62% of respondents had positive reactions for opting to make technological changes.</li> <li>• However, during their interviews, respondents explained that having new technology was too expensive for their hotels; they therefore suggest that the human touch remains the best option for the hotel industry.</li> </ul>

**Table 6.7: Summary findings regarding the third research question of the employers' study:**

*To what extent are employers ready to implement the new NMW?*

Previous Research	Current Findings
<p><u>Employers' readiness to implement the new NMW</u></p> <ul style="list-style-type: none"> <li>• Confirmed by the overall literature used in the last two research questions.</li> <li>• Bullock et al.'s (2001) study finds that the 'low road' strategy is more common and popular than the 'high road' strategy.</li> <li>• Grimshaw and Carroll (2006): In the U.K., 'high road' strategies existed among firms, although they was not indicated clearly by scholars in related studies.</li> <li>• Heyes and Gray (2003), Bullock et al. (2001), and Ram et al. (2001) show that the pressure felt by firms to provide higher wages has had a positive impact in terms of improving services and product quality.</li> </ul>	<p><u>Employers' readiness to implement the new NMW</u></p> <ul style="list-style-type: none"> <li>• For most respondents, the NMW would have an influence on pay-rates. Most respondents did not consider that workforce size in their organisation would be impacted and most of the respondents did not anticipate reducing benefits.</li> <li>• Comparison between the U.K. and Malaysia's implementation of a NMW.</li> </ul> <p><u>U.K.</u></p> <ul style="list-style-type: none"> <li>• Employers in the U.K. adopt the 'low road' strategy.</li> </ul> <p><u>Malaysia</u></p> <ul style="list-style-type: none"> <li>• Employers in Malaysia are most likely to adopt the 'high road' strategy.</li> </ul>

**Table 6.8: Summary findings regarding the first research question of the employees' study:**

*What are the anticipated responses of employees in the hotel industry to the introduction of the NMW?*

Previous Research	Current Findings
<ul style="list-style-type: none"> <li>This finding provides a new insight of the employees' perception on the NMW in the Malaysian hotel industry.</li> </ul>	<ul style="list-style-type: none"> <li>The findings of this study have indicated that the most of the employees know of the NMW proposal in Malaysia; however, limited knowledge about the proposal has led to uncertainty about how the NMW's rates and mechanisms would work</li> </ul>

**Table 6.9: Summary findings regarding the second research question of the employees' study:**

*Will the implementation of the NMW (pay) affect employees' productivity?*

Previous Research	Current Findings
<p><u>Productivity</u></p> <ul style="list-style-type: none"> <li>• Saget (2000) and Howard and Paska (2000) suggest that employees who are paid a decent wage are more motivated to work hard. This is evidence that productivity can be improved through higher wages and improved labour practices. Improvement in productivity will be needed to cope with the increased wage cost</li> <li>• McMahon (1994) found that hotels in the U.K. and Ireland make only limited use of operations management techniques (work study techniques) compared to the approach used by the German hotel industry. The German hotel industry has teamed up with their education system to emphasize training for the hotel staff. As a result of this approach, hotels in Germany achieved similar standards to the U.K. hotels with significantly less labour used. This shows that productivity improvements can be tackled differently in different countries and regions.</li> <li>• McMahon (1994), and Riley (2000) state that productivity in labour-intensive service industries relies on how a job is designed. McMahon (1994) explains that the hotel industry is well known for its highly labour-intensive nature, which is highly dependent on</li> </ul>	<p><u>Productivity</u></p> <ul style="list-style-type: none"> <li>• Employees understood the concept of productivity where their wages should reflect their productivity; any wage increase should be linked to productivity improvements and their willingness to work harder if wages were increased.</li> <li>• Employees expected service points to be awarded on top of the minimum wage proposed</li> <li>• The crucial concern about abolishing the service points system is that respondents' productivity may remain stagnant without it.</li> <li>• Employees are motivated by the points system. Most respondents agreed that the points system in the industry motivates them to work harder and better. The willingness of respondents to work harder with wage increments results in the willingness of respondents to respond to changes in HR practices, especially in terms of productivity and motivation. In short, these findings suggest that when wages are increased, respondents are willing to undergo changes affecting their productivity and motivation.</li> </ul> <p><u>Measuring productivity</u></p>

Previous Research	Current Findings
<p>productivity.</p> <ul style="list-style-type: none"> <li data-bbox="360 353 858 748">• Riley (2000) notes two aspects of productivity in a labour-intensive service industry: (i) productivity is essentially about physical productivity and human capacity with all the scope for variation that implies; and (ii) the origin of demand for labour is sales, where a pattern of sales or sales forecasts is simultaneously a pattern of demand for labour.</li> <li data-bbox="360 1973 847 2040">• McMahan (1994) has suggested a productivity improvement model</li> </ul>	<p>The elements are clustered into four categories:</p> <ul style="list-style-type: none"> <li data-bbox="938 376 1422 696">• Job skills include efficiency, timeliness, ability to solve customers' problems, providing smooth operations, meeting requirement, standards of work delivered, courtesy, sensitivity to customers' needs, doing more than is expected and the speed of doing the job.</li> <li data-bbox="938 763 1430 943">• Motivation, on the other hand, includes the respondents' efforts to improve themselves and efforts to give more, rewards and commitment to their jobs.</li> <li data-bbox="938 1003 1385 1290">• Customer satisfaction includes compliments from customers, positive feedback from customers, decreases in complaints, increases in customers and also acknowledgement from customers.</li> <li data-bbox="938 1350 1385 1496">• Performance standards include superiors' feedback, following the job scope given and performance appraisals.</li> <li data-bbox="938 1556 1430 1917">• Productivity actually depends on how jobs are designed. This is because job skills depend on the job design itself, especially in a labour-intensive industry. When a job is carefully designed, the necessary job skills are created along with it and can be transferred to employees through training.</li> <li data-bbox="938 1977 1406 2018">• Following the McMahan (1994)</li> </ul>

Previous Research	Current Findings
that consists of ten steps which could be combined to fit any hotel at any rank. McMahon's model is as shown in Figure 6.4.	ten-step productivity improvement model, Figure 6.5 modifies the steps to fit the Malaysian hotel industry and the Malaysian work culture.

**Table 6.10: Summary findings regarding the third research question of the employees' study:**

*To what extent will the anticipated changes in HR practices (rewards, work-life balance, etc.) that occur after the implementation of the NMW influence employees' motivation?*

Previous Research	Current Findings
<ul style="list-style-type: none"> <li>• Lynn (2001) and Lynn and Graves (1996) suggests that tipping as a reward structure should be substituted for a better measures, incentives and benefits.</li> <li>• Marshal (2003) finds that wages and non-monetary benefits are not only used to indicate job quality, but can also add to work quality (including workplace cleanliness and safety), job security, the type of work and the flexibility of work schedules.</li> <li>• Ryan and Deci's (2000) study indicates people are affected differently in terms of the levels as well as the types of motivation. Ryan and Deci (2000) further explain that the different types of motivation are based on the different types of goals one has, which impact on actions taken by employees.</li> <li>• Charles and Marshal (1992) indicate that good wages and good working condition are ranked as the most and second-most important by the</li> </ul>	<p><u>Respondents' Views on Their Current Compensation Program:</u></p> <ul style="list-style-type: none"> <li>• The benefits received by hotel employees are fairly low.</li> <li>• The benefits are divided into non-monetary benefits and monetary benefits (Table A 5.7 &amp; A5.8 in the Appendix for Chapter 5).</li> <li>• In terms of the compensation compliance of the respondents, the majority of them remain neutral.</li> <li>• They agreed that the benefits they receive are competitive.</li> <li>• Employees disagreed with the idea of abolishing the points system.</li> </ul> <p>Assessing the impact of the NMW on HR practices (training, performance, rewards and work-life balance) using Hierarchy Linear Modelling:</p>

Previous Research	Current Findings
<p>employees.</p> <ul style="list-style-type: none"> <li>• Darder (1994) and Simons and Enz (1995) both find that good wages and job security are ranked first and second. Although the rankings are influenced by employees of different age groups and different departments in the organisation itself, this clearly indicates that wages are an important factor for motivation.</li> <li>• Stajkovic and (Luthans) 1997 find that in service industries, monetary reward such as minimum wage and service points is an effective motivator.</li> <li>• Kovach (1986) and Tan (2000) show that factors such as interesting work, appreciation and employers' acceptance of employees are ranked higher than wages in terms of motivation factors. In other words, this suggests that employees are motivated when they are given an interesting job, appreciated and are accepted by their employers, compared to the wages they receive.</li> </ul>	<ul style="list-style-type: none"> <li>• The results in this study have shown that organisational support through rewards is significant for motivation, and it is clear that the WLB element also plays an important role in terms of motivation. In fact, based on both the HLM and Monte Carlo results, WLB is more important than rewards as a predictor of motivation. The final model of the relationship between organisational support, rewards, work-life balance and motivation is shown in Figure 5.7, Chapter 5.</li> <li>•</li> <li>• Reward is the most common extrinsic motivation.</li> <li>• WLB shows more significant relationship where it suggests that an employee is motivated to perform his/her job when work-life balance elements are respected by an organisation</li> </ul>



# CHAPTER 7 - CONCLUSIONS

## 7. Introduction

The aim of this chapter is to outline the conclusions about the impact on employer-employee relations of the National Minimum Wage (NMW) in the Malaysian hotel industry. The chapter is divided into five sections. Firstly, it relates the overall discussion and conclusions to the research questions developed in Chapter One. The second section concludes discussion of the link discovered in this study between the ‘high road’ strategy and productivity improvement. The third section outlines some limitations of the study. The fourth section provides suggestions for further research to arrive at more reliable and rigorous findings. Finally, the chapter ends with the overall conclusions of the study.

### 7.1 Recapitulation and Contributions of the Study

The first phase of this study involved a series of surveys and semi-structured interviews which provided information on the extent to which hotel employers were prepared for the implementation of the NMW. It explored employers’ awareness of the minimum wage and the amount proposed, the level of support for the NMW and the likely employer responses as they affect human resource practices (HRP) (employment, training, compensation and benefits and other HRP strategies). It used the ‘high road-low road’ distinction suggested by Brown and Crossman (2000). It recognised that employee responses to the NMW would affect the impact of employer strategies.

The second phase involved a survey of hotel employees, gathering information about their attitudes to potential changes in employment and conditions arising out of the implementation of the NMW, their views on productivity, and motivation. Hierarchical Linear Modelling was used to analyse the relationship between Organizational Supports (based on the changes anticipated from the implementation of the NMW), Rewards (MW) and Motivation.

This section reiterates the major findings of the study, thus moving towards answering the research questions developed in Chapter One. The section is in two parts, reflecting the two samples in the inquiry.

### **7.1.1 Employers**

#### **a. Research objective 1: to explore the anticipated responses of employers in the hotel industry to the introduction of the NMW**

Employers had limited knowledge about the minimum wage proposal, although they broadly agreed about the need for a minimum wage for their industry. They were less positive about the level of the minimum wage proposed by the Malaysian Trade Union Congress (MTUC), and it seems evident that the scale and nature of employers' responses were likely to be sensitive to the setting of the rate. Employers from all hotel rankings are aware that maintaining competitive pay scales is important in order to retain a company's competitiveness. This study confirmed, further, that employers recognised the positive links between wages, employee recruitment and retention, and productivity, creating a perception that employers are likely to choose the 'high road' strategy, although they tend to leave the decisions regarding the NMW to the hotel associations.

#### **b. Research objective 2: to explore the anticipated changes in Human Resource Practices (employment, training, compensation and benefits and other HRP Strategies)**

Employers did not anticipate reductions in employment, training and compensation as responses to the new NMW, as they believed that such action would adversely affect their competitiveness. Other HRP strategies explored in this study include recruitment and selection policies, the management of labour turnover issues and opting for technological change. Most employers preferred to conduct their own external recruitment. In respect of selection criteria, experience was ranked highest and education lowest amongst 10 criteria listed by the employers. Turnover factors identified in this study are (i) competitors, (ii) location of organisation, (iii) nature of jobs, (iv) pay and benefits, and (v) employees' attitudes. Only two factors from this study matched the findings from Iverson and Deery (1997), namely, nature of

job/job setting and employees' attitudes. Though there were some indications of favourable attitudes to technological change, employers generally thought that new technology was too expensive for their hotels and suggested that the human touch remained the best option for the hotel industry.

**c. Research objective 3: to explore the readiness of employers to implement the new NMW policy**

For most respondents, the NMW would have an influence on pay-rates. There are some, however, who expect to experience limited financial impacts or none at all. These include some of the larger hotels that were already paying above the proposed level of the MW and also above industry norms. Most of the employers did not envisage reducing benefits. According to most employers, they are ready for the new policy, but will leave it to the hotel association to determine any action on the new wage mechanism. This study shows the differences between responses of employers to the NMW in the U.K. and those anticipated in Malaysia. Employers in the UK have chosen a 'low road' strategy instead of the 'high road' strategy that has already existed and is likely to continue in the hotel industry in Malaysia, though not recognised as such by the employers. We can expect the NMW in the Malaysian hotel sector to cause competition in product quality, switching to niche markets and investment in training and productivity.

**7.1.2 Employees**

The objectives of the employees' study were to explore anticipated responses, to assess the potential direct effect of the NMW on employees' productivity, and to examine the effect on employees' motivation of the changes in HR practices caused by the NMW.

**a. Research objective 1: to explore the anticipated responses of employees in the hotel industry to the introduction of the NMW**

Employees who participated in this study consisted of rank-and-file workers in hotels around Malaysia with the higher school certificate as their highest level of education. Most employees had been working between one and three years in their current hotels, with monthly basic pay ranging from RM 300 to RM 1000. Most supported the proposal for a NMW, but were neutral toward the (then-proposed) amount of RM 575. As most of the employees were already getting at least RM 575 for their basic pay, they might have been expecting the NMW to be at a higher amount. Most of the respondents in this study do not belong to a trade union. Their limited knowledge of details about the NMW led to uncertainty about how it would work. Employees had over the years built up strong support for the service-points system and were unwilling to replace it with the new NMW. Employees who opposed the idea of abolishing the service points with the implementation of the NMW were concentrated in lower-ranking hotels with low-value monthly service points. In the lower ranking hotels, the service points are fixed differently at a defined amount, as the monthly revenue does not rise during the holiday season as it does in the higher ranking hotels.

**b. Research objective 2: to assess the potential effect of the NMW on employees' productivity**

Chapter Five described employees' views about productivity. Firstly, most respondents said that the points system motivated them to work harder. As the points system relied on a hotel's monthly revenue, the better their job performance, the more revenue the hotel would generate and the higher the value of the service points (Figure 4.2 in Chapter Four provides an example of movement in service point ratings in a 5 star hotel). Secondly, most employees agreed that the wages they received should reflect their productivity levels. Most were willing (or claimed to be willing) to work harder if wages are increased. The relation between pay and productivity is complicated, however, by the service-point system. The specific preference for the service points system among hotel employees could impact upon their motivation and productivity: abolishing or absorbing service points might adversely affect motivation and productivity. Thirdly, the employees' findings also indicate that productivity is affected by job design.

**c. Research objective 3: to examine the anticipated effects of changes in HR practices (training, performance, etc.), arising from the implementation of the NMW, on employees' motivation.**

The literature suggests that in most countries the hotel industry, in comparison to other industries, has a poor compensation program. Although employees were not comfortable in sharing their opinions about compensation, most employees said that the existing compensation programs met their expectations. The findings of this study also provided a clear view of their perspectives on service points in their compensation programs. Obviously the NMW will, for most employees in the hotel industry, provide a higher basic wage, which will increase employees' monthly EPF contributions. But employees were not willing to substitute the NMW for service point payments. (This accords with the employers' predictions discussed earlier.)

It is implied in research objective 3 that the anticipated changes in HR practices (training, performance) due to the implementation of the NMW (rewards) will influence employees' motivation. While the monetary issue was a serious concern among employees in this study, the findings also demonstrated the importance of work-life balance (WLB). The model derived from the Hierarchical Linear Modelling (HLM) software showed that organisational support does have an impact on motivation. Including a reward factor in the model also reveals a significant impact on motivation. However, when WLB is brought into the model, the relationship between WLB and motivation seems to be higher than the relationship between reward and motivation. WLB is an adequate time off and a balanced workload are given to the employees prioritizing work and lifestyle. Thus, the monetary factor is not the only factor that motivates employees. In fact, both the HLM and the Monte Carlo test results suggested that WLB is more important than rewards as a predictor of motivation. Theoretically, it is clear that extrinsic motivation influences respondents' motivation and reward is the most common extrinsic motivation. However, this study suggests that intrinsic motivation also plays an important role.

## **7.2 Linking 'High Road' Strategy and Productivity Improvement**

The key aim of this study was to explore the effects of the NMW on HR practices in the Malaysian hotel industry, considering the perspectives of both employers and employees. We have found that employers were not prepared to reduce employment or reduce training. They anticipated the maintenance of employment, compensation and benefits. Therefore, employers are most likely to use the ‘high road’ strategy, which involves policies aimed at enhancing productivity, including increased training and work life balance, hiring higher quality staff, managing retention and the use of advanced technologies. Employees on the other hand were aware of the link between pay and productivity and agreed that wages should reflect their productivity and that wage increase should be linked to productivity improvements. This section concludes with overall discussion of the link discovered in this study between the ‘high road’ strategy and productivity improvement.

### **7.2.1 Employers’ ‘high road’ strategy**

Kochan et al. (1984) suggests that an organisation’s environment can be affected through competitive shocks; for example, where the NMW is being introduced, organisations — especially the lower ranking hotels — may need to re-examine their business goals and commitments in order to survive. This study confirms Kochan et al.’s (1984) contention. Brown and Crossman (2000) argue that employers are likely to respond to the introduction of the NMW in a more reactive than strategic fashion and revealed employers’ concern about maintaining competitive pay in the industry, and the financial impact of doing so. This is especially significant for the lower ranking hotels. This study found that employers, regardless of the ranking, will aim to maintain competitive pay, creating a perception that Malaysian hotel employers will choose the ‘high road’ strategy with the implementation of the NMW. This perception was further supported when employers in this study did not anticipate reductions in employment, training and compensation as responses to the new NMW, as they believed that such action would adversely affect their competitiveness. Technological advancement is one of the criteria of a ‘high road’ strategy and employers also indicated some favourable attitudes towards technological changes, although their general perception was that technological changes are costly and they believed that the human touch is important. As for lower ranking (three star) hotels,

none had yet developed a plan to cope with the financial impact of NMW. It can be conjectured that, with proper funding, some might switch their business models so as to create ‘self-servicing’ hotels. (Hotel guests would be required to use self-check-in machines, to make their own beds and to handle the housekeeping without depending on the chambermaids).

### **7.2.2 Employee productivity and motivation**

Employees were willing to respond positively, if wages are increased, to the changes in HR practices affecting productivity and motivation. This accords with the findings of Saget (2000) and Howard and Paska (2000). It can reasonably be hoped, therefore, that the implementation of the NMW will cause employees to be more productive. Employees also indicated that productivity is affected by job design. The empirical findings of McMahon (1994) and Riley (2000) confirmed that productivity in labour-intensive service industries depends very much on how a job is designed.

As productivity and motivation are related, the study went on to explore the link between Organizational Support (OS) (based on changes in HRP when the NMW is implemented), Rewards and Motivation. This part of the study relied on Hierarchical Linear Modelling (HLM). The findings demonstrated that OS is positively linked to Motivation, with Rewards as a mediator. The findings also showed a positive link between OS and Motivation, with Work-Life Balance (WLB) as a mediator. The final model of the relationship between OS, Rewards, WLB and Motivation is shown in Figure 5.7 of Chapter Five. As defined by Ryan and Deci (2000), intrinsic motivation is the kind of motivation that comes naturally of a person’s own will or, in other words, from taking pleasures in doing an activity without influence from external reward. Therefore, when adequate time off and adequate working hours and employer support are given, employees will naturally become more motivated to work, not only for the reward but also because of their personal satisfaction.

Consistent with the findings of Kovach (1987) and Tan (2000), this study suggested that employees are motivated when they are given interesting jobs, appreciated and accepted by their employers—more so than by the wages they receive, though the

reward itself reflects the level of organisational support for the employees. As this study aimed to explore the anticipated effects of changes in HR practices (training, performance, etc.) arising from the implementation of the NMW, on employees' motivation, we conclude that it is important for employers to motivate employees both intrinsically and extrinsically to overcome the cost impact of the NMW.

### 7.2.3 The link between 'high road' strategy and employees productivity improvement

With the advent of the NMW, employers using the 'high road' strategy must balance extrinsic and intrinsic motivation to keep their employees productive. Figure 7.1 below illustrates the various interrelations.

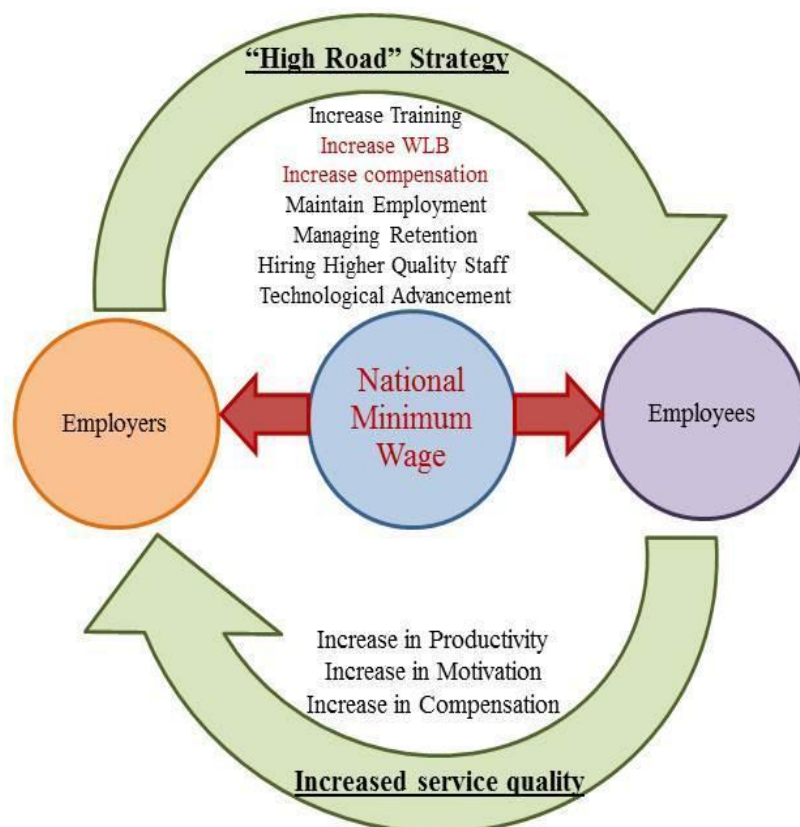




Figure 7.1: The link between employers and employees' anticipated responses towards the implementation of the NMW in the Malaysian Hotel Industry

The 'high road' strategy, which our study leads us to predict that employers will choose, would cause employers to concentrate on training, managing workers' retention, hiring higher quality staff, increasing compensation and improving WLB. Such a strategy will result in employees' providing high-quality service.

In the 'high road' strategy, job design contributes to reduced turnover and higher productivity. McEvoy and Cascio (1985) find that turnover is reduced by job enrichment. Job setting (that is, job design) can enhance employees' understanding of their job scope and create a sense of belonging towards the organization. Having a better job setting also promotes skills matching (Saget, 2003). In a study by Cho et al. (2006), it was concluded that reducing turnover rates involved various innovative policies, including competitive compensation, training and recruiting. Brown and Medoff (1978) further add that productivity is influenced by employee turnover. Therefore, it can be concluded that employers implementing the NMW and following 'high road' strategies can counter high turnover and its negative effects by various means, including reconsideration of the job setting of each job in their organizations. Promoting higher productivity and reducing turnover are other means to counter the increased price of labour.

Legal prescription of minimum wages can be either a substitute for or a supplement to collective bargaining. Table 7.1 below compares the prospective role of the NMW in Malaysia with minimum wage systems in three other countries. In two of the four countries—Australia and the UK—minimum wage setting serves as a supplement to collective bargaining, protecting those workers whose bargaining power is low. In Hong Kong and Malaysia, collective bargaining has a lesser role. The hotel industry is usually characterized by low trade union activity (Bland, 1999 and Cully et. al., 1999) even in countries with relatively well-developed collective bargaining. This is true of Malaysia, where hotel unionism is weak. The lack of effective unionism in the industry was evident in the employees' limited awareness of the NMW and also in the non-standardisation of service points and benefits offered in most hotels. The NMW will impose a degree of standardisation but also entails difficult adjustments

as the hotels move away from the unregulated system. The difficulties should be mitigated, however, if hotel employers do adopt 'high road' practices as predicted in this study.

**Table 7.1: Minimum wage comparison between countries**

Criteria		Australia	Malaysia	U.K.	Hong Kong
1.	<b>Types of MW.</b>	NMW	NMW	NMW	NMW
2.	<b>Level of MW</b>	AUD\$16.37/hour	RM 900/month for Peninsular Malaysia RM 800 / month for Sabah & Sarawak.	Adult £6.31/hour 18-20£5.03/hour 16-17£3.72/hour Apprentice £2.68/hour	HK\$ 30/hour
3.	<b>Bodies involved with MW fixing.</b>	Fair Work Commission	National Minimum Wage Consultative Council	Low Pay Commission	Legislative Council of Hong Kong
4.	<b>MW adjustments</b>	Yearly	Yearly	Yearly (every October)	Period not stipulated
5.	<b>Bond between MW fixing and development of collective bargaining</b>	Good	Poor	Good	Poor
6.	<b>Productivity considerations</b>	Yes	Yes	Yes	Yes
7.	<b>Categories of workers included</b>	1. Adult employees 2. Sub-minimum employees	All private sector employees	1. Adult employees 2. Employees aged 18-20 3. Employees aged 16-17 4. Apprentice rate	All employees
8.	<b>Categories of workers excluded</b>		1. Domestic workers 2. Apprentices	1. Internship 2. Of compulsory school age 3. A volunteer 4. On a government programme 5. Work shadowing	1. Live in domestic workers 2. Student interns 3. Person to whom Employment Ordinance does not apply

### **7.3 Limitations of This Research**

The limitations faced during this study include the following:

- i. The current study focused on the preliminary period of the NMW planning process. The research was conducted at a very early stage of that period. Some of the important issues that needed to be investigated kept shifting. As the important decisions were considered to be confidential, the researcher had to wait until decisions were gazetted. Having a NMW is a fairly new policy for Malaysia. The matter is politicized, which caused the government to make immediate decisions that shortened the time available for research.
- ii. Compensation and wage issues are sensitive in Malaysia, regardless of the industry considered, not only among employers but also among the employees. It has been the culture of the nation not to discuss wage issues in public. This is not only because wages in Malaysia are left to the market, but also because it is considered impolite to talk about wages amongst employees. Research about compensation and wages is often resisted by potential respondents. Most respondents tended to be secretive about their wage rates, even though they would remain anonymous. Therefore, inferences had to be based on estimates given by respondents.
- iii. A few of the national and international hotels have a policy of not entertaining students who are conducting research or writing project papers involving hotels. Their refusals affected the size and representativeness of the sample.
- iv. This study initially did not gain support from the Hotel Association of Malaysia, as the association opposed the application of the NMW to the hotel industry. Its attitude affected the participation of some of the hotels in this study. However, after the Ministry conducted a few workshops and seminars, the researcher finally received some support and help from the hotel association.

## **7.4 Suggestions for Further Research**

The NMW is a relatively new issue for Malaysia. Our study suggests several ideas for future research. These include the importance of service points in the hotel industry, work-life balance as a motivational factor among hotel employees, the use of self-servicing and greater technology in the hotel industry, and a contemporary study of price elasticity across the hotel sector by star rating in Malaysia

Future research could usefully investigate the effects of the NMW on HRP during its first five years of implementation. Hotel employers and employees might develop new perceptions during this period. A comparative study could be made between the results obtained from this research and the results after the minimum wage has been in effect. Was the ‘high road’ strategy predicted in this thesis actually adopted? What changes in strategy occurred during the first five-year period? What have been the costs and benefits of the hotels’ responses to the NMW?

### **7.4.1 The importance of service points in the hotel industry.**

The employee survey indicated strong support for the service-point system, which complicated the respondents’ attitude toward the NMW. There have been no studies to date which address the importance of service points as a factor for motivation and productivity. There are also no comparative studies of the operation of the service-point system in different categories of hotels and in the different states of Malaysia. Hence, the importance of the service points system among hotel employees would be a topic for future inquiry.

### **7.4.2 Work-life balance as a motivational factor among hotel employees**

The second phase of this study provided evidence of the impact of WLB on Malaysian hotel employees’ motivation. This suggests that intrinsic factors in motivating employees should not be left out of account, but should be integrated with the extrinsic influences in order to motivate hotel employees. As there are few

studies of the Malaysian hotel industry, of which none includes WLB as a motivational factor, it is important that this be the subject of research.

#### **7.4.3 Embracing the use of self-servicing and greater technology in the hotel industry**

Many employers foresaw an increased use of technology in the managerial parts of their organisations. However, employers have a strong belief in the ‘human touch’ and expected that the use of greater technology such as self-check-in or check-out machines would take time to put in practice, as the Malaysian hotel industry was not yet ready for such changes. Substitution from labour to machines can mean job losses, jobless growth, and/or a shift in the nature of jobs (Whitaker, 1992) and investment in technological advancement would be costly for the hotels. However, some of the lower ranking hotels in other countries such as Japan and Singapore are turning into self-servicing budget hotels, which shows that this new strategy does exist and suggests that it is likely to grow. These scenarios would be subjects for future research.

#### **7.4.4 Price elasticities across the hotel sector by star rating in Malaysia**

The hospitality industry differs from many other industries in terms of its variable pricing, which is based on demand factors. Hotels have their strategies to attract guests. These strategies include varying the prices of rooms through the year according to the holiday season and the flow of incoming guests. Since there have been no studies of the price elasticities of demand in the different segments of the Malaysian hotel industry, a study of these elasticities across the hotel sectors by star rating would be a useful contribution to the understanding of the industry. The hotels’ pricing options may well affect their responses to the NMW.

### **7.5 Conclusions**

This study illuminated the anticipated responses of employers and employees towards the implementation of the NMW in the Malaysian hotel industry. Malaysia is in the near-unique situation of being between a developing and an economically developed nation. The findings offer HR perspectives which may be specific to

Malaysia, as it is situated in a different region and has a different work culture, a different industrial relations system and a different wage structure compared to the countries which are the subjects of other studies. Both the study of employers and the study of employees have provided insights into factors likely to affect the impact of the NMW on HR practices. Although knowledge of the MTUC proposal for a new NMW was limited amongst employers and employees, they did understand and were aware of the concept and its potential importance. However, their responses differed amongst hotels with different rankings. The differences may well reflect the low level of unionisation in the industry.

While most of the MW studies by other scholars have focused on economic effects, this study particularly explored the anticipated implications for HR practices in the hotel industry. Employers were not willing to reduce employment, reduce training or reduce their compensation schemes. They saw service points as a motivator for employees in the hotel industry. Service points fluctuate from one month to another, and are not a fixed amount across hotels throughout Malaysia. Policy for the calculation of service points is fixed by the Ministry or hotel associations, but there are neither minimum nor maximum rates. The impact, if any, of the NMW on the service-point system will significantly affect both costs and employee performance.

Although employers mostly suggested that the ‘high road’ strategy would be taken, they also tended to leave it to the hotel association to make the necessary decisions about implementing the NMW. Employers welcomed delay in the implementation of the NMW as it involves increased costs. Lower ranking hotels face more severe financial impacts. But high ranking and low ranking hotels will all wait until the last minute, i.e. until the rules and policy are finally gazetted by the Ministry.

Finally, one of the aims of Malaysia’s Vision 2020 (mentioned in Chapter 1) is to attain a developed nation status by the year 2020, not just economically, but also politically, socially and spiritually. Within the framework of Vision 2020 is the intent to develop the human resources necessary to become a knowledge-based economy and society, generating endogenously driven growth while simultaneously addressing

issues of inequality. The ‘high road’ strategy combined with productivity improvement predicted in this study would steer the nation away from low income and wage inequality, thus bringing the nation closer towards achieving Vision 2020. The NMW will benefit the Malaysian nation, but government support during the transition period after the commencement of the NMW is necessary. Such support would include campaigns to promote the NMW, support for employers, especially in the lower ranking hotels, and possibly a further extension of the transition period.

This chapter has recapitulated some of the findings of this study and acknowledged some of its limitation. It has offered some suggestions for further research. The author hopes that the contents of this thesis may assist the players in this industry — policy makers, hotel associations, trade unions, employers and employees — in the implementation of the NMW in the hotel industry.



## POST SCRIPT

The research reported in this thesis was conducted in 2009-2012. However, the Minimum Wage Orders 2012 commenced on the 1<sup>st</sup> January of 2013, with deferment given to the hotel industry. The deferment granted by the NMCC was to allow the hotel industry to make a final decision on the wage mechanism to be used (Refer to Section 3 of the appendix for chapter 1).

The hotel associations (MEF, AHE, MAH and MAHO<sup>29</sup>) proposed that the hotel industry be looked at differently because of the peculiarity of the nature of employment and wages in this industry. They forwarded a joint memorandum prior to the commencement of the NMW, asking the NWCC to consider the service charge issue—specifically, whether the service charge should be taken into consideration as a part of “wages”. The associations claimed that the failure to treat service point payments as part of wages would have serious repercussions, affecting both the industry and the country (the memorandum is set out in section 2 of the appendix to chapter 1).

The NWCC, in its guidelines on the implementation of the Minimum Wage Orders, has agreed that employers may convert the service charge to form part of the minimum wage (the Guideline of the Implementation of the Minimum wages Orders 2012 is set out in section 4 of the appendix to chapter 1).

According to the representative of the hotel associations, most employers will conform to the guidelines. While there are hotels that will use service points as top up, there are also hotels which will convert their point system into a fixed point points to cover the new minimum wage gap, with the remaining points linked to the actual monthly service points. Based on the example shown in Section 2.1.2 in chapter 2 the figure P.1 below demonstrates how employers might absorb and convert the service points into the basic wage:

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<sup>29</sup> MEF (*Malaysian Employers Federation*), AHE (*Association of Hotel Employers*), MAH (*Malaysian Association of Hotels*), MAHO (*Malaysian Association of Hotel Owners*)

Basic wage = RM500

Service points for the month = RM334

Points earned = 2 points

Before NMW	NMW with "Top Up Method"	NMW with "Point Method"
Basic wage RM 500	Minimum Wage RM 900 (RM500 + RM 400)	Old Basic wage RM 500
Service Points (RM334 x 2 ) <u>RM 668</u>	Service Points (RM334 x 2-RM400) <u>RM 268</u>	Fixed Points (1.5 points x RM334) <u>RM 501</u>
Take home pay <u>RM 1168</u>	Take home pay <u>RM 1168</u>	New basic wage <u>RM 1001*</u>
		Service Points (0.5 x RM334 ) <u>RM 167</u>
		Take Home Pay <u>RM 1168</u>

#### Before NMW

The example is shown in section 2.1.2 of Chapter 2.

#### Top Up Method

The actual amount of service point is RM668, of which, RM 400 will be deducted to make up the amount needed for a NMW. The residual amount remains as service point that will complete the total take home pay.

#### Point Method

Employers will decide on the total points from the actual service points to be converted into fixed point to make up the NMW. In this example, 1.5 points were taken from the total of 2 existing service points to be converted in to fixed point which will be used throughout the employment. The remainder of 0.5 points remain as service points to complete the take home pay. If the employees, in the future earn more points, 1.5 points will still be used to form the fixed points.

\*The new basic wage is now higher than the NMW of RM900

Figure P.1: The comparison of take home pay calculation

Although absorbing the service point in the monthly basic wage to reach the minimum wage of RM 900 reduces the benefit to employees of the NMW, and may seem to jeopardise employee productivity, the hotel associations' representative claimed that the minimum wage was seen in the hotel industry simply as a safeguard for employees (whose wages would, as before, be determined by the combination of

basic wage and service points). The representative claimed that employees' productivity would not be affected. In assessing the benefit of the NMW to employees, we should remember that the EPF contributions of both employers and employees will be made based on the new NMW rate of RM900. In this respect, employees gain even if the NMW is absorbed.

A benefit to employers of the previous system was that service points, which were related to length of service, discouraged turnover. With the NMW set at RM 900 and service points unaltered, the actual benefit to employees from service points is reduced. In the above example, service points, before the NMW, were worth RM 668; with the inception of the NMW, the benefit to the employee falls to RM 268 or RM 167. It may seem, then, that the deterrent to turnover is diminished. Employees, it is true, continue to enjoy *some* benefit from the accumulation of service points. Whether the reduction in the value of that benefit will engender higher turnover remains to be seen.

The direct effect of service points on productivity is also likely to be reduced. On the other hand, the NMW may have a positive effect. Keenan & Greenwich (2013), for example, argue that a minimum wage will enhance work performance, employee morale and customer service, thus increasing productivity. The productivity of employees in the hotel industry will still need to be enhanced through proper job design, training and motivation (see figure 6.3).

Absorbing the service points into the basic wage reduces the cost impact of the NMW. But increasing employee productivity remains fundamental for organizations seeking to compete and to increase the service quality (see figure 7.1) in line with the "High Road" strategy. While absorbing service points into the basic wages to form the NMW of RM900 may be considered as 'cost minimization', this should not affect the "High Road" strategy taken by the employers in this study as employers do not plan to reduce training, employment and other benefits with the implementation of the NMW. To raise productivity, employers will need to embrace strategies which encompass labour utilization, training and work life balance.

If the debate on the concept of service points, employee turnover and productivity is to be moved forward, a better understanding needs to be developed through future research in the Malaysian hotel industry regarding the role of service points and its link to employee turnover and productivity.

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## **APPENDICES**

## Appendix for Chapter 1



## MALAYSIAN TRADES UNION CONGRESS

### MEMORANDUM TO YAB DATUK SERI ABDULLAH AHMAD BADAWI PERDANA MENTERI MALAYSIA

#### ON MINIMUM WAGE RM900 AND COST OF LIVING ALLOWANCE RM300

***Fighting poverty***

***Establishing a minimum wage may positively affect employment and industrial peace and is a means of fighting poverty. States have a major role to play in this and certain conditions have to be met. One of them is social dialogue.***

***ILO -2002***

The workers' contribution to the country's economic growth and national development as well as their cooperation in maintaining industrial peace have received government's recognition and appreciation. Yet, a significant proportion of the wage earners in the country remain poorly paid and denied of basic necessities of life. The vast majority of these workers are unskilled and remain outside the coverage of trade union membership. Wages of those represented by trade unions are no better.

Despite huge profits, basic wages of plantation workers throughout the country remain below RM400 per month. Textile and garment workers represented by trade unions are paid:-

- Kangar, Kulai	-	RM366
- Kluang	-	RM353
- Labis, Segamat, Tangkak, Jementah	-	RM332
- Johor Bahru	-	RM286 to 450
- Bayan Lepas FTZ		
- Prai FTZ	-	RM364 to 426

Collective agreements in the Non-Metallic Mineral Products Industry has established minimum wages between RM400 to RM550 per month. Even in Johore Bahru where cost of living is extremely high, industrial workers are paid as low as RM390 and the better

paid do not exceed RM600. Even five star rated hotels in Kuala Lumpur pay a basic wage of RM290 per month to cleaners and waiters.

Government has repeatedly dismissed MTUC's persistent demand for a minimum wage legislation by merely stating that market forces and demand and supply will determine the minimum wage rates and employers who fail to pay a fair wage rate will not be able to attract sufficient workers to meet their requirement.

Unfortunately Government, while rejecting MTUC's call for a minimum wage legislation has intervened and flooded the country with millions of migrant workers, with low wages and poor working conditions. MTUC sees government's action as a deliberate attempt to suppress wages.

MTUC sees the recent record 35% salary increase and a 100% increase in the cost of living allowance for public sector employees, as a significant first step taken by the Government to ensure that workers, especially those in the low wage categories are assured of a decent living. Reports on reaction from public sector employees and their families on the positive impact on their living standards show's that the record pay rise is justified. It is interesting to note that even the stock market has responded positively.

In the past Government cited the globalization process and the need to remain competitive as a major reason to keep wage levels low.

***Fundamental ingredients***

***There is an undeniable correlation between insecurity on the one hand, and the quantity and quality of work that is "available" and within the reach of the majorities on the other. Less work means lower labour costs and less spending on social protection, but also fewer consumers. Who will consume the national or international products of this or any other globalization? Who will have the capacity to save and hence foster future financing and development? How will people resist the fast-yielding criminal economy, when all the other forms of economic activity do not manage to satisfy even the basic necessities?***

***ILO – On Social Protection***

There is no justification for the government to further delay the passing of minimum wage legislation to be applicable to all workers. By enforcing a decent minimum wage, government will be able to attract more Malaysian workers and reduce dependency on foreign labour.

*Decent work as a productive factor*

*Probably the clearest link between social efficiency and productivity is found at the firm level. Enterprises have been showing that what makes work decent can also pay economic dividends. A substantial body of research shows positive effects of wages on productivity. Social dialogue in the workplace is a source of increased commitment and worker productivity. Various enterprise-level studies show the positive influence of profit – sharing, job quality and worker participation in decision making on worker attitudes, motivation and productivity. Management models developed in the retail sector in the United States, for instance, suggested that improvements in employee job satisfaction and commitment were the key to increases in customer satisfaction, and applying the model led to substantial increases in sales.*

*ILO – Reducing The Decent Work Deficit*

## MTUC'S PROPOSAL FOR A MINIMUM WAGE OF RM900

Although RM900 minimum monthly wage was based on a study carried out on the cost of living in early 2000, MTUC General Council decided to maintain the proposal.

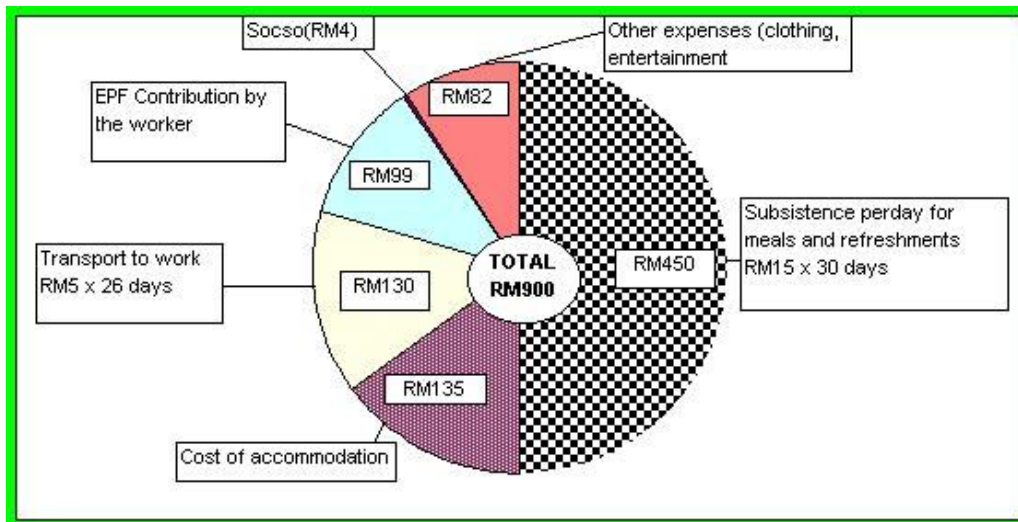
Currently the Employment Act which sets minimum conditions on annual leave, sick leave, public holidays, working hours and a few other terms and conditions is silent on the basic and most essential issue of wages. Absence of a specific provision on wages has led to widespread exploitation. The Employment Act 1955 should be amended to stipulate a minimum wage of RM900.

### **Minimum Living Wage**

Minimum wages constitute an integral and a very important element of the trade union movement's holistic approach towards creating, sustaining and improving the quality of life of our workers.

MTUC's proposal is based on the essential and basic needs of a single person:





We do not believe that any reasonable person will dispute a worker's right to the most basic elements listed.

Government intervention is necessary in order to sustain the living standards of low paid workers. The minimum wage represents a basic requirement and a good way of improving the standard of living of the low paid and their families. The minimum wage is, furthermore, a way of protecting vulnerable workers who are often subjected to exploitation. It is also a means of redistributing income.

*From the employer's point of view, paying a minimum wage may increase productivity in three main ways: by minimizing shirking, reducing labour turnover and contributing to social peace. Firstly, the minimum wage is a way of raising productivity by motivating workers. Secondly, uniform wages, such as the minimum wage, contribute to reducing labour turnover, which can be very costly for firms. Thirdly, the minimum wage strengthens social cohesion and is a way for employers to ensure social peace by avoiding conflicts.*

*ILO – Fighting Poverty*

*For governments, a major purpose of the minimum wage is certainly to contribute to alleviating poverty. The minimum wage can act as a social safety net in countries where social security is as yet little developed. Governments have also used the minimum wage to redistribute income in society, to promote productive employment and to enhance demand driven growth. In developing countries, the minimum wage is often at the core of social dialogue. Removing it may amount to seriously damaging the quality of social dialogue.*

*ILO – Fighting Poverty*

**Poverty led to Kampung Medan clashes.**

We wish to draw the attention of YAB Perdana Menteri to a recently published report on a study carried out by University Utara Malaysia on the cause of Kampung Medan clashes in March 2001.

**Please see NST dated 14<sup>th</sup> May 2007 (Attached).**

*To have national unity, order must come first. We need to aim for zero conflict. But to have zero conflict we must solve the problem of poverty. A strong government policy was needed to tackle poverty - Dr Mansor Mohd Noor Deputy Dean UUM.*

Majority of the Kg Medan families are wage earners working as production workers in factories in Petaling Jaya, Sungei Way, Subang and Shah Alam. 25% of Malays and 45% of Indians who participated in the survey said they had to compromise on lower quality foods, owing to high cost of food. 22% of the children said they had to go school without breakfast, 43% said they had to go into debt to pay for basic living.

**RM300 COLA FOR PRIVATE SECTOR EMPLOYEES**

Following the highest increase in price of petroleum products last year, Government paid out RM150 COLA for public sector employees from January 2006. Unfortunately majority of the employers in the private sector refused to consider any form of relief.

Since then cost of daily needs, especially food and food items has increased by more than 30%. Government can only impose limit on controlled items. Traders fix the price of vegetables, fish, food and others according to their cost and profit requirement. Government despite being aware of their limitations, continue to mislead the public, stating that action will be taken against traders who raise prices.

MTUC believes that Government must have carried out a careful and indepth study on the cost of living and its implications on wage earners before its decision to pay a cost of living allowance of RM300 to public sector employees.

There is no justification to exclude more than 8 million workers in the private sector

We therefore seek an urgent meeting with Yang Amat Berhormat to discuss this pressing issue.

Thank you,

**For and on behalf of the  
Malaysian Trades Union Congress**

**Syed Shahir bin Syed Mohamud  
Presiden**

**G. Rajasekaran  
Secretary General**

18<sup>th</sup> June 2007



## JOINT-MEMORANDUM ON THE HOTEL INDUSTRY FOR THE CONSIDERATION OF THE NATIONAL WAGES CONSULTATIVE COUNCIL

1. This Joint-Memorandum is issued on behalf of the Malaysian Employers Federation (MEF), the Malaysian Association of Hotel Owners (MAHO), the Association of Hotel Employers (AHE) and the Malaysian Association of Hotels (MAH) with the aim to raise pertinent issues faced by the hotel industry to be considered by the National Wages Consultative Council under the National Wages Consultative Council Act, 2011.
2. As at 2010, the hotel industry had 2,362 hotels registered with a total of 165,245 rooms. The hotel sector is the second largest revenue earner in the Malaysian economy and amongst the largest employment providers with a total of 104,645 persons employed therein. The highest number of workers employed was general workers (22,937 workers, 21.9 per cent), followed by housekeeping (20,012 workers, 19.1 per cent), clerical & related occupations (18,091 workers, 17.3 per cent), technical & supervisory (12,328 workers, 11.8 per cent), managerial, professional & executives (12,431 workers, 11.9 per cent) and cooks & staff cooks (10,684 workers, 10.2 per cent).
3. The employees of the hotel industry are generally paid basic wages plus a service charge element ranging from 2 to 6 points on the average under their contract of service. This is also enshrined in the Letter of Offer to the employees.
4. The Hotel industry is unique in that the hotels come under various star ratings ranging from 1 star to 5 stars besides being classified as orchid and apartment types. Collective Agreements and Awards of the Industrial Court dealing with terms and conditions of employment provide for a basic minimum starting salary for each category in the hotel industry with annual



increment in accordance with an established salary scale to a predetermined maximum salary based on some 15 to 25 steps. These collective agreements are reviewed periodically, usually once every three years and the salary scales revised upwards to reflect any increase in the cost of living.

5. In addition to the basic salary, the collective agreements usually provide for other benefits including:
- i) Shift allowance;
  - ii) Split Shift allowance;
  - iii) Outside Catering Allowance;
  - iv) Free Duty Meals or Foods Allowance;
  - v) Free transport or Transport Allowance;
  - vi) Free uniforms with Free Laundry or Laundry Allowance;
  - vii) Free Shoes;
  - viii) Share of the 10 per cent Service Charge;

#### **SERVICE CHARGE**

6. A service charge of 10 per cent is normally imposed and collected by hotels in addition to the Service Tax of six per cent. Collective Agreements and Awards of the Industrial Court direct that 90 per cent of the service charge so collected to be distributed to employees within the scope of the Union representation in accordance with an agreed formula established for the purpose. Service charge is unique to the hotel industry as a wages device. It reflects a percentage of a hotel's turnover, productivity fluctuations, and inflationary pressures and trends including any upward revision of room rates etc.



7. In any case, Service charge represents a profit sharing arrangement – employees take approximately 10 per cent share of the turnover before providing for costs and expenses. Service charge yields a substantial monthly portion to employee’s basic wages.
8. The collection of “service charge” in the hotel industry had replaced the practice of ‘*tipping*’ by hotel customers. The “service charge” and its system of distribution to employees has become an employment culture in the hotel industry in Malaysia. “Service charge” is imposed on the bills of hotel customers and is collected and distributed to employees every month.
9. In an unionised environment, the hotel has no discretion as to how the “service charge” collected is to be disbursed since the service charges are collected and distributed accordingly under the collective agreement.
10. In May 1986 – following the decision of the Privy Council in the case of *Peter Anthony Pereira v. Hotel Jaya Puri* which held that “service charge” is “wages” under the Employees’ Provident Fund Act 1951 (EPF Act 1951) and hence attract contribution – the EPF Act 1951 was subsequently amended to exclude “service charge” levied in the hotel industry from the definition of “wages”.
11. In *Saman Ketua Pengarah Buruh No. KBKL/ 813/94* in the case of *Hotel Equatorial (M) Sdn. Bhd. v Thomas George a/l M J George*, an employee contended that service charge ought to be included into the definition of the ordinary rate of pay under the Employment Act, 1955. This contention was upheld by the Court of Appeal in Civil Appeal No R2-16-6-95 in the Court of Appeal.



12. Should “service charge” be regarded as **not** part of “wages” under the National Wages Consultative Council Act, there would be severe financial implications and repercussions on the hotel industry as the hotels may be required to make huge adjustments to the basic wages to comply with the decided rate of the national minimum wages. It is estimated that the adjustment required is about 40 per cent to 50 per cent of the current payroll cost of employees covered by the national wages legislation in the hotel industry.
13. MEF, AHE, MAH, MAHO and MBHA are united in our view that “service charge” should be part of the national minimum wages for the hotel industry.

#### CONCLUSION

14. In view of the peculiarity of the nature of employment and wages that are being paid in the hotel industry in the various regions, occupations and ratings of the hotels, the Industry need be looked at differently and the element of Service Charge should be taken as **part of “wages”** for all intent and purposes by the council. Failing which, serious repercussion can be anticipated which will affect the industry in particular and the country at large. We earnestly hope that serious considerations are given to the above mentioned facts by the council in proposing the “wages” for the Hotel sector.



Ruj.: KSM/MPGN 600 -1/2/7 JLD 8 (117)

Tarikh : 26 Disember 2012

**PERSATUAN PEMILIK HOTEL MALAYSIA (MAHO)**

Suite 7-3, Aras 7, Heritage House

No.33, Jalan Yap Ah Shak

50300, KUALA LUMPUR

(U.P Pengarah Eksekutif)

No.faks: 03 - 26914644/42

Tuan/ Puan,

**KEPUTUSAN PERMOHONAN PENUNDAAN PERINTAH GAJI MINIMUM 2012**

Saya diarah merujuk kepada perkara tersebut di atas dan permohonan tuan untuk penundaan gaji minimum (No. Siri Permohonan 1/00065).

2. Sukacita dimaklumkan bahawa permohonan penundaan Persatuan tuan telah **DILULUSKAN**. Penundaan ini adalah untuk membolehkan Persatuan/Hotel dan Kesatuan Sekerja/Pekerja membuat keputusan sama ada untuk menyerap sebahagian/keseluruhan caj perkhidmatan sebagai gaji minimum atau sistem gaji diubah kepada sistem *clean wages*. Oleh yang demikian, tarikh baru kuatkuasa Perintah Gaji Minimum 2012 kepada ahli-ahli Persatuan tuan, adalah **selewat-lewatnya pada 1.10.2013**. Kelulusan ini adalah terpakai kepada ahli-ahli Persatuan tuan yang telah menjadi ahli sebelum 1.12.2012 dan juga telah melaksanakan sistem caj perkhidmatan sebelum 1.12.2012.

3. Walau bagaimana pun, Majlis Perundingan Gaji Negara (MPGN) boleh mengkaji semula keputusan ini pada bila-bila masa sebelum 1.10.2013 tersebut.

Sekian, terima kasih.

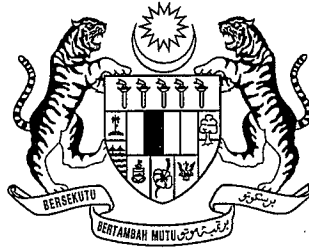
**"BERKHIDMAT UNTUK NEGARA"****"Pekerja Berinovatif Penggerak Transformasi"**

Saya yang menurut perintah,

**(T. SHANMUGAM)**

Setiausaha

Majlis Perundingan Gaji Negara



# LAWS OF MALAYSIA

Act 732

NATIONAL WAGES CONSULTATIVE COUNCIL  
ACT 2011



Date of Royal Assent	...	...	26 August 2011
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**LAWS OF MALAYSIA****Act 732****NATIONAL WAGES CONSULTATIVE COUNCIL  
ACT 2011**

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**LAWS OF MALAYSIA**

**Act 732**

**NATIONAL WAGES CONSULTATIVE COUNCIL  
ACT 2011**

An Act to establish a National Wages Consultative Council with the responsibility to conduct studies on all matters concerning minimum wages and to make recommendation to the Government to make minimum wages orders according to sectors, types of employment and regional areas, and to provide for related matters.

[ ]

**ENACTED** by the Parliament of Malaysia as follows:

**PART I**

**PRELIMINARY**

**Short title and commencement**

**1.** (1) This Act may be cited as the National Wages Consultative Council Act 2011.

(2) This Act comes into operation on a date to be appointed by the Minister by notification in the *Gazette*, and the Minister may appoint different dates for the coming into operation of this Act in different parts of Malaysia.

**Interpretation**

2. In this Act, unless the context requires otherwise—

“wages” has the same meaning assigned to it in section 2 of the Employment Act 1955 [*Act 265*], section 2 of the Sabah Labour Ordinance [*Cap. 67*] or section 2 of the Sarawak Labour Ordinance [*Cap. 76*];

“minimum wages” means the basic wages to be or as determined under section 23;

“Director General” means—

- (a) in respect of Peninsular Malaysia, the Director General of Labour appointed under subsection 3(1) of the Employment Act 1955;
- (b) in respect of Sabah, the Director of Labour appointed under subsection 3(1) of the Sabah Labour Ordinance; or
- (c) in respect of Sarawak, the Director of Labour appointed under subsection 3(1) of the Sarawak Labour Ordinance;

“contract of service” means any agreement, whether oral or in writing, and whether express or implied, whereby one person agrees to employ another person as an employee and that other person agrees to serve his employer as an employee, but does not include an apprenticeship contract;

“court” means the Magistrate Court;

“employer” means any person who has entered into a contract of service to employ another person as an employee and includes the agent, manager or factor of such first-mentioned person;

“Council” means the National Wages Consultative Council established under section 3;

“Minister” means the Minister charged with the responsibility for human resources;

“enforcement officer” means the officers appointed under section 3 of the Employment Act 1955, section 3 of the Sabah Labour Ordinance or section 3 of the Sarawak Labour Ordinance;

“employee” means any person or class of persons specified in the following schedules:

- (a) the First Schedule to the Employment Act 1955;
- (b) the Schedule to the Sabah Labour Ordinance; or
- (c) the Schedule to the Sarawak Labour Ordinance,

but does not include the person or class of persons to whom the minimum wages order is not applicable;

“Chairman” means the Chairman of the Council appointed under section 5;

“minimum wages order” means the order made by the Minister under section 23;

“Secretary” means the Secretary of the Council appointed under section 5.

## PART II

### NATIONAL WAGES CONSULTATIVE COUNCIL

#### **National Wages Consultative Council**

3. A council by the name of the “National Wages Consultative Council” is established.

#### **Functions and powers of the Council**

4. (1) The functions of the Council shall be—

- (a) to advise the Government on all matters relating to minimum wages, including its development at the international level;
- (b) to make recommendations to the Government on the minimum wages rates and coverage according to sectors, types of employment and regional areas, and other matters relating to minimum wages and wages;

- (c) to consult the public on the minimum wages rates and coverage;
- (d) to collect and analyse data and information and to conduct research on wages and the socioeconomic indicators;
- (e) to coordinate and supervise, and to evaluate the impact of, the implementation of minimum wages;
- (f) to review the minimum wages order;
- (g) to deliberate on all matters relating to minimum wages;
- (h) to disseminate information and analysis on wages; and
- (i) to carry out any other functions as it deems fit to enable it to perform its functions effectively or which are incidental to the performance of its functions.

(2) The Council shall have the power to do all things expedient or reasonably necessary for or incidental to the performance of its functions.

### **Membership of the Council**

**5.** (1) The Council shall consist of the following members who shall be appointed by the Minister by notification in the *Gazette*:

- (a) a Chairman;
- (b) a Deputy Chairman;
- (c) a Secretary;
- (d) at least 5 members from amongst the public officers;
- (e) at least 5 members representing the employees;
- (f) at least 5 members representing the employers; and
- (g) at least 5 other members.



(2) The Chairman, Deputy Chairman and the members of the Council referred to in paragraph (1)(g) shall be appointed from amongst persons—

(a) who are not the public officers, employers or members of any trade union; and

(b) who, in the opinion of the Minister, have knowledge, experience and expertise in matters relating to labour and industrial relations.

(3) The Secretary appointed under paragraph (1)(c) shall be a public officer.

(4) The members of the Council referred to in paragraphs (1)(c) and (d) shall be appointed by office.

(5) The number of members of the Council appointed under paragraph (1)(e) shall be the same as the number of members of the Council appointed under paragraph (1)(f) at any one time.

(6) The Council shall consist of members not exceeding twenty-nine persons at any one time.

### **Temporary exercise of functions of the Chairman**

6. (1) The Deputy Chairman shall act as the Chairman for the period when—

(a) the office of the Chairman is vacant;

(b) the Chairman is absent from duty or from Malaysia;  
or

(c) the Chairman is, for any other reason, unable to carry out his functions.

(2) The Deputy Chairman shall, during the period in which he is carrying out the functions of the Chairman under this section, be deemed to be the Chairman.

**Secretary**

7. (1) The Secretary shall be responsible—

- (a) to manage the affairs of the Council;
- (b) to implement the decisions of the Council; and
- (c) to carry out any other duties as directed by the Council.

(2) The Secretary shall, in carrying out his responsibilities, act under the power and direction of the Council.

**Tenure of office**

8. (1) The members of the Council shall hold office for a term not exceeding three years and may be reappointed.

(2) Notwithstanding subsection (1), the members of the Council appointed under paragraphs 5(1)(c) and (d) shall hold office until the appointment is revoked under subsection 10(1).

**Allowances**

9. The members of the Council shall be paid such allowances as the Minister may determine.

**Revocation of appointment and resignation**

10. (1) The Minister may, at any time, revoke the appointment of a member of the Council.

(2) A member of the Council may resign from office by giving thirty days' written notice to the Minister.

**Vacation of office**

11. (1) The office of a member of the Council shall be vacated if—

- (a) he dies;
- (b) there has been proved against him, or he has been convicted of, a charge in respect of—
  - (i) an offence involving fraud, dishonesty or moral turpitude;

- (ii) an offence under any law relating to corruption;  
or
- (iii) any other offence punishable with imprisonment (in itself only or in addition to or in lieu of a fine) for more than two years;
- (c) he becomes a bankrupt;
- (d) he is of unsound mind or is otherwise incapable of discharging his duties;
- (e) he absents himself from two consecutive meetings of the Council without leave of the Chairman, or in the case of the Chairman, without leave of the Minister;
- (f) his resignation is accepted by the Minister; or
- (g) his appointment is revoked by the Minister.

(2) If the office of a member of the Council is vacated, the Minister may, if necessary, appoint another person to hold the office for the remaining period vacated by that member or for an interim period until a new member is appointed to that office, as the Minister thinks fit.

### **Meetings**

12. (1) The Council shall meet at least four times in a year as the Chairman may determine.

(2) At least fourteen days' notice in writing or by electronic mail shall be given to the members of the Council.

### **Procedure at meetings**

13. (1) The Chairman shall preside at all meetings of the Council and—

- (a) in the absence of the Chairman at any meeting of the Council for any reason, the Deputy Chairman shall preside at the meeting; or

(b) in the absence of the Chairman and the Deputy Chairman at any meeting of the Council for any reason, any other member of the Council appointed by the Chairman shall preside at the meeting.

(2) The quorum of the Council shall be two-thirds of the members of the Council, including the Chairman.

(3) Every member present at the meeting of the Council shall be entitled to one vote.

(4) If there is an equality of votes, the Chairman, the Deputy Chairman or any other member presiding at the meeting of the Council under subsection (1) shall have the casting vote.

### **Minutes**

14. (1) The Council shall cause the minutes of all its meetings to be maintained and kept in proper form.

(2) Any minutes made of a meeting of the Council shall, if duly signed by the Chairman, be admissible in evidence in all legal proceedings without further proof.

(3) Every meeting of the Council in respect of which minutes of the proceedings have been made in accordance with subsection (2) shall be deemed to have been duly convened and held and all members at the meeting to have been duly qualified to act.

### **Council may invite others to meetings**

15. (1) The Council may invite any person not being a member of the Council to attend its meetings to advise on any matter under discussion, but that person is not entitled to vote at the meeting.

(2) Any person invited under subsection (1) may be paid such allowances as the Council may determine.

**Procedure**

16. Subject to this Act, the Council may determine its own procedure.

**Council may establish committees**

17. (1) The Council may establish any committee as it considers necessary or expedient to assist it in the performance of its functions.

(2) The Council shall appoint any of its members to be the chairman of a committee.

(3) The Council may appoint any of its members or any qualified persons to be members of a committee.

(4) The members of a committee may be paid such allowances as the Council may determine.

(5) The Council may at any time revoke the appointment of any member of a committee, make changes in the composition of the members of a committee or dissolve a committee.

(6) Subject to any direction of the Council, the committee may determine its own procedure.

(7) The chairman of each committee shall cause minutes of all its meetings to be maintained and kept in proper form and copies of the minutes shall be submitted by the committee to the Council as soon as practicable.

(8) A committee may invite any person not being a member of the committee to attend its meetings to advise on any matter under discussion, but that person is not entitled to vote at the meeting.

(9) Any person invited under subsection (8) may be paid such allowances as the Council may determine.

**Secretariat**

18. (1) There shall be a secretariat to the Council with such number of public officers to assist the Council and the Secretary.

(2) The secretariat shall be subject to the direction, control and supervision of the Secretary.

**Funds**

19. The Government shall provide sufficient funds for the Council annually to enable the Council to perform its functions and exercise its powers under this Act.

**Validity of acts and proceedings**

20. No act done or proceeding taken under this Act shall be questioned on the ground of—

- (a) any vacancy in the membership of, or any defect in the establishment of, the Council; or
- (b) any omission, defect or irregularity not affecting the merits of the case.

**PART III****MINIMUM WAGES ORDER****Council to have consultation, etc.**

21. Before any recommendation is made under section 22, the Council shall take the following actions:

- (a) have consultation with the public on the minimum wages rates and coverage in such manner as the Minister may determine; and
- (b) collect and analyse data and information and conduct research on wages and the socioeconomic indicators.

**Council to make recommendation**

22. (1) Based on the actions taken under section 21, the Council shall, at such time as the Minister may determine, make a recommendation to the Government through the Minister on the following matters:

- (a) the minimum wages rates;
- (b) the coverage of the recommended minimum wages rates according to sectors, types of employment and regional areas;
- (c) the non-application of the recommended minimum wages rates and coverage to any sectors, types of employment and regional areas or to any person or class of persons;
- (d) the commencement of the minimum wages order and the different dates for the commencement of the minimum wages order to different sectors, types of employment and regional areas, or to different persons or class of persons; and
- (e) other matters relating to the minimum wages, including the implementation of the recommended minimum wages rates and coverage.

(2) The Government may, after considering the recommendation—

- (a) agree with the recommendation; or
- (b) direct the Council to review the recommendation within the period as the Government may determine and make a fresh recommendation.

(3) Where the Government directs the Council to review the recommendation and make a fresh recommendation under paragraph (2)(b), section 21 and subsection (1) shall apply.

(4) The Government may, after considering the fresh recommendation made pursuant to subsection (3)—

- (a) agree with the fresh recommendation; or
- (b) disagree with the fresh recommendation and determine the matters specified in paragraphs (1)(a) to (e).

**Minimum wages order**

23. (1) Where the Government agrees with the recommendation of the Council under paragraph 22(2)(a) or 22(4)(a) or determines the matters under paragraph 22(4)(b), the Minister shall, by notification in the *Gazette*, make a minimum wages order on the matters specified in paragraphs 22(1)(a) to (e) as agreed to or determined by the Government.

(2) The Minister may, upon the direction of the Government, by notification in the *Gazette*, amend or revoke the minimum wages order.

**Effect of the minimum wages order**

24. (1) For the purpose of this section, "contract of service" includes the collective agreement made under section 14 of the Industrial Relations Act 1967 [*Act 177*].

(2) Where the rates of the basic wages agreed in a contract of service is lower than the minimum wages rates as specified in the minimum wages order, the rates shall be substituted with any rates not lower than the minimum wages rates as specified in the minimum wages order.

(3) Where the rates of the basic wages agreed in a contract of service is higher than the minimum wages rates as specified in the minimum wages order, the rates shall not be reduced to any rates lower than the rates of the basic wages agreed in the contract of service.

(4) Nothing in this section shall be construed as preventing an employer and an employee from agreeing to any rates of the basic wages which are higher than the minimum wages rates as specified in the minimum wages order.

**Council to review minimum wages order**

25. (1) The Council shall, at least once in every two years, review the minimum wages order.

(2) Notwithstanding subsection (1), the Council may, on its own accord or upon the direction of the Government, review the minimum wages order.



(3) The review made under subsection (1) or (2) shall be on the matters specified in paragraphs 22(1)(a) to (e) and for the purpose of evaluating the effectiveness of the minimum wages order and its implication on the social and economic development of the country.

(4) Where the Council is satisfied that any matter specified in the minimum wages order needs to be amended, sections 21, 22 and 23 shall apply.

#### PART IV

##### INVESTIGATION AND ENFORCEMENT

##### **Powers of the enforcement officer**

26. An enforcement officer shall have all powers to—

- (a) investigate into any offence under this Act;
- (b) conduct any inquiry under this Act; and
- (c) enforce any provision of this Act.

##### **Production of authority card**

27. (1) The Director General shall issue to each enforcement officer an authority card which shall be signed by the Director General.

(2) Whenever such enforcement officer exercises any of the powers under this Act, he shall, on demand, produce to the person against whom the power is being exercised the authority card issued to him under subsection (1).

##### **Search and seizure with warrant**

28. (1) If it appears to a Magistrate, upon written information on oath and after such inquiry as he considers necessary, that there is a reasonable cause to believe that—

- (a) any premises have been used or are about to be used for; or
- (b) there is in any premises evidence necessary to the conduct of an investigation into,

the commission of an offence under this Act, the Magistrate may issue a warrant authorizing an enforcement officer named in the warrant, at any reasonable time, by day or by night and with or without assistance, to enter the premises and if need be by force.

(2) A warrant issued under subsection (1) may authorize the enforcement officer to—

- (a) search the premises for, and to seize or remove from the premises any book of account of wages, register, financial statement or other document that is reasonably believed to furnish evidence of the commission of the offence;
- (b) take samples of any book of account of wages, register, financial statement or other document found in the premises for the purposes of ascertaining, by examining or otherwise, whether the offence has been committed; and
- (c) make copies of or take extracts from any book of account of wages, register, financial statement or other document found in the premises.

(3) Any book of account of wages, register, financial statement or other document shall be admissible as evidence in any proceedings in court under this Act against the person or any other person.

(4) An enforcement officer entering any premises under this section may take with him such other persons and equipment as may appear to him to be necessary.

(5) An enforcement officer may, in the exercise of his powers under this section, if it is necessary so to do—

- (a) break open any outer or inner door of the premises or any fence, enclosure, gate or other obstruction to the premises, in order to effect entry into the premises;
- (b) forcibly enter the premises and every part of the premises;
- (c) remove by force any obstruction to entry, search, seizure or removal as he is empowered to effect under this section; and
- (d) detain any person found in the premises until the search has been completed.

(6) Where, by reason of its nature, size or amount, it is not practical to remove any book of account of wages, register, financial statement or other document seized under this section, the enforcement officer shall, by any means, seal such book of account of wages, register, financial statement or other document in the premises or container in which it is found.

(7) Any person who, without lawful authority, breaks, tampers with or damages the seal referred to in subsection (6) or removes the book of account of wages, register, financial statement or other document under seal or attempts to do so commits an offence.

### **Search and seizure without warrant**

**29.** If the enforcement officer is satisfied upon information received that he has reasonable cause to believe that by reason of delay in obtaining a search warrant under section 28 the investigation would be adversely affected or evidence of the commission of an offence is likely to be tampered with, removed, damaged or destroyed, the enforcement officer may enter the premises and exercise in, upon and in respect of the premises all the powers referred to in section 28 in as full and ample a manner as if he were authorized to do so by a warrant issued under that section.

### **Access to recorded information, computerized data, etc.**

**30.** (1) An enforcement officer exercising his powers under section 28 or 29 shall be given access to any recorded information or computerized or digitalized data, whether stored in a computer or otherwise.

(2) In exercising his powers, the enforcement officer—

(a) may inspect and check the operation of any computer and any associated apparatus or material which he has reasonable cause to suspect is or has been used in connection with that information or data; and

(b) may require—

(i) the person, by whom or on whose behalf, the officer has reasonable cause to suspect, the computer is or has been so used; or

- (ii) the person having charge of, or is otherwise concerned with, the operation of the computer, apparatus or material, to provide him with such reasonable assistance as he may require for the purposes of this section.

(3) The enforcement officer may make copies or take extracts of the recorded information, computerized or digitalized data if he deems it necessary.

(4) For the purposes of this section, "access" includes being provided with the necessary password, encryption code, decryption code, software or hardware and any other means required to enable comprehension of recorded information, computerized or digitalized data.

#### **Warrant admissible notwithstanding defects**

31. A search warrant issued under this Act shall be valid and enforceable notwithstanding any defect, mistake or omission in the warrant or in the application for the warrant, and any book of account of wages, register, financial statement or other document seized under the warrant shall be admissible in evidence in any proceedings under this Act.

#### **List of book of account of wages, etc., seized**

32. (1) Except as provided in subsection (2), where any book of account of wages, register, financial statement or other document is seized under this Act, the enforcement officer making the seizure—

- (a) shall prepare—
  - (i) a list of the book of account of wages, register, financial statement or other document seized and shall sign the list; and
  - (ii) a written notice of the seizure containing the grounds for the seizure and shall sign the notice; and
- (b) shall as soon as practicable serve a copy of the list of the book of account of wages, register, financial statement or other document seized and the written notice of the seizure to the occupier of the premises which have been searched, or to his agent or servant at those premises.

(2) The written notice of the seizure shall not be required to be served under paragraph (1)(b) where the seizure is made in the presence of the person against whom proceedings under this Act are intended to be taken, or in the presence of the owner of the property or his agent, as the case may be.

(3) If the premises are unoccupied, the enforcement officer shall post a copy of the list of the book of account of wages, register, financial statement or other document seized conspicuously on the premises.

#### **Release of the book of account of wages, etc., seized**

33. (1) If any book of account of wages, register, financial statement or other document has been seized under this Act, the enforcement officer who effected the seizure may, after referring to the Public Prosecutor, release the book of account of wages, register, financial statement or other document to the person as he determines to be lawfully entitled to it, if the book of account of wages, register, financial statement or other document is not required for the purpose of any proceedings under this Act or for the purpose of any prosecution under any other written law, and in such event neither the enforcement officer effecting the seizure, nor the Federal Government, or any person acting on behalf of the Federal Government shall be liable to any proceedings by any person if the seizure and the release of the book of account of wages, register, financial statement or other document had been effected in good faith.

(2) A record in writing shall be made by the enforcement officer effecting the release of the book of account of wages, register, financial statement or other document under subsection (1) specifying in detail the circumstances of and the reason for the release, and he shall send a copy of the record to the Public Prosecutor within seven days of the release.

#### **No cost or damages arising from seizure to be recoverable**

34. No person shall, in any proceedings before any court in respect of any book of account of wages, register, financial statement or other document seized in the exercise or the purported exercise of any power conferred under this Act, be entitled to the costs of such proceedings or to any damages or other relief unless such seizure was made without reasonable cause.

**Obstruction to exercise of powers by enforcement officer**

35. Any person who—

- (a) refuses any enforcement officer access to any premises which the enforcement officer is entitled to have under this Act or in the execution of any duty imposed or power conferred by this Act;
- (b) assaults, obstructs, hinders or delays any enforcement officer in effecting any entry which the enforcement officer is entitled to effect under this Act, or in the execution of any duty imposed or power conferred by this Act; or
- (c) refuses any enforcement officer any information relating to an offence or suspected offence under this Act or any other information which may reasonably be required of him and which he has in his knowledge or power to give,

commits an offence.

**Powers to require the production of book of account of wages, etc.**

36. (1) An enforcement officer in carrying out an investigation under this Part may require any person whom he believes to be acquainted with the facts and circumstance of the case—

- (a) to produce to the enforcement officer, any book of account of wages, register, financial statement or other document whether in physical form or in electronic medium; and
- (b) to make copies of, or extracts from any book of account of wages, register, financial statement or other document and to produce copies or extracts of such documents, as the case may be, to the enforcement officer.

(2) Any person who refuses or fails to comply with the direction made by the enforcement officer under this section commits an offence.

**Enforcement officer may retain documents**

37. (1) The enforcement officer may take and retain, for as long as is necessary, possession of any document obtained under this Part.

(2) The person who provided the document is entitled to be supplied, as soon as practicable, with a copy certified by the enforcement officer to be a true copy of the document.

(3) Notwithstanding the provisions of any other written law, the certified copy of the document shall be admissible as evidence as if it were the original document.

(4) If the enforcement officer is satisfied that the retaining of the document is no longer necessary, the enforcement officer may return the document to the person who provided the document as soon as practicable.

**Access to records**

38. (1) A person shall, if at any time directed by an enforcement officer, allow the enforcement officer to have access to his book of account of wages, register, financial statement or other document for the purposes of carrying out any of the enforcement officer's powers under this Act.

(2) Any person who fails to comply with the direction made by the enforcement officer under subsection (1) commits an offence.

**Power to require attendance of persons acquainted with case**

39. (1) An enforcement officer making an investigation under this Act may, by order in writing, require the attendance before himself of any person who appears to the enforcement officer to be acquainted with the facts and circumstances of the case, and such person shall attend as so required.

(2) If any person refuses or fails to attend as so required, the enforcement officer may report such refusal or failure to a Magistrate who shall issue a summons to secure the attendance of such person as may be required by the order made under subsection (1).

**Examination of persons acquainted with case**

40. (1) An enforcement officer making an investigation under this Act may examine orally any person supposed to be acquainted with the facts and circumstances of the case and shall reduce into writing any statement made by the person so examined.

(2) Such person shall be bound to answer all questions relating to the case put to him by the enforcement officer:

Provided that such person may refuse to answer any question the answer to which would have a tendency to expose him to a criminal charge or penalty or forfeiture.

(3) A person making a statement under this section shall be legally bound to state the truth, whether or not such statement is made wholly or partly in answer to questions.

(4) The enforcement officer examining a person under subsection (1) shall first inform that person of the provisions of subsections (2) and (3).

(5) A statement made by any person under this section shall, whenever possible, be taken down in writing and signed by the person making it or affixed with his thumb print, as the case may be, after it has been read to him in the language in which he made it and after he has been given an opportunity to make any corrections he may wish.

**Admission of statements in evidence**

41. (1) Except as provided in this section, no statement made by any person to an enforcement officer in the course of an investigation made under this Act shall be used in evidence.

(2) When any witness is called for the prosecution or for the defence, other than the accused, the court shall, on the request of the accused or the prosecutor, refer to any statement made by that witness to the enforcement officer in the course of the investigation under this Act and may then, if the court thinks fit in the interest of justice, direct the accused to be furnished with a copy of it and the statement may be used to impeach the credit of the witness in the manner provided by the Evidence Act 1950 [Act 56].



(3) Where the accused had made a statement during the course of an investigation, such statement may be admitted in evidence in support of his defence during the course of the trial.

(4) Nothing in this section shall be deemed to apply to any statement made in the course of an identification parade or falling within section 27 or paragraphs 32(1)(a), (i) and (j) of the Evidence Act 1950.

(5) When any person is charged with an offence in relation to—

(a) the making; or

(b) the contents,

of any statement made by him to an enforcement officer in the course of an investigation made under this Act, that statement may be used as evidence in the prosecution's case.

#### **Admissibility of documents, etc.**

42. (1) For the purpose of any proceedings under this Act, an enforcement officer may prepare a report which consists of the following:

(a) the difference between the minimum wages rates as specified in the minimum wages order and the basic wages paid by the employer to the employee, including the outstanding differences;

(b) other payments accrued from the calculation of wages based on the basic wages which shall be in accordance with the minimum wages rates as specified in the minimum wages order; and

(c) other matters relating to the employer, employee and contract of service.

(2) The report prepared under subsection (1) and any documents issued by the employer to the employee indicating the payment of wages shall be *prima facie* evidence in any proceedings under this Act.

## PART V

## OFFENCES AND PENALTIES

**Offence**

43. An employer who fails to pay the basic wages as specified in the minimum wages order to his employees commits an offence and shall, on conviction, be liable to a fine of not more than ten thousand ringgit for each employee.

**Court order**

44. (1) Where the employer has been convicted of an offence under section 43, the court before which he is convicted may order the employer to pay—

- (a) the difference between the minimum wages rate as specified in the minimum wages order and the basic wages paid by the employer to the employee, including the outstanding differences; and
- (b) other payments accrued from the calculation of wages based on the basic wages which shall be in accordance with the minimum wages rates as specified in the minimum wages order.

(2) The calculation of the differences and other payments accrued under subsection (1) shall be made in accordance with the Employment Act 1955, Sabah Labour Ordinance or Sarawak Labour Ordinance, as the case may be.

(3) Where an employer fails to comply with an order made under subsection (1), the court shall, on the application of the employee, issue a warrant to levy the employer's property for the differences and other payments accrued under subsection (1) in the following manner:

- (a) by way of distress and sale of the employer's property in accordance with the same procedure of execution under the Subordinate Courts Rules 1980 [P.U. (A) 328/80] and this execution shall apply *mutatis mutandis* notwithstanding the amount in the order; or
- (b) in the same manner as a fine as provided under section 283 of the Criminal Procedure Code [Act 593].

**General penalty**

45. Any person who commits an offence under this Act for which no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding ten thousand ringgit.

**Penalty in the case of a continuing offence**

46. Any person convicted of an offence under this Act shall, in the case of a continuing offence, be liable, in addition to any other penalty to which he is liable under this Act in respect of such offence, to a daily fine not exceeding one thousand ringgit for each day the offence continues after conviction.

**Penalty in the case of a repeated offence**

47. Any person convicted of an offence under this Act shall, in the case of a repeated offence, be liable to a fine not exceeding twenty thousand ringgit or to imprisonment for a term not exceeding five years.

PART VI

GENERAL

**Responsibility of employer for offences committed by members of board of directors, etc.**

48. (1) Where an offence against any provision of this Act has been committed by a person who at the time of the commission of the offence was—

- (a) a member of the board of directors;
- (b) an officer;
- (c) an employee; or
- (d) an agent,

of the employer, the employer shall be deemed to have also committed that offence.

(2) In a prosecution against an employer under subsection (1), by virtue of an offence committed by—

- (a) a member of the board of directors;
- (b) an officer;
- (c) an employee; or
- (d) an agent,

of the employer, it shall be a defence for any employer prosecuted under subsection (1) if the employer proves—

- (A) that the offence was committed without the knowledge, consent or connivance of the employer; and
- (B) that the employer has taken all reasonable precautions and exercised all due diligence to prevent the commission of the offence as the employer sought to have taken and exercised, having regard to the nature of the functions of the member of the board of directors, officer, employee or agent in that capacity and to all the circumstances.

#### **Offences by body corporate, etc.**

**49.** If an employer who is a body corporate, partnership or society commits an offence under this Act—

- (a) in the case of a body corporate, any person who at the time of the commission of the offence was a director, manager, secretary or other similar officer of the body corporate;
- (b) in the case of a partnership, every partner in the partnership at the time of the commission of the offence; or
- (c) in the case of a society, every office-bearer of the society at the time of the commission of the offence,

may be charged severally or jointly in the same proceedings with the body corporate, partnership or society and if the body corporate, partnership or society is found to have committed the

offence, shall be deemed to have committed that offence unless, having regard to the nature of his functions in that capacity and to all circumstances, he proves—

- (A) that the offence was committed without his knowledge, consent or connivance; and
- (B) that he had taken all reasonable precautions and exercised due diligence to prevent the commission of the offence.

### **Public Authorities Protection Act 1948**

**50.** The Public Authorities Protection Act 1948 [*Act 198*] shall apply to any action, suit, prosecution or proceedings against the Director General or any member of the Council or committee or any enforcement officer in respect of any act, neglect or default done or omitted by him in such capacity.

### **Public servant**

**51.** The Director General or any member of the Council or committee or any enforcement officer while discharging his duty or performing his functions or exercising his powers under this Act in such capacity shall be deemed to be a public servant within the meaning of the Penal Code [*Act 574*].

### **Protection against suits and legal proceedings**

**52.** No action, suit, prosecution or any other proceeding shall lie or be brought, instituted or maintained in any court against—

- (a) the Government;
- (b) the Minister;
- (c) the Director General;
- (d) any member of the Council or committee; or
- (e) any person lawfully acting on behalf of the Council,

in respect of any act, neglect or default done or omitted by him or it in good faith, in such capacity.

**Protection of informers**

53. (1) Except as provided in subsections (2) and (3), no witness in any civil or criminal proceedings pursuant to this Act shall be obliged or permitted to disclose the name or address of any informer or the substance and nature of the information received from him or state any matter which might lead to his discovery.

(2) If any book of account of wages, register, financial statement or other document which is in evidence or is liable to inspection in any civil or criminal proceedings whatsoever contains any entry in which any informer is named or described or which might lead to his discovery, the court shall cause all such entries to be concealed from view or to be obliterated in so far as may be necessary to protect the informer from discovery.

(3) If in a trial for any offence under this Act the court, after full inquiry into the case, is of the opinion that the informer willfully made in his complaint a material statement which he knew or believed to be false or did not believe to be true, or if in any other proceedings the court is of the opinion that justice cannot be fully done between the parties in the proceeding without the discovery of the informer, the court may require the production of the original complaint, if in writing, and permit an inquiry and require full disclosure concerning the informer.

**Obligations of secrecy**

54. (1) Except for any of the purposes of this Act or for the purposes of any civil or criminal proceedings under any written law, or as approved by the Minister—

- (a) no member of the Council or committee, or officer of the Council, while he serves as chairman, member or officer, shall disclose any information which has been obtained by him in the course of his duties; and
- (b) no other person who, by any means, has access to any information or documents relating to the affairs of the Council shall disclose such information or documents.

(2) Any person who contravenes subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding ten thousand ringgit or to imprisonment for a term not exceeding two years or to both.

**Prosecution**

**55.** No prosecution for an offence under this Act shall be instituted except by or with the written consent of the Public Prosecutor.

**Compounding of offences**

**56.** (1) The Director General may, with the consent in writing of the Public Prosecutor, compound any offence committed by any person under this Act and prescribed to be a compoundable offence by making a written offer to the person suspected to have committed the offence to compound the offence upon payment to the Director General of an amount of money not exceeding fifty per centum of the amount of maximum fine for that offence within such time as may be specified in his written offer.

(2) An offer under subsection (1) may be made at any time after the offence has been committed but before any prosecution for it has been instituted, and if the amount specified in the offer is not paid within the time specified in the offer or such extended time as the Director General may grant, prosecution for the offence may be instituted at any time after that against the person to whom the offer was made.

(3) Where an offence has been compounded under subsection (1), no prosecution shall be instituted in respect of the offence against the person to whom the offer to compound was made, and any book of account of wages, register, financial statement or other document seized in connection with the offence may be released or forfeited by the Director General, subject to such terms and conditions as he thinks fit to impose in accordance with the conditions of the compound.

**Power to make regulations**

**57.** The Minister may make such regulations as may be necessary and expedient for the purpose of carrying into effect the provisions of this Act.

**Repeal and dissolution**

**58.** (1) The Wages Council Act 1947 [Act 195] ("the repealed Act") is repealed.

(2) All wages councils established under the repealed Act are dissolved.

**Savings**

**59.** (1) Any wages council order made under the repealed Act shall continue in force until it is revoked or replaced by the minimum wages order made by the Minister under this Act.

(2) All rules, regulations, orders, notices, forms, directions and letters of authorization made, issued or given under the repealed Act shall, in so far as the rules, regulations, orders, notices, forms, directions and letters of authorization are consistent with this Act, continue in force until it is revoked or replaced by this Act.

(3) Any inquiry, trial or proceedings done, taken or commenced under the repealed Act immediately before the commencement of this Act shall be continued and concluded under and in accordance with the provisions of the repealed Act.

**References**

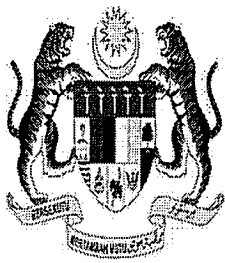
**60.** All references to the repealed Act in any written law or document shall be construed as references to this Act.

**Things done in anticipation of the enactment of this Act**

**61.** All acts and things done by any person in preparation for or in anticipation of the enactment of this Act and any expenditure incurred in relation thereto shall be deemed to have been authorized under this Act, provided that the acts and things done are consistent with the general intention and purposes of this Act, and all rights and obligations acquired or incurred as a result of the doing of those acts or things, including any expenditure incurred in relation thereto, shall on the coming into operation of this Act be deemed to be the rights and obligations of the Council.







22 September 2011  
22 September 2011  
P.U. (B) 507

WARTA KERAJAAN PERSEKUTUAN

*FEDERAL GOVERNMENT  
GAZETTE*

PENETAPAN TARIKH PERMULAAN KUAT KUASA

*APPOINTMENT OF DATE OF COMING INTO OPERATION*



DISIARKAN OLEH/  
PUBLISHED BY  
JABATAN PEGUAM NEGARA/  
*ATTORNEY GENERAL'S CHAMBERS*

AKTA MAJLIS PERUNDINGAN GAJI NEGARA 2011  
PENETAPAN TARIKH PERMULAAN KUAT KUASA

PADA menjalankan kuasa yang diberikan oleh subseksyen 1(2) Akta Majlis Perundingan Gaji Negara 2011 [Akta 732], Menteri menetapkan 23 September 2011 sebagai tarikh Akta itu mula berkuat kuasa.

Bertarikh 15 September 2011  
[KSM/PUU/T/01/20 JLD.2; PN(U<sup>2</sup>)2796/IV]

DATUK DR. SUBRAMANIAM A/L K.V. SATHASIVAM  
*Menteri Sumber Manusia*

NATIONAL WAGES CONSULTATIVE COUNCIL ACT 2011  
APPOINTMENT OF DATE OF COMING INTO OPERATION

IN exercise of the powers conferred by subsection 1(2) of the National Wages Consultative Council Act 2011 [Act 732], the Minister appoints 23 September 2011 as the date on which the Act comes into operation.

Dated 15 September 2011  
[KSM/PUU/T/01/20 JLD.2; PN(U<sup>2</sup>)2796/IV]

DATUK DR. SUBRAMANIAM A/L K.V. SATHASIVAM  
*Minister of Human Resources*

## Appendix for Chapter 3



**QUESTIONNAIRE ON MINIMUM WAGE AND EMPLOYMENT :  
PERSPECTIVES AND IMPLICATIONS FOR THE MALAYSIAN HOTEL AND TOURISM INDUSTRY.**

This is a PhD research on the subject of Human resource Management and Industrial relations. This concerns an analysis of the human resource and industrial relations implications of the introduction of a national minimum wage in the hotel and tourism sector. The study will gather the perspectives of employers, employees, government and trade union representatives.

**EXPLANATIONS**

**What will happen to your data?**

Your data will be treated with the strictest confidentiality; They will be used only for the purpose of this study and presented in anonymous or aggregated fashion. A disregard of these principles would not only violate the requirements of scientific rectitude/honesty, but also the ethic of our institute

**Can you be informed of the results of the survey ?**

You can check at the end of the questionnaire if you want a copy of the abstract of the findings. This provides you with an exclusive overview of the status of the minimum wage implication in Malaysia.

**INQUIRY**

Please note on the questionnaire queries or remarks you wish to make.  
Should you require further clarification about the survey, please contact :

Idaya Husna Mohd  
Flinders Business School  
Flinders University,  
GPO Box 2100  
Adelaide, South Australia  
Telephone : 08 8201 2603  
Fax : 08 8201 2644

E-mail :

[mohd0072@flinders.edu.au](mailto:mohd0072@flinders.edu.au) or [ardwerkz@yahoo.com](mailto:ardwerkz@yahoo.com)

**PART A – Description of Hotel**

**The following questions are designed to obtain the background information about the hotels participating in this survey.**

**INSTRUCTION: Please Tick ( / ) in the appropriate boxes.**

1. Location \_\_\_\_\_

- 2. Chain
  - Local Chain
  - International Chain
  - National Chain

3. Star Rating

- 5 star
- 4 star
- 3 star
- 2 star

4. Size (Numbers of room available)

- Less than 100
- 101 - 350
- 351 - 550
- 551 - 750
- 751 - 950
- 951 and above

5. Current Employment ( in %)

- a. Approximate number of overall workers
- b. Percentage of Male workers
- c. Percentage of Female workers
- d. Percentage of full time staff
- e. Percentage of part time staff
- f. Temporary Staff
- g. Casual Staff
- h. Number if university / college Graduates Employed

<input type="checkbox"/>	Actual Number
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	
<input type="checkbox"/>	Actual Number

6. Ethnicity of workforce ( in %)

- Bumiputera
- Malay
- Other Bumiputera
- Chinese
- Indian
- Migrants
- Others
- Non-Citizen

**PART B – MINIMUM WAGE IN GENERAL & REACTION TO MINIMUM WAGES**

**The following questions are designed to obtain your general views about a Minimum Wage and your reactions towards if it were to be implemented in your organization**

***INSTRUCTION: Please tick ( / ) in the appropriate boxes.***

7. Do you know about the proposal for a Minimum Wage by the MTUC ( Malaysian Trade Union Congress)?

- Yes, I am very familiar with it
- I have heard a little bit about it
- No, I don't know

8. Do you agree with the proposal for a minimum wage for all workers in Malaysia

- Yes, Strongly Agree
- Agree
- Disagree
- Strongly Disagree

9. Do you agree with the proposal for a minimum wage for hotel workers in Malaysia.

- Yes, Strongly Agree
- Agree
- Disagree
- Strongly Disagree

10. What is your view about the amount of the proposed Minimum Wage RM 1200 ( basic salary of RM 900 + COLA (Cost of Living Allowance) of RM 300)

- Too high
- Sufficient
- Too low
- Should not be a minimum wage
- Suggestion minimum wage of RM \_\_\_\_\_

11. Should the minimum wage be implemented, my organization would.....

**INTRUCTION: Please complete the scale below for the reaction to Minimum Wage. Please circle at the number that best represents your view**

Strongly Agree	Agree	Disagree	Strongly Disagree
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1	2	3	4
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Strongly Agree	Agree	Disagree	Strongly Disagree
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		1	2	3	4
a	Reduce Staff	1	2	3	4
b	Employ more young staff ( 18-21)	1	2	3	4
c	Use more part timers to replace full time and part time workers	1	2	3	4
d	Replace older workers with young workers	1	2	3	4
e	Replace permanent with temporary increase casual workers	1	2	3	4
f	Increase casual workers	1	2	3	4
g	Reduce training	1	2	3	4
h	Cut annual holidays	1	2	3	4
i	Cut overtime premium	1	2	3	4
j	Introduce unpaid leave/breaks	1	2	3	4
k	Charge for staff meals	1	2	3	4
l	Raise charge for staff accommodation	1	2	3	4
m	Raise charges for staff transport	1	2	3	4
n	Increase the proportion of graduates	1	2	3	4
o	Use staffing agency	1	2	3	4
p	Increase the prices of room rates and other services	1	2	3	4
q	Use more technology	1	2	3	4

**PART C – CURRENT RATES OF PAY**

**The following question are designed to obtain the current rates of pay in your organization**

12. What are the current basic rates of monthly pay for the following jobs

***INSTRUCTION: Please fill in the box***

	RM		RM
a. F & B Supervisor		i. Bartender	
b. Front Office Supervisor		j. Cook	
c. Housekeeping Supervisor		k. Kitchen Helper	
d. Chef de Parte		l. Bellman	
e. Bell Captain		m. F&B Cashier	
f. Front office Assistant		n. Steward	
g. Reservation Assistant/clerk		o. Laundry Attendant	
h. Waiter/Waitress		p. Chambermaids	
		q. Kitchen Porters	

13. What are other benefits provided to your employees ? ( for example EPF ( employees Provident Fund), SOCSO ( Social Security Organization), Medical Benefits and others. Please list them below :

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14. Is the organization well prepared to comply with the changes should the minimum wages proposal be implemented?

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15. In your hotel, which of the following do you consider very important, somewhat important or unimportant?

**INSTRUCTION: Please complete the scale below for the reaction to Minimum Wage, Please circle at the number that best represents your view.**

		VERY IMPORTANT	SOMEWHAT	UNIMPORTANT	DON'T KNOW
a	The wages should be comparable with competitors	1	2	3	4
b	The wages should motivate employees	1	2	3	4
c	The wages should attract higher quality employees	1	2	3	4
d	The wages should retain good employees	1	2	3	4
e	The wages should reduce turnover of employees	1	2	3	4
f	The wages should increase productivity	1	2	3	4
g	The wages should maintain productivity	1	2	3	4
h	The wage should reflect increases in productivity since the last wage raise	1	2	3	4

**PART D – CONCLUSION**

**The following questions are to conclude the questionnaire**

***INSTRUCTION: Please tick ( / ) in the appropriate boxes.***

16. Which of the following best describe the extent to which the implementation of minimum wages will affect the current pay rates in your organization? ( Please tick one box)

- |                          |                         |
|--------------------------|-------------------------|
| <input type="checkbox"/> | A major influence       |
| <input type="checkbox"/> | A moderate influence    |
| <input type="checkbox"/> | A minor Influence       |
| <input type="checkbox"/> | Not an influence at all |

Please use this space to expand /explain your answer if you would like to

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17. Which of the following best describe the extent to which the implementation of minimum wages will reduce the workforce in your organization? ( Please tick one box)

- |                          |                         |
|--------------------------|-------------------------|
| <input type="checkbox"/> | A major reduction       |
| <input type="checkbox"/> | A moderate reduction    |
| <input type="checkbox"/> | A minor reduction       |
| <input type="checkbox"/> | Not an influence at all |

Please use this space to expand /explain your answer if you would like to

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18. Which of the following best describe the extent to which the implementation of minimum wages will reduce other compensations and benefits in your organization? (Please tick one box)

- A major reduction
- A moderate reduction
- A minor reduction
- Not an influence at all

Please state which benefit would be the reduce ?

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**PART E – THE GENERAL COMMENTS**

19. If you have any thoughts, feedback or comments that may be relevant but are not covered in this study, please use the space below.

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20. Please affix your business card here or enter your particulars below if you would like to have a copy of the abstract’s findings of this study.

**THANK YOU FOR YOUR PARTICIPATION  
YOUR CONTRIBUTION TO THIS  
RESEARCH IS GREATLY APPRECIATED**

THANK YOU



**A QUESTIONNAIRE ON MINIMUM WAGES AND EMPLOYMENT :  
PERSPECTIVES AND IMPLICATIONS FOR THE MALAYSIAN HOTEL AND TOURISM  
INDUSTRY.**

This survey is part of a PhD research project and is concerned with the human resource and industrial relations implications of the introduction of a minimum wage in the hotel and tourism sector. The results of a previous survey of hotel employers in Kuala Lumpur indicated that the introduction of a minimum wage for this sector would prompt them to seek productivity gains. This questionnaire seeks the hotel employees' views on minimum wages and also information about other aspects of their employment including the scope for increased productivity.

**EXPLANATIONS**

**What will happen to your data?**

Your data will be treated with the strictest confidentiality; it will be used only for the purpose of this study and presented in anonymous or aggregated form. This research is conducted with the consent and approval of the ethics committee of Flinders University.

**Can you be informed of the results of the survey?**

If you need to have the summary of the findings of this survey, please furnish your contact details in the tear off strip at the end of the questionnaire.

**INQUIRY**

Please note on the questionnaire any queries or remarks you wish to make.  
Should you require further clarification about the survey, please contact :

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Flinders Business School  
Flinders University,  
GPO Box 2100  
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## **PART A – MINIMUM WAGE IN GENERAL / GAJI MINIMA SECARA UMUM**

The following questions are designed to seek your views about the idea of a minimum wage.

*Soalan-soalan seperti di bawah adalah untuk mendapatkan pendapat anda tentang gaji minima.*

**Instruction :** Please tick ( / ) in the appropriate boxes.

*Arahan : Sila tandakan (/) di dalam kotak.*

1. Have you heard about the proposal for a national minimum wage for Malaysian workers?

*Pernah kah anda mendengar tentang cadangan mengenai gaji minima untuk pekerja di Malaysia?*

Yes / Ya

I have heard a little bit about it / *Saya tahu serba sedikit mengenainya*

No/Tidak

2. Do you agree with the proposal for a national minimum wage for all workers in Malaysia ?

*Adakah anda setuju dengan cadangan untuk mengadakan gaji minima nasional untuk semua pekerja di Malaysia*

Strongly Agree /Sangat Setuju

Agree / Setuju

Neutral / *Neutral(Berkecuali)*

Disagree/Tidak Setuju

Strongly Disagree / *Sangat Tidak Setuju*

I don't know / *Saya Tidak tahu*

3. It has been proposed that hotel workers should get a minimum wage of RM 575/ month.

Do you agree that this amount is adequate?

*Jumlah gaji minima telah di cadangkan dalam anggaran RM 575 sebulan, adakah anda bersetuju bahawa jumlah yang di cadangkan ini adalah berpatutan?*

Strongly Agree /Sangat Setuju

Agree / Setuju

Neutral / *Neutral (Berkecuali)*

Disagree/Tidak Setuju

Strongly Disagree / *Sangat Tidak Setuju*

I don't know / *Saya Tidak tahu*

**PART B – CURRENT PAY RATES / KADAR GAJI TERKINI**

The following questions ask for information about your current wages.

*Soalan-soalan seperti di bawah adalah untuk mendapatkan maklumat latar belakang tentang system gaji yang anda diterima.*

**Instruction :** Please fill in the blanks and please tick ( / ) in the appropriate boxes.

**Arahan :** Sila isi kan ruang kosong dan sila tandakan ( / ) di dalam kotak yang bersesuaian.

4. Please describe how your monthly pay is currently worked out.

*Sila terangkan tentang gaji yang anda terima sekarang.*

e.g.	Basic pay	RM xxx
	Service points	RM xxx
	others, please specify	RM xxx
	Total take home pay	<u>RM xxx</u>

5. Other than EPF(KWSP), SOCSO and Medical Benefits given by the employer, do you also receive :

*Selain dari EPF ( KWSP), SOCSO dan faedah perubatan, anda juga menerima :*

You can tick more than one box

*Anda boleh menandakan lebih dari satu*

**a. Non-monetary benefits /Faedah bukan berbentuk kewangan**

**i. Basic Benefits /Faedah asas**

- Free meals / *Makan percuma*
- Free uniforms / *Pakaian seragam percuma*
- Free accommodation / *Tempat tinggal percuma*
- Free transport / *Pengangkutan percuma*
- Free laundry / *Dobi percuma*
- Intensive training / *Latihan intensif*

**ii. Leaves /Cuti**

- Public holidays / *Cuti umum*
- Annual leave / *Cuti tahunan*
- Medical leave / *Cuti sakit*
- Maternity & paternity leave / *Cuti bersalin*
- Matrimony leave / *Cuti berkahwin*
- Bereavement leave / *Cuti kehilangan*
- Exam leave / *Cuti peperiksaan*
- Unpaid leave / *Cuti tanpa gaji*

**iii.Allowances /Elaun**

- Meals / *Makanan*
- Uniform/*Pakaian seragam*
- Accommodation / *Tempat tinggal*
- Transport /*Pengangkutan*
- Laundry/*Dobi*
- Handphone/*Telefon bimbit*
- Entertainment / *Hiburan*
- Mileage / *Perjalanan*
- Overnight shift / *shif semalaman*
- Split shift /*Shif berasingan*

**iv.Others/lain-lain**

- Sports Club/*Kelab sukan*
  - Discount on hotel products /*Diskaun produk hotel*
  - Discount on hotel rooms/*Diskaun bilik hotel*
  - Company Trip/*Percutian syarikat*
  - Awards & recognition/*Anugerah pencapaian*  
(e.g. long service / *Khidmat cemerlang*)
  - Others , Please specify / *lain lain, sila nyatakan :*
- 

**b.Monetary Benefits /Faedah berbentuk kewangan**

- Contractual bonus /*Bonus kontrak*
- Performance bonus/*Bonus pencapaian*
- Yearly salary increment/*Kenaikan gaji tahunan*
- Staff loans /*Pinjaman pekerja*
- Cash donations (e.g. death in family)/ *Bantuan kewangan*
- Cost of living allowance/*Kos sara hidup*
- Insurance/*Insurans*

6.Which of the following benefits do you think would be better paid in cash ?  
*Faedah yang manakah bagi anda sepatutnya di terima dalam bentuk wang?*

You can tick more than once  
*Anda boleh menandakan lebih dari satu*

**a.Non-monetary benefits /Faedah bukan berbentuk kewangan**

**i.Basic Benefits/*Faedah asas***

- Free meals / *Makan percuma*
- Free uniforms/*Pakaian seragam percuma*
- Free accommodation /*Tempat tinggal percuma*
- Free transport/*Pengangkutan percuma*
- Free laundry/*Dobi percuma*
- Intensive training/*Latihan intensif*

**ii.Leaves/*Cuti***

- Public holidays/*Cuti umum*
- Annual leave /*Cuti tahunan*
- Medical leave/*Cuti sakit*
- Maternity & paternity leave /*Cuti bersalin*
- Matrimony leave/*Cuti berkahwin*
- Bereavement leave/*Cuti kehilangan*
- Exam leave /*Cuti peperiksaan*
- Unpaid leave/*Cuti tanpa gaji*

**iii. Allowances /Elaun**

- Meals / *Makanan*
- Uniform/*Pakaian seragam*
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- Transport /*Pengangkutan*
- Laundry/*Dobi*
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- Entertainment / *Hiburan*
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- Sports Club/*Kelab sukan*
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  - Company Trip/*Percutian syarikat*
  - Awards & recognition/*Anugerah pencapaian*  
(e.g. long service / *khidmat cemerlang*)
  - Others , Please specify / *lain lain, sila nyatakan :*
- 

**b. Monetary Benefits /Faedah berbentuk kewangan**

- Contractual bonus /*Bonus kontrak*
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- Yearly salary increment/*Kenaikan gaji tahunan*
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- Cash donations (e.g. death in family)/ *bantuan kewangan*
- Cost of living allowance/*kos sara hidup*
- Insurance/*insurans*

7.If the minimum wage is set at a higher level, would you agree if the service point system being stop?  
*Sekiranya gaji minimum di tetapkan pada kadar yang lebih tinggi, adakah anda bersetuju sekiranya sistem 'service point' ini di hentikan?*

- Strongly Agree /*Sangat Setuju*
- Agree / *Setuju*
- Neutral / *Neutral (Berkecuali)*
- Disagree/*Tidak Setuju*
- Strongly Disagree / *Sangat Tidak Setuju*
- I don't know / *Saya Tidak tahu*

8.Other than EPF ( KWSP), what percent of your pay goes to your savings ?  
*Selain dari EPF ( KWSP), berapa peratuskan dari gaji anda di simpan di dalam akaun simpanan?*

- 20% and above / *20% keatas*
- 10%
- 5%
- less than 5 % / *kurang dari 5%*
- I use up all my monthly salary / *Saya menggunakan kesemua gaji bulanan saya*



9.To What extent do you agree with the following statement?  
*Sejauh manakah anda bersetuju dengan kenyataan berikut?*

I am fairly compensated for the work I do  
*Saya menerima gaji setimpal dengan kerja yang saya lakukan*

- Strongly Agree /Sangat Setuju
- Agree / *Setuju*
- Neutral / *Neutral (Berkecuali)*
- Disagree/*Tidak Setuju*
- Strongly Disagree / *Sangat Tidak Setuju*
- I don't know / *Saya Tidak tahu*

10.To What extent do you agree with the following statement?  
*Sejauh manakah anda bersetuju dengan kenyataan berikut?*

The company's benefits program/system meets my needs  
*Program/Sistem faedah yang di sediakan oleh syarikat ini memenuhi keperluan saya*

- Strongly Agree /Sangat Setuju
- Agree / *Setuju*
- Neutral / *Neutral (Berkecuali)*
- Disagree/*Tidak Setuju*
- Strongly Disagree / *Sangat Tidak Setuju*
- I don't know / *Saya Tidak tahu*

11.To What extent do you agree with the following statement?  
*Sejauh manakah anda bersetuju dengan kenyataan berikut?*

The company's benefit program/system is competitive with others in the industry  
*Program/sistem faedah yang di sediakan oleh syarikat ini kompetatif dgn syarikat lain di dalam industri ini*

- Strongly Agree /Sangat Setuju
- Agree / *Setuju*
- Neutral / *Neutral (Berkecuali)*
- Disagree/*Tidak Setuju*
- Strongly Disagree / *Sangat Tidak Setuju*
- I don't know / *Saya Tidak tahu*

12. Overall, what do you think about the rewards you receive from doing your job?

*Secara keseluruhannya, faedah yang di terima adalah?*

- Below expectation / Di bawah tahap puas hati
- Meets expectation/ Puas hati
- Above expectation/Sangat berpuas hati
- Not sure /Tidak pasti

**PART C – LEVEL OF WORK & WORK LOAD / TAHAP KERJA & BEBAN KERJA**

The following questions seek information about your work load and level of work.

*Soalan-soalan seperti di bawah adalah berkenaan tahap kerja serta beban kerja anda.*

**Instruction :** Please tick ( / ) in the appropriate boxes.

**Arahan :** Sila tandakan ( / ) di dalam kotak yang bersesuaian.

13. To what extent do you agree with this statement?

*Sejauh manakah anda bersetuju dengan kenyataan berikut?*

My job requirements are clear  
*Tugasan kerja saya adalah sangat di fahami*

- Strongly Agree /Sangat Setuju
- Agree / Setuju
- Neutral / Neutral (Berkecuali)
- Disagree/Tidak Setuju
- Strongly Disagree / Sangat Tidak Setuju
- I don't know / Saya Tidak tahu

14. Is there any encouragement at your workplace for you to perform at your best?

*Adakah anda di beri galakan supaya dapat menjalankan kerja anda di tahap yang terbaik*

- Ya / Ya
- No/Tidak

15. The following best describes how I feel about my workload :

*Kenyataan berikut menerangkan perasaan saya terhadap beban kerja saya :*

- I feel overworked / Saya terlebih bekerja
- My workload is about right / memadai
- I feel underworked/ Saya kurang kerja

16. Does the service points system encourage you to perform better in your work?

*Adakah sistem "service point" di dalam gaji anda membuatkan anda terdorong untuk bekerja dengan baik?*

- Ya / Ya
- No/Tidak

17. Do you agree with the following statements?  
*Sejauh manakah anda bersetuju dengan kenyataan berikut?*

The wages I receive should reflect my productivity level  
*Gaji yang anda terima sepatutnya menggambarkan tahap produktiviti kerja anda*

<input type="checkbox"/>	Ya / Ya
<input type="checkbox"/>	No/Tidak

18. If wages are increased I would be willing to work harder  
*Sekiranya Gaji saya di naikkan, saya sanggup bekerja dgn lebih keras?*

<input type="checkbox"/>	Ya / Ya
<input type="checkbox"/>	No/Tidak

19. Annual wage increases should be linked to productivity improvements :  
*Kenaikan gaji tahunan sepatutnya dikaitkan dgn peningkatan produktiviti :*

<input type="checkbox"/>	Ya / Ya
<input type="checkbox"/>	No/Tidak

20. Can you please describe how productivity can be measured in your work e.g. number of rooms serviced per hour?  
*Bolehkan anda nyatakan bagaimanakan produktiviti kerja anda dapat di ukur? Contoh ; jumlah bilik atau orang yang di layan.*

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21. Which of these factors positively influence your productivity?

*Yang manakah diantara faktor-faktor di bawah yang mempengaruhi produktiviti kerja saya?*

*You can tick more than once.*

*Anda boleh menandakan lebih dari satu.*

- Work environment/Suasana kerja
- Work culture / cara kerja
- Pay / gaji
- Bonus / Bonus
- Service Points / 'service points'
- Job Scope / Skop kerja
- Technology /
- Training / latihan
- Fellow employees/ Rakan sekerja
- Others, please specify /Lain -lain, sila nyatakan :

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**PART D – MOTVATION, TRAINING & PERFORMANCE / MOTIVASI DAN LATIHAN**

To what extent do you agree with the following statements concerning motivation, training and performance management?

*Kenyataan di bawah adalah mengenai tahap motivasi kerja dan pengurusan prestasi anda*

**Instruction** : Please circle in the appropriate boxes.

**Arahan** : Sila bulatkan nombor di dalam kotak yang bersesuaian.

	<b>Strongly Agree</b> <i>Sangat setuju</i>	<b>Agree</b> <i>Setuju</i>	<b>Disagree</b> <i>Tidak Setuju</i>	<b>Strongly Disagree</b> <i>Sangat tidak setuju</i>	<b>Don't know</b> <i>Tidak tahu</i>
22.If I do good job, I will be rewarded <i>Sekiranya saya melakukan kerja dgn baik, saya akan di beri penghargaan</i>	1	2	3	4	5
23.My work conditions are good <i>Suasana kerja saya adalah baik</i>	1	2	3	4	5
24.I am interested in my job <i>Saya berminat dengan kerja yang saya</i>	1	2	3	4	5
25.I have the resources I need to do my job <i>Saya mempunyai sumber yang cukup untuk menjalankan kerja saya</i>	1	2	3	4	5
26.I feel motivated to do my job <i>Saya amat bermotivasi utk melakukan kerja saya</i>	1	2	3	4	5
27.An increase in my wage will motivate me to perform better <i>Kenaikan (Peningkatan) gaji dapat mendorong saya utk bekerja dgn lebih baik.</i>	1	2	3	4	5
28.The organization motivates me to work better <i>Organisasi ini mendorong saya untuk bekerja dgn lebih baik</i>	1	2	3	4	5
29.My current wage motivates me to work hard <i>Gaji yg di terima saya sekarang mendorong saya bekerja dgn lebih baik</i>	1	2	3	4	5
30.I need more training <i>Saya masih memerlukan latihan</i>	1	2	3	4	5
31.The organization tries to create an exciting work environment. <i>Organisasi ini cuba mewujudkan suasana kerja yang ceria dan menarik</i>	1	2	3	4	5
32.The organization encourages employees to share ideas and suggestions <i>Organisasi ini menggalakkan pekerja berkongsi idea dan cadangan</i>	1	2	3	4	5
33.The organization encourages creativity, innovation and continuous improvement <i>Organisasi ini menggalakkan kreativiti, inovasi dan peningkatan berlanjutan</i>	1	2	3	4	5
34.The organization gives employees the opportunity to provide feedback to management	1	2	3	4	5

<i>Organisasi ini menggalakkan pekerja utk memberikan tindak balas kepada pihak menguruskan</i>					
35.This organization communicates regularly with its employees <i>Organisasi ini berkomunikasi secara tetap dgn pekerja</i>	1	2	3	4	5
36.This organization monitors employees' satisfaction and makes changes when necessary to improve it <i>Organisasi ini memantau tahap kepuasan hati pekerja dan membuat pindaan yang bersesuaian</i>	1	2	3	4	5
37.I am satisfied with the training opportunities provided by this organisation <i>Saya berpuas hati dgn peluan peluang latihan yang di sediakan oleh organisasi ini</i>	1	2	3	4	5
38.This organization recognizes personal milestones(e.g. new baby, weddings, promotions) <i>Organisasi ini prihatin terhadap peristiwa peribadi pekerja (e.g. kelahiran bayi, perkahwinan, kenaikan pangkat dll)</i>	1	2	3	4	5
39.I am motivated to see the organization succeed <i>Saya ingin melihat organisasi ini berjaya</i>	1	2	3	4	5
40.The organization communicates progress towards goals to employees <i>Organisasi ini menjelaskan sesuatu kejayaan/ pencapaian kepada pekerja</i>	1	2	3	4	5
41.Employee recognition is based on a fair and useful performance evaluation system <i>Penganugerahan pekerja di jalankan berdasarkan sistem penilaian prestasi yang adil</i>	1	2	3	4	5
42.The organization highlights exceptional performance and hard work through employee awards and recognition ceremonies <i>Organisasi ini mengutamakan penganugerahan prestasi keatas pekerja</i>	1	2	3	4	5

**PART E – JOB SECURITY / JAMINAN PEKERJAAN**

The following questions are designed to obtain your view about your job security

*Soalan soalan di bawah ini adalah mengenai pendapat anda tentang jaminan pekerjaan anda*

**Instruction** : please tick ( / ) in the appropriate boxes.

**Arahan** : sila tandakan (/) di dalam kotak yang bersesuaian.

43. How important is job security to you:

*Sejauh manakaha jaminan kerja itu penting bagi anda:*

- Very important / *Sangat penting*
- Quite important / *Agak penting*
- Not very important / *Tidak berapa penting*
- Not important at all / *Tidak penting langsung*

44. On the scale below, how secure do you feel working in this organization

*Melalui skala di bawah, sila nyatakan sejauh manakah anda rasa pekerjaan anda terjamin*

- |                          |   |                          |    |
|--------------------------|---|--------------------------|----|
| <input type="checkbox"/> | 1 | <input type="checkbox"/> | 6  |
| <input type="checkbox"/> | 2 | <input type="checkbox"/> | 7  |
| <input type="checkbox"/> | 3 | <input type="checkbox"/> | 8  |
| <input type="checkbox"/> | 4 | <input type="checkbox"/> | 9  |
| <input type="checkbox"/> | 5 | <input type="checkbox"/> | 10 |

45. Do you intend to leave the organisation should there be a better opportunity ?

*Adakah anda bercadang untuk meninggalkan pekerjaan anda di organisasi ini sekiranya terdapat peluang pekerjaan yang lebih bagus?*

- Ya / *Ya*
- No / *Tidak*

46. Have you changed employers in the past 6 months?

*Adakah sering anda menukar pekerjaan sejak 6 bulan kebelakangan ini?*

- Ya / *Ya*
- No / *Tidak*

47. If yes, please give the main reason why you have changed employers in the past 6 months

*Sekiranya ya, sila terangkan sebab sebab pertukaran kerja?*

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**PART F – FLEXIBILITY & WORK - LIFE BALANCE / FLEKSIBIITI, KESEIMBANGAN KERJA & KEHIDUPAN**

To what extent do you agree with the following statements about flexibility and balancing work and life?

*Sejauh manakah anda bersetuju dengan kenyataan mengenai tahap fleksibiliti dan keseimbangan kerja dengan kehidupan anda.*

**Instruction :** Please circle in the appropriate boxes.

**Arahan :** Sila bulatkan nombor di dalam kotak yang bersesuaian.

	<b>Strongly Agree</b> <i>Sangat setuju</i>	<b>Agree</b> <i>Setuju</i>	<b>Disagree</b> <i>Tidak Setuju</i>	<b>Strongly Disagree</b> <i>Sangat tidak setuju</i>	<b>Don't know</b> <i>Tidak tahu</i>
48.This organization encourages me to participate in determining my job responsibilities <i>Organisasi ini menggalakkan saya untuk melibatkan diri di dalam menentukan tugas tugas kerja saya</i>	1	2	3	4	5
49.This organization recognizes the balance between my work and my personal time <i>Organisasi ini mementingkan keseimbangan di antara kerja dan masa selepas kerja saya</i>	1	2	3	4	5
50.This organization adequately helps me to balance between work and personal time <i>Organisasi ini membantu saya dgn sebaiknya utk mengimbangi masa kerja dan masa selepas kerja saya</i>	1	2	3	4	5
51.There is good variety in my work <i>Saya mempunyai pelbagai tugas</i>	1	2	3	4	5
52.The organization provides adequate time off <i>Organisasi ini memberikan saya masa rehat secukupnya</i>	1	2	3	4	5
53.I have the opportunity to work in more than one role in this organization <i>Saya di beri peluang untuk melakukan pelbagai tugas di dalam organisasi ini</i>	1	2	3	4	5
54.I feel stressed in my work <i>Saya berasa tertekan dgn kerja saya</i>	1	2	3	4	5
55.My career advancement is possible in this organization <i>Peluang untuk saya mengembangkan karier saya di organisasi ini adalah cerah</i>	1	2	3	4	5



**PART G – ABOUT YOU / TENTANG ANDA**

Finally, would you please provide some information about yourself?

*Akhir sekali, bolehkan anda menerangkan serba sedikit tentang diri anda?*

**Instruction** : Please tick ( / ) in the appropriate boxes.

**Arahan** : Sila tandakan (/) di dalam kotak.

56. Where is your hotel located/ Lokasi Hotel anda bekerja : \_\_\_\_\_

57. You are :

*Anda ialah seorang :*

- Male/Lelaki  
 Female/Wanita

58. Which age group best describe you ?

*Anda berumur ?*

- 18-25  
 26-32  
 33-40  
 41-47  
 48-54  
 54 and above

59. Are you ?

*Adakah anda ?*

- Single/Bujang  
 Married/Berkahwin  
 Divorced/Janda /Duda

60. Do you have children?

*Adakah anda mempunyai anak?*

- Ya / Ya  
 No/Tidak

61. Which is your highest level of education?

*Pendidikan tertinggi anda ialah?*

- PMR ( Penilaian Menengah Rendah)  
 SPM (Sijil Pelajaran Malaysia)  
 Diploma level / diploma  
 Degree level / ijazah

Others. Please Specify :

Lain-lain: Sila jelaskan \_\_\_\_\_

62. Length of service in this hotel :

*Jangkamasa bekerja di hotel ini :*

- less than 1 year / kurang dari setahun
- 1 - 2 years / 1 - 2 tahun
- 2 - 3 years / 2 - 3 tahun
- More than 3 years / 3 tahun ke atas

63. Which of the following best describes your main job in this organization?

*Yang manakah diantara berikut ialah pekerjaan anda di dalam organisasi ini?*

- |                          |                         |                          |                             |
|--------------------------|-------------------------|--------------------------|-----------------------------|
| <input type="checkbox"/> | F&B Supervisor          | <input type="checkbox"/> | Bartender                   |
| <input type="checkbox"/> | Front Office Supervisor | <input type="checkbox"/> | Cook                        |
| <input type="checkbox"/> | Housekeeping supervisor | <input type="checkbox"/> | Kitchen helper              |
| <input type="checkbox"/> | Chef De Parte           | <input type="checkbox"/> | Bellman                     |
| <input type="checkbox"/> | Bell Captain            | <input type="checkbox"/> | F&B Cashier                 |
| <input type="checkbox"/> | Front office Assistant  | <input type="checkbox"/> | Steward                     |
| <input type="checkbox"/> | Reservation Clerk       | <input type="checkbox"/> | Laundry attendant           |
| <input type="checkbox"/> | Chambermaids            | <input type="checkbox"/> | Kitchen porter              |
|                          |                         | <input type="checkbox"/> | other, Please specify :     |
|                          |                         |                          | Lain lain , Sila nyatakan : |
- 

64. Are you a Trade Union Member?

*Adakah anda Ahli kesatuan sekerja ?*

- Ya / Ya
- No/Tidak

65. Is your employment contract :

*Kontrak pekerjaan anda adalah :*

- Full time / sepenuh masa
- part time / kerja sambilan
- agency / melalui agensi pekerjaan
- Casual / Mengikut keperluan

66. Is your employment contract :

*Kontrak pekerjaan anda ialah :*

- Permanent / Kerja tetap  
 Temporary / Sambilan

67. Do you have previous hotel working experience?

*Adakah anda mempunyai pengalaman bekerja di hotel lain ?*

- Ya / *Ya*  
 No/*Tidak*

**THANK YOU FOR YOUR PARTICIPATION**  
***TERIMA KASIH DIATAS PENYERTAAN ANDA***



**Flinders**  
UNIVERSITY

Flinders Business School  
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## LETTER OF INTRODUCTION

Dear Sir/Madam/Name

This letter is to introduce Idaya Husna Mohd who is a PhD student in Flinders Business School, Faculty of Social Science at Flinders University. She will produce her student card, which carries a photograph, as proof of identity.

She is undertaking research leading to the production of a thesis on the subject of Human Resource Management and Industrial Relations concerning an analysis of the human resource and industrial relations implications of the introduction of a national minimum wage in the hotel and tourism sector. The study will gather the perspectives of employers, employees, government and trade union representatives.

She would be most grateful if you would volunteer to assist in this project, by granting an interview and completing a questionnaire which covers certain aspects of this topic. No more than 2 hours on one occasion would be required.

Be assured that any information provided will be treated in the strictest confidence and none of the participants will be individually identifiable in the resulting thesis, report or other publications. You are, of course, entirely free to discontinue your participation at any time or to decline to answer particular questions.

Since she intend to make a tape recording of the interview, she will seek your consent, on the attached form, to record the interview, to use the recording or a transcription in preparing the thesis, report or other publications, on condition that your name or identity is not revealed and that the recording will not be made available to any other person. It may be necessary to make the recording available to secretarial assistants for transcription, in which case you may be assured that such persons will be advised of the requirement that your name or identity not be revealed and that the confidentiality of the material is respected and maintained.

Any enquiries you may have concerning this project should be directed to me at the address given above or by telephone on 08 8201 2603, fax 08 8201 2644 or e-mail marian.whitaker@flinders.edu.au

Thank you for your attention and assistance.

Yours sincerely

Marian Whitaker  
Senior Lecturer in  
Human Resource Management  
Flinders Business School

*This research project has been approved by the Flinders University Social and Behavioural Research Ethics Committee. For more information regarding ethical approval of the project the Secretary of the Committee can be contacted by telephone on 8201 5962, by fax on 8201 2035 or by email sandy.huxtable@flinders.edu.au.*

## Appendix for Chapter 4

### Section 1: Profile of the participating organizations

Table A4.1: Hotel Location

	Frequency	Percent
Kuala Lumpur	10	20.0
Selangor	8	16.0
Pulau Pinang	6	12.0
Negri Sembilan	3	6.0
Pahang	3	6.0
Kedah	5	10.0
Malacca	3	6.0
Terengganu	2	4.0
Perak	1	2.0
Johor	3	6.0
Putrajaya	1	2.0
Sabah	2	4.0
Sarawak	2	4.0
Kelantan	1	2.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

Table A4.2: Hotel Type

		Frequency	Percent
Valid	Independent Chain	18	36.0
	International Chain	26	52.0
	National Chain	6	12.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>

Table A4.3: Hotel Star Rating

		Frequency	Percent
Valid	5 star	18	36.0
	4 star	10	20.0
	3 star	21	42.0
	not yet rated*	1	2.0
	<b>Total</b>	<b>50</b>	<b>100.0</b>

\* State Government owned hotel

Table A4.4: Number of Rooms

		Frequency	Percent
Valid	less than 100	2	4.0
	101-350	30	60.0
	351-550	11	22.0
	551-750	6	12.0
	751-950	1	2.0
Total		50	100.0

Table A4.5: Respondents' knowledge of the MTUC's proposal

		Frequency	Percent
Valid	Very familiar	13	26.0
	A little bit	32	64.0
	Don't know	5	10.0
Total		50	100.0

Table A4.6: Reduction of staff

		Frequency	Percent
	Agree	5	10.0
	Disagree	33	66.0
	strongly disagree	12	24.0
Total		50	100.0

Table A4.7: Replacement of permanent workers

		Frequency	Percent
	Agree	5	10.0
	Disagree	28	56.0
	Strongly Disagree	17	34.0
Total		50	100.0

Table A4.8: Intention to employ more young staff (between 18-21 years old)

	<b>Frequency</b>	<b>Percent</b>
Strongly Agree	2	4.0
Agree	12	24.0
Disagree	25	50.0
Strongly disagree	11	22.0
Total	50	100.0

Table A4.9: Intention to hire more part-time workers

	<b>Frequency</b>	<b>Percent</b>
Agree	8	16.0
Disagree	24	48.0
Strongly disagree	18	36.0
Total	50	100.0

Table A4.10: Intention to increase casual workers

	<b>Frequency</b>	<b>Percent</b>
Agree	9	18.0
Disagree	27	54.0
Strongly disagree	14	28.0
Total	50	100.0

**Table A4.11: Intentions to cut annual holidays**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative percent</b>
Disagree	29	58.0	58.0
Strongly disagree	21	42.0	100.0
Total	50	100.0	

**Table A4.12: Intentions to charge for accommodation**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative percent</b>
Agree	5	10.0	10.0
Disagree	25	50.0	60.0
Strongly disagree	20	40.0	100.0
Total	50	100.0	

**Table A4.13: Intentions to charge for transportation**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative percent</b>
Agree	7	14.0	14.0
Disagree	25	50.0	64.0
Strongly disagree	18	36.0	100.0
Total	50	100.0	

**Table A4.14: Intentions to charge for meals**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative percent</b>
Disagree	28	56.0	56.0
Strongly disagree	22	44.0	100.0
Total	50	100.0	



Table A4.15: Labour turnover rates for organisations R1-R32

<u>No</u>	<u>State</u>	<u>Chain</u>	<u>Star</u>	<u>Previous</u>	<u>Current</u>	<u>Anticipated</u>
			<u>rating</u>	<u>Yr (%)</u>	<u>Yr (%)</u>	<u>Yr (%)</u>
1	Selangor	International	5 stars	50	40	30
2	Kuala Lumpur	International	4 stars	-	-	-
3	Kuala Lumpur	International	4 stars	60	35	40
4	Kuala Lumpur	local	not yet	40	20	20
5	Kuala Lumpur	local	3 stars	-	-	-
6	Selangor	local	3 stars	60	50	lower
7	Selangor	local	3 stars	-	-	-
8	Kuala Lumpur	International	5 stars	-	-	-
9	Kuala Lumpur	International	4 stars	60	40	lower
10	Selangor	International	5 stars	20	20	lower
11	Negri Sembilan	local	3 stars	-	-	-
12	Pulau Pinang	National	3 stars	60	50	lower
13	Malacca	International	5 stars	60	60	lower
14	Pahang	local	3 stars	-	-	-
15	Pahang	International	5 stars	-	-	-
16	Pulau Pinang	International	5 stars	-	-	-
17	Kuala Lumpur	International	5 stars	-	-	-
18	Kedah	International	5 stars	-	-	-
19	Kuala Lumpur	International	3 stars	30	20	lower
20	Johor	International	3 stars	-	-	-
21	Selangor	local	4 stars	-	-	-
22	Kuala Lumpur	International	5 stars	30	20	20
23	Kuala Lumpur	International	5 stars	-	-	-
24	Kedah	National	5 stars	10	10	10
25	Malacca	local	3 stars	40	40	35
26	Kedah	National	5 stars	20	20	lower
27	Pahang	local	3 stars	50	40	30
28	Sabah	International	4 stars	30	30	lower
29	Pulau Pinang	local	3 stars	-	-	-
30	Sabah	local	5 stars	10	10	5
31	Selangor	National	3 stars	60	60	lower
32	Pulau Pinang	International	4 stars	40	30	20

Table 4.15: Labour turnover rates for organisations R33-R50 (Con't)

<u>No</u>	<u>State</u>	<u>Chain</u>	<u>Star</u>	<u>Previous</u>	<u>Current</u>	<u>Anticipated</u>
			<u>rating</u>	<u>Yr (%)</u>	<u>Yr (%)</u>	<u>Yr (%)</u>
33	Selangor	International	4 stars	50	40	30
34	Selangor	National	3 stars	-	-	-
35	Negri Sembilan	International	4 stars	-	-	-
36	Negri Sembilan	local	3 stars	60	60	40
37	Kedah	local	3 stars	-	-	-
38	Terengganu	local	3 stars	70	lower	lower
39	Terengganu	International	5 stars	-	-	-
40	Perak	International	4 stars	-	-	-
41	Kelantan	local	3 stars	-	-	-
42	Putrajaya	International	5 stars	50	50	40
43	Johor	local	3 stars	40	40	35
44	Johor	local	3 stars	70	lower	lower
45	Sarawak	International	4 stars	60	60	40
46	Sarawak	local	3 stars	70	60	50
47	Pulau Pinang	International	5 stars	50	50	lower
48	Malacca	International	5 stars	50	40	30
49	Pulau Pinang	local	3 stars	80	60	50
50	Kedah	International	4 stars	60	60	40



The anticipated effect of MW implementation on current pay rate according to hotel's star rating and states

star rating		Location														Total
		Kuala Lumpur	Selangor	Penang	Negri Sembilan	Pahang	Kedah/ Langkawi	Malacca	Terengganu	Perak	Johor	Putrajaya	Sabah	Sarawak	Kelantan	
5 star	Extent of MW implementation	A major influence	1	2	0		1	0	0	0		0				4
	will affect current pay rate	A moderate influence	2	0	0		0	0	1	0		0				3
		A minor influence	1	1	2		0	0	1	0		0				5
		Not an influence at all	1	0	0		0	3	0	1		1				6
	<b>Total</b>		5	3	2		1	3	2	1		1				18
4 star	Extent of MW implementation	A major influence	2	1	1	1		1			0		0	1		7
	will affect current pay rate	A moderate influence	0	1	0	0		0			0		1	0		2
		Not an influence at all	0	0	0	0		0			1		0	0		1
		<b>Total</b>		2	2	1	1		1		1		1	1		10
3 star	Extent of MW implementation	A major influence	1	3	2	1	2	0	0	1		0	0	1	0	11
	will affect current pay rate	A moderate influence	1	0	1	0	0	1	1	0		3	1	0	0	8
		A minor influence	0	0	0	0	0	0	0	0		0	0	0	1	1
		Not an influence at all	0	0	0	1	0	0	0	0		0	0	0	0	1
	<b>Total</b>		2	3	3	2	2	1	1	1	3	1	1	1	21	
not yet	Extent of MW implementation will affect current pay rate	Not an influence at all	1													1
	<b>Total</b>		1													1
Total	Extent of MW implementation	A major influence	4	6	3	2	3	1	0	1	0	0	0	2	0	22
	will affect current pay rate	A moderate influence	3	1	1	0	0	1	2	0	0	3	2	0	0	13
		A minor influence	1	1	2	0	0	0	1	0	0	0	0	0	1	6
		Not an influence at all	2	0	0	1	0	3	0	1	1	0	1	0	0	9
	<b>Total</b>		10	8	6	3	3	5	3	2	1	3	2	2	1	50

The anticipated effect of MW implementation on workforce according to hotel's star rating and states

Star Rating			Location													Total
			Kuala Lumpur	Selangor	Penang	Negri Sembilan	Pahang	Kedah/ Langkawi	Malacca	Terengganu	Perak	Johor	Putrajaya	Sabah	Sarawak	
5 star	MW implementation will reduce workforce in organization	A major reduction	0	1	0		0	0	0	0		0				1
		A moderate reduction	2	0	1		1	0	1	0		0				5
		A minor reduction	1	1	1		0	0	1	0		1				5
		Not an influence at all	2	1	0		0	3	0	1		0				7
	Total		5	3	2		1	3	2	1		1				18
4 star	MW implementation will reduce workforce in organization	A major reduction	1	1	0	1		0			0		0	0		3
		A moderate reduction	0	1	0	0		1			0		0	1		3
		A minor reduction	1	0	1	0		0			0		0	0		2
		Not an influence at all	0	0	0	0		0			1		1	0		2
	Total		2	2	1	1		1			1		1	1		10
3 star	MW implementation will reduce workforce in organization	A major reduction	0	0	1	1	0	0	0	0	0	0	0	0	0	2
		A moderate reduction	1	3	1	0	1	1	1	1	1	2	0	1	0	12
		A minor reduction	0	0	1	0	1	0	0	0	0	1	0	0	1	4
		Not an influence at all	1	0	0	1	0	0	0	0	0	0	1	0	0	3
	Total		2	3	3	2	2	1	1	1	1	3	1	1	1	21
not yet	MW implementation will reduce workforce in organization	A minor reduction	1													1
Total		1														1
Total	MW implementation will reduce workforce in organization	A major reduction	1	2	1	2	0	0	0	0	0	0	0	0	0	6
		A moderate reduction	3	4	2	0	2	2	2	1	0	2	0	2	0	20
		A minor reduction	3	1	3	0	1	0	1	0	0	1	1	0	1	12
		Not an influence at all	3	1	0	1	0	3	0	1	1	0	0	2	0	12
	Total		10	8	6	3	3	5	3	2	1	3	1	2	2	1

The anticipated effect of MW implementation on benefits according to hotel's star rating and states

star rating			Location													Total		
			Kuala Lumpur	Selangor	Penang	Negri Sembilan	Pahang	Kedah/ Langkawi	Malacca	Terengganu	Perak	Johor	Putrajaya	Sabah	Sarawak		Kelantan	
5 star	MW implementation will reduce benefits	a major reduction a moderate reduction a minor reduction Not an influence at all	0 2 1 2	1 0 0 2	0 0 0 2		0 0 1 0	0 0 0 3	0 0 0 2	0 0 0 1		0 0 0 1				1 2 2 13		
	Total		5	3	2		1	3	2	1		1					18	
	4 star	MW implementation will reduce benefits	a major reduction a moderate reduction a minor reduction Not an influence at all	0 1 1 0	0 1 0 1	0 0 0 1	1 0 0 0		0 0 1 0		0 0 0 1		0 0 0 1	0 0 1 1	0 0 1 0			1 2 3 4
		Total		2	2	1	1		1		1		1	1	1	1		10
		3 star	MW implementation will reduce benefits	a major reduction a moderate reduction a minor reduction Not an influence at all	0 1 0 1	0 2 0 1	0 0 0 3	1 0 0 1	0 0 1 1	0 1 0 0	0 0 1 1	0 0 1 0	0 0 0 3	0 0 0 1	0 0 1 0	0 0 1 0	0 0 1 0	
Total			2	3	3	2	2	1	1	1	3	1	1	1	1		21	
not yet			MW implementation will reduce benefits	Not an influence at all	1													
	Total		1														1	
	Total		MW implementation will reduce benefits	a major reduction a moderate reduction a minor reduction Not an influence at all	0 4 2 4	1 3 0 4	0 0 0 6	2 0 0 1	0 0 2 1	0 1 1 3	0 0 0 3	0 0 1 1	0 0 0 3	0 0 0 1	0 0 0 2	0 0 2 0	0 0 1 0	
Total		10	8	6	3	3	5	3	2	1	3	1	2	2	1	50		

anticipated effect of MW implementation on current pay rate, workforce reduction and benefits according to hotel's star rating and states

## Appendix for Chapter 5

### Section 1: A5.0 – A5.17

A5.0: Questionnaires distribution according to hotel star rating.

Item	No. of Questionnaires
Total Questionnaires distributed	1500
3 Stars	600
4 Stars	400
5 Stars	500
Questionnaires returned	810
3 Stars	446
4 Stars	162
5 Stars	202
Incomplete questionnaires	None
Usable questionnaires	810
Response Rate	54%

### A5.1: Profile of Respondents

Demographic	Categories	Percentage (%)
1.Stars	3 Stars	55
	4 Stars	20
	5 Stars	25
2.Hotel Location	Kuala Lumpur	15
	Selangor	10
	Penang	13
	Negri Sembilan	3
	Pahang	8
	Kedah/Langkawi	12
	Melaka	8
	Terengganu	4
	Perak	5
	Johor	5
	Sabah	9
	Sarawak	7
Kelantan	2	
3.Gender	Male	48
	Female	52
4.Age group	18-25 years old	27
	26-32 years old	36
	33-40 years old	20
	41-47 years old	9
	48-54 years old	7
	>54 years old	1



A5.1: Profile of Respondents (Con't)

<b>Demographic</b>	<b>Categories</b>	<b>Percentage (%)</b>
<b>5.Marital Status</b>	Single	45
	Married	51
	Divorced	4
<b>7.Length of Service</b>	less than 1 year	16
	1-2 year	26
	2-3 year	20
	More than 3 years	38
<b>8.Employment contract</b>	Full time	95
	Part time	3
	Agency	0
	Casual	2
<b>9. Highest education Level</b>	PMR*	9
	SPM**	41
	STPM***	1
	Certificate	11
	Diploma	25
	Degree	13
<b>10.Respondents' Job</b>	F&B Supervisor	9
	Front Office supervisor	5
	Housekeeping supervisor	6
	Chef de Parte	4
	Bell Captain	3
	Front Office Assistant	9
	Reservation clerk	6
	Chambermaids	8
	Bartender	1
	Cook	4
	Kitchen helper	4
	Bellman	2
	F&b chashier	4
	Steward	2
	Laundry attendant	1
	Kitchen porter	2
	Maintenance	8
	Waiter	6
	Operations	6
	Room valet	1
Operation supervisor	2	
Security	3	
Fitness assistant	4	

\*PMR (*Penilaian Menengah Rendah*) Lower Certificate of Education.

\*\*SPM (*Sijil Pelajaran Malaysia*) General Certificate of Secondary Education.

\*\*\*STPM (*Sijil Tinggi Pelajaran Malaysia*) High School Certificate of Education.

A5.1: Profile of Respondents (Con't)

Demographic	Categories	Percentage (%)
<b>13.Previous working Experience in the hotel Industry.</b>	yes	75
	no	25
<b>14.Trade Union Memberships</b>	yes	20
	no	80

A5.2: Employees' awareness of the proposal for a NMW in Malaysia

	Frequency	Percent	Cumulative Percent
Yes	423	52.2	52.2
Little bit about it	201	24.8	77.0
No	186	23.0	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	

A5.3: Support for the proposal of a NMW in Malaysia

	Frequency	Percent	Cumulative Percent
Strongly Agree	216	26.7	26.7
Agree	244	30.1	56.8
Neutral	244	30.1	86.9
Disagree	82	10.1	97.0
Strongly Disagree	24	3.0	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	

A5.4: Employees' support for the proposed amount of RM575

	Frequency	Percent	Cumulative Percent
Strongly agree	68	8.4	8.4
Agree	180	22.2	30.6
Neutral	208	25.7	56.3
Disagree	218	26.9	83.2
Strongly disagree	136	16.8	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	

A5.5: Productivity Measures from Respondents' perspectives

Themes	Frequencies	Percentage %
Efficiency	5	4.35
Timeliness	4	3.48
Able to solve customers' problems	2	1.74
Smooth operations	1	0.87
Meet requirements	5	4.35
Standard of work delivered	8	6.96
Courtesy	5	4.35
Sensitive to customers' needs	4	3.48
Doing more than what is expected	3	2.61
Speed	6	5.22
Efforts to improve self	2	1.74
Own efforts to give more	5	4.35
Rewards	11	9.57
Commitment	6	5.22
Compliments from customer	5	4.35
Positive feedback from customers	7	6.09
Decreases in complaints	9	7.83
Customer increases	2	1.74
Acknowledgement	6	5.22
Superiors' feedback	5	4.35
Follow job scope	4	3.48
Performance appraisals	10	8.70
<b>Total</b>	<b>115</b>	

A5.6: Responses to "I am fairly compensated for the work I do"

	Frequency	Percent
Valid Strongly agree	62	7.7
Agree	257	31.7
Neutral	167	20.6
Disagree	214	26.4
Strongly disagree	110	13.6
<b>Total</b>	<b>810</b>	<b>100.0</b>

A5.7: Non-Monetary Benefits received by respondents

**Non-Monetary Benefits**

<b>a. Basic Benefits</b>	<b>Frequency</b>	<b>%</b>
Free Meals	797	98%
Free Uniforms	777	95%
Free Accommodation	128	16%
Free Transport	531	65%
Free Laundry	609	75%
Training	796	98%
<b>b. Leave</b>	<b>Frequency</b>	<b>%</b>
Public Holidays	798	99%
Annual Leave	796	98%
Medical Leave	789	98%
Maternity Leave	734	91%
Matrimony Leave	736	91%
Bereavement Leave	626	77%
Exam Leave	400	49%
Unpaid Leave	690	85%
<b>c. Allowances</b>	<b>Frequency</b>	<b>%</b>
Meals	290	36%
Uniforms	241	30%
Accommodation	90	11%
Transport	210	26%
Laundry	235	30%
Mobile phone	168	20%
Entertainment	152	19%
Overnight Shifts	401	50%
Split Shifts	378	47%
<b>d. Others</b>	<b>Frequency</b>	<b>%</b>
Sports Clubs	240	30%
Discount on Hotel Products	451	56%
Discount on Hotel rooms	500	61%
Company Trips	164	20%
Awards and recognition	475	59%

A5.8: Monetary Benefits

Monetary Benefits	Frequency	%
Contractual Bonuses <sup>1</sup>	434	54%
Performance Bonuses	664	82%
Yearly Salary increments	629	78%
Staff Loans	412	51%
Cash Donations <sup>2</sup>	391	48%
Cost of Living allowance	262	33%
Insurance	495	61%

A5.9: Responses to “the company’s benefits program/system meets my needs”

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	24	3.0	3.0	3.0
Agree	256	31.6	31.6	34.6
Neutral	300	37.0	37.0	71.6
Disagree	187	23.1	23.1	94.7
Strongly disagree	43	5.3	5.3	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	<b>100.0</b>	

A5.10: Responses to “The company’s benefit program/system is competitive with others in the industry”

	Frequency	Percent	Cumulative Percent
Strongly agree	19	2.3	2.3
Agree	278	34.3	36.7
Neutral	294	36.3	73.0
Disagree	166	20.5	93.5
Strongly disagree	53	6.5	100.0
<b>Total</b>	<b>810</b>	<b>100.0</b>	

<sup>1</sup> Contractual bonuses are fixed bonuses given annually to the employees irrespective of individual performance.

<sup>2</sup> Cash donations are given to any employee or the employees’ family member whom are facing difficulties outside of work scope e.g. an employee or any family member who met an accident, or death of a family member.

## **Section 2 – Principle Component Analysis, Hierarchy Linear Modelling (HLM), Monte Carlo Test.**

As explained in chapter 3, Hierarchy Linear Modelling (HLM) is a technique that takes into account the similarities of observations for individuals and allows for a different number of observations for each individual. This subsection reports on the anticipated impact of the NMW on Motivation in the hotel industry.

Prior to conducting the HLM analysis on HLM 6.06, this study used 22 items from section D and F of the questionnaire to measure the impact of the minimum wage on human resource practices. Responses to these items were subjected to the rotated varimax computed on SPSS. The results met the criteria for a factor analysis, suggesting that a factor analysis could be carried out for both section D and F. 17 items in Section D and 5 items in Section F were subjected to Principle Components Analysis (PCA) using SPSS. Prior to performing PCA, the suitability of data for factor analysis was assessed. Correlation Matrix was inspected and it revealed the presence of many coefficients of .3 and above. The Kaiser-Meyer-Olkin (KMO) value for Section D and F was 0.89 and 0.82 respectively exceeding the recommended value of 0.6 (Kaiser,1974) and Bartlett's Test of sphericity (Bartlett,1954) reached statistical significance, supporting the factorability of the correlation matrix. Four factors in Section D were extracted with eigenvalues greater than 1.0 explaining 35%, 8.7%, 8.3% and 5.9% of the variance respectively through the PCA. To measure the number of factors to retain in the factor analysis, the Parallel Analysis (Watkins, 2000)<sup>3</sup> was used. Upon comparison with the results from SPSS (Total Variance Explained table as appended the appendix for chapter 5) the result of the Parallel Analysis showed only 3 components with eigenvalues exceeding the corresponding criterion values for a randomly generated data matrix of the same size (in this study 17 items x 810 respondents). 3 components explained a total of 52% of the variance with component 1, 2 and 3 contributing 34%, 9% and 8% respectively

As factor analysis is a data exploration technique, the interpretation and the use is decided by researcher's judgement according to the research context than statistical rules (Field, 2005; Pallant, 2010). The factors extracted in Section D were then re-labelled in to three categories as: motivation, organisational support (training and performance), rewards. For motivation, the factor analysis indicated six items measuring motivation (MOT). Two factors, training and performance, were renamed accordingly as organisational support (OS) based on the factor loadings. Two items were indicated in factoring Rewards. Finally, for Section F (work-life balance), only 3 items were retained

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<sup>3</sup> [http://www.allenandunwin.com/spss4/further\\_resources.html](http://www.allenandunwin.com/spss4/further_resources.html)

from the factor analysis. (The Pattern Matrix, Structure Matrix and Component Matrix of the Principle components analysis (PCA) are provided in the Appendix). The reliability test for each component was run and reported in Table 5.18.

**a. Aggregation procedures**

Given the degree of correlation among these variables, a series of hierarchical multiple regression analyses were conducted to examine the effects of organisational support, rewards (minimum wage) and work-life balance on employees’ motivation: such effects were investigated separately. A range of tests was used to confirm whether it made sense to aggregate the data assessed at the individual level (employees) (level 1) to the organisational level (hotels) (level 2). The suitability of the data for aggregation must first be assessed where the evidence for within-group inter-rater agreement must be evaluated using the mean  $r_{(WG)(j)}$  (James, Demaree and Wolf, 1984). The  $r_{(WG)(j)}$  value obtained in this study is 0.85 with Standard Deviation 0.03. This shows that it is appropriate to establish suitable levels of agreement within groups since the  $r_{(WG)(j)}$  value > 0.70 (Mathieu, Maynard, Taylor, Gilson and Ruddy, 2007).

One-way random effects ANOVA ( $F_{III}$ ), were used and the F values were found to be significant, thus indicating sufficient variance in the data due to groupings (motivation, organisational support, rewards (which include the minimum wage and service points) and work-life balance).

A5.11: Means, standard deviations, reliability and Pearson bivariate correlations

	<i>M</i>	<i>SD</i>	<i>α</i>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1. Organisational support (OS)	3.40	0.76	.86	1			
2. Rewards (R)	3.34	1.10	.78	.71**	1		
3. Work-Life Balance (WLB)	3.25	0.88	.74	.54**	.40**	1	
4. Motivation (MOT)	3.80	0.60	.77	.57**	.47**	.45**	1

Note. \*\*  $p < .01$ , \*\*\*  $p < 0.001$ .  $N = 810$

A5.11 above demonstrates the means, standard deviation, reliability and Pearson Bivariate correlations of each of the grouping (motivation, organisational support, rewards and work-life balance) at the individual level or level 1 (employees). Based on the table, a reliability analysis was conducted on the items (Organizational Support, Rewards, Work Life Balance ad Motivation) in the questionnaire to test the internal consistency of the measurement instrument as recommended by Nunnaly and Berstein (1994). For the purpose of this study, a minimum reliability (Chronbach’s Alpha ( $\alpha$ )) with the value of 0.6 was set. According to Nunnaly and Berstien (1994), an alpha of 0.7

is considered good, but any value exceeding 0.6 is acceptable. As shown in the table above, the Chronbach's Alphas for each items were higher than 0.6. The reliability for this study ranged from 0.74 to 0.86, thus indicating a good reliability scale. The magnitude of the correlations among organisational support (OS), rewards (R), work-life balance (WLB) and motivation (MOT) measures ranged from 0.45 to 0.71.

## **b. Hypotheses testing**

### **(i)The impact of MW as reward on Motivation**

Hierarchical linear modelling (HLM) was used to test the hypotheses, taking into account the nature of multilevel data— individuals within teams (in this study, employees (individuals) nested within hotels (organizations)). HLM 6.06 software (Raudenbush, Bryk, Cheong and Congdon, 2005) was used, where Level 2 represents hotel (organisation) data and Level 1 represents employees' (individual) data. The hypotheses proposed for this study are:

H1. Reward (MW) has a significant impact on Motivation.

H2. Organizational Support has a significant impact on Motivation.

H3. Reward is the mediator between the relationship of Organizational Support and on Motivation.

H4. Organizational Support has a significant impact on Reward.

In order to test Hypothesis 1, the first step taken is to test the cross-level effect (effect from the mean group to individuals) where motivation (MOT) was regressed on rewards (REWARD) (Model 1) using the HLM 6.06 software (Baron and Kenny, 1986; Zhang, Zyphur and Preacher, 2009). The HLM equations derived from the software were as follows. Equation (1) represents the correspondence between Motivation (MOT) and Reward (REWARD) to the level 1 (employees) evaluation while equation (2) and (3) represents the correspondence of Organizational Support (OS) in level 2 (hotel), as follows:

#### Hypothesis 1

Level-1 Model

$$MOT_{ij} = \beta 0j + \beta 1j*(REWARD_{ij}) + rij \quad (1)$$

Level-2 Model

$$\beta 0j = \gamma 00 + u0j \quad (2)$$

$$\beta 1j = \gamma 10 \quad (3)$$

Based on the equation above, the subscript  $i$  and  $j$  refers to level 1 (employees/individuals) and level 2 (hotels) respectively.  $\beta 0j$  is the intercept for Level 2 (hotels) ( $j$ ) while  $rij$  and  $u0j$  are the residuals for



level 1 and level 2 respectively. *The rij* is the random error associated with the employees (*i*) in hotels (*j*).

For Hypothesis 2, the same model was regressed; however, replacing reward (REWARD) with organisational support (OS) (model 2). The following equation (4) was derived. Equation (4) represents the correspondence between Motivation (MOT) to the level 1 (employees) evaluation while equation (5) represents the correspondence of Organizational Support (OS) in level 2 (hotel), as follows:

### Hypothesis 2

$$\begin{array}{l} \text{Level-1 Model} \\ MOT_{ij} = \beta_{0j} + rij \end{array} \quad (4)$$

$$\begin{array}{l} \text{Level-2 Model} \\ \beta_{0j} = \gamma_{00} + \gamma_{01}*(OS_j) + u_{0j} \end{array} \quad (5)$$

As mentioned above, the subscript *i* and *j* refers to level 1 (employees/individuals) and level 2 (hotels) respectively.  $\beta_{0j}$  is the intercept for Level 2 (hotels) (*j*) while *rij* and *u<sub>0j</sub>* are the residuals for level 1 and level 2 respectively. *Rij* is the random error associated with the employees (*i*) in hotels (*j*).

Motivation (MOT) was regressed on rewards and organisational support simultaneously (Model 3) to test the mediational effect in Hypothesis 3. In terms of multilevel mediation, test based on the model used in this study, both within or between group effect may be centred in a single mediation effect estimates:

### Hypothesis 3

$$\begin{array}{l} \text{Level-1 Model} \\ MOT_{ij} = \beta_{0j} + \beta_{1j}*(REWARD_{ij}) + rij \end{array} \quad (6)$$

$$\begin{array}{l} \text{Level-2 Model} \\ \beta_{0j} = \gamma_{00} + \gamma_{01}*(OS\_MEAN_j) + u_{0j} \end{array} \quad (7)$$

$$\beta_{1j} = \gamma_{10} \quad (8)$$

Finally for Hypothesis 4, rewards (REWARD) was regressed with organisational support (OS) (Model 4) and the HLM equation was as follows:

### Hypothesis 4

$$\begin{array}{l} \text{Level-1 Model} \\ REWARD_{ij} = \beta_{0j} + rij \end{array} \quad (9)$$

$$\begin{array}{l} \text{Level-2 Model} \\ \beta_{0j} = \gamma_{00} + \gamma_{01}*(OS\_MEAN_j) + u_{0j} \end{array} \quad (10)$$

To assess the mediation (in this study, rewards), Baron and Kenny's (1986) mediation steps were then followed. According to Baron and Kenny, mediation steps require the following: (i) a significant relationship between independent and outcome variables ( $X \rightarrow Y$ ), (ii) the independent measure is significantly associated with the mediator ( $X \rightarrow M$ ), (iii) the mediator is significantly associated with the dependent variables ( $M \rightarrow Y$ ); and finally; (iv) in order to establish full mediation, the effects of independent measures in step (iii) are reduced to zero. Where step (iv) is not met, only partial mediation is indicated.

To further justify its mediation status, the Monte Carlo test for mediation (Selig and Preacher, 2008)<sup>4</sup> was used instead of the Sobel test (Sobel, 1982) and Freedman and Schatzkin's test (Freedman and Schatzkin, 1992). Scholars have argued that the Monte Carlo test is a better test in terms of assessing mediation in multilevel models (MacKinnon, Lockwood and Williams, 2004), whilst the Sobel test and Freedman and Schatzkin's test on the effects of mediation are argued to be erroneous (Zhang, Zyphur and Preacher, 2009). The Monte Carlo test was run at 95% confidence intervals (CI) and 20,000 repetitions.

### ***(ii) The impact of WLB on Motivation***

In addition to looking at employees' anticipated responses to the introduction of a NMW, this study also tests on the prediction of the significant of work life balance and employees' motivation. A similar hypothesis testing was run for a second time, using similar variables, but with work-life balance (WLB) taken into consideration as a mediator replacing rewards. Questions about WLB were asked in section F in the employees' questionnaire. The reason for considering WLB is to test whether it has any significant effects on respondents' motivation. Similar hypotheses were proposed as additional hypothesis as follows:

H5. WLB has a significant impact on Motivation.

H6. Organizational Support has a significant impact on Motivation.

H7. WLB is the mediator between the relationship of Organizational Support and on Motivation.

H8. Organizational Support has a significant impact on WLB.

Similar to the previous hypothesis testing, the first step taken is to test the cross-level effect where motivation (MOT) was regressed on rewards (WLB) (Model 1) using the HLM 6.06 software (Baron

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<sup>4</sup> Monte Carlo method for assessing mediation, Kristhoper J. Preacher, 2013  
<http://www.quantpsy.org/medmc/medmc.htm>

and Kenny, 1986; Zhang, Zyphur and Preacher, 2009). The additional hypotheses testing were as follows.

For additional Hypothesis 5, equation (1) represents the correspondence between Motivation (MOT) and Work Life Balance (WLB) to the level 1 (employees) evaluation while equation (2) and (3) represents the correspondence of Organizational Support (OS) in level 2 (hotel). The additional hypothesis, Hypothesis 5 is as follows :

Hypothesis 5

$$\begin{aligned} &\text{Level-1 Model} \\ &MOT_{ij} = \beta_{0j} + \beta_{1j}*(WLB_{ij}) + r_{ij} \quad (1) \end{aligned}$$

$$\beta_{0j} = \gamma_{00} + u_{0j} \quad (2)$$

$$\beta_{1j} = \gamma_{10} \quad (3)$$

In the additional hypothesis, Hypothesis 6, motivation (MOT) and organisational support (OS) was tested (model 2). The following equation (3) was derived. Equation (3) represents the correspondence between Motivation (MOT) to the level 1 (employees) evaluation while equation (4) represents the correspondence of Organizational Support (OS) in level 2 (hotel), as follows ( OS → MOTIVATION):

Hypothesis 6

$$\begin{aligned} &\text{Level-1 Model} \\ &MOT_{ij} = \beta_{0j} + r_{ij} \quad (4) \end{aligned}$$

$$\begin{aligned} &\text{Level-2 Model} \\ &\beta_{0j} = \gamma_{00} + \gamma_{01}*(OS_j) + u_{0j} \quad (5) \end{aligned}$$

As mentioned above, the subscript *i* and *j* refers to level 1 (employees/individuals) and level 2 (hotels) respectively.  $\beta_{0j}$  is the intercept for Level 2 (hotels) (*j*) while *r<sub>ij</sub>* and *u<sub>0j</sub>* are the residuals for level 1 and level 2 respectively. *R<sub>ij</sub>* is the random error associated with the employees (*i*) in hotels (*j*).

In testing the additional Hypothesis 7, motivation (MOT) was regressed on rewards and organisational support simultaneously (Model 3). In terms of multilevel mediation, test based on the model used in this study, both within or between group effect may be centred in a single mediation effect estimates. The equation in Model 3 is derived as follows:

## Hypothesis 7

$$\begin{aligned} &\text{Level-1 Model} \\ &MOT_{ij} = \beta_{0j} + \beta_{1j}*(WLB_{ij}) + r_{ij} \end{aligned} \quad (6)$$

$$\begin{aligned} &\text{Level-2 Model} \\ &\beta_{0j} = \gamma_{00} + \gamma_{01}*(OS\_MEAN_j) + u_{0j} \quad (7) \\ &\beta_{1j} = \gamma_{10} \quad (8) \end{aligned}$$

In the fourth additional hypothesis, additional Hypothesis 8 was tested by regressing work life balance (WLB) with organisational support (OS) (Model 4) and the HLM equation was as follows:

## Hypothesis 8

$$\begin{aligned} &\text{Level-1 Model} \\ &WLB_{ij} = \beta_{0j} + r_{ij} \end{aligned} \quad (8)$$

$$\begin{aligned} &\text{Level-2 Model} \\ &\beta_{0j} = \gamma_{00} + \gamma_{01}*(OS\_MEAN_j) + u_{0j} \end{aligned} \quad (9)$$

Similar to the previous process of assessing the mediation, (in this case, WLB), Baron and Kenny's (1986) mediation steps were followed.

### **c. Results**

#### **(i)The impact of MW as reward on Motivation**

##### Model 1

In accordance to Hypothesis 1, the result is as follows. Hypothesis 1 predicted that Reward (Minimum Wage) would have a significant impact on employees' motivation. The result shows that Reward (MW) is significantly associated with Motivation ( $\beta = 0.24$ ,  $SE = 0.02$ ,  $t = 9.94$ ,  $p < 0.001$ ) for lower level (Level 1) analysis which accord Hypothesis 1. Based on the coefficient and standard error in the final estimation of fixed effects above, Model 1 is illustrated as below.

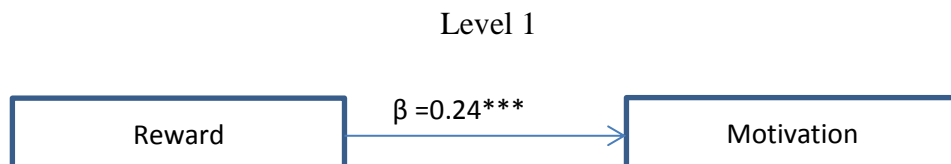


Figure A5.0 Model 1( REWARD → MOTIVATION)

## Model 2

Similar to Hypothesis 1, Hypothesis 2 predicted that organizational support (OS)(level -2) has a significant impact on Motivation (MOT) (level-1). In this cross level analysis, the result shows that OS (level-2) is significantly associated with Motivation (Level 1) ( $\gamma = 0.50$ ,  $SE = 0.05$ ,  $t = 9.39$ ,  $p < 0.001$ ) supporting hypothesis 2. Based on the coefficient and standard error in the final estimation of fixed effects derived from the HLM 6.0 software above, Model 2 is illustrated as below:

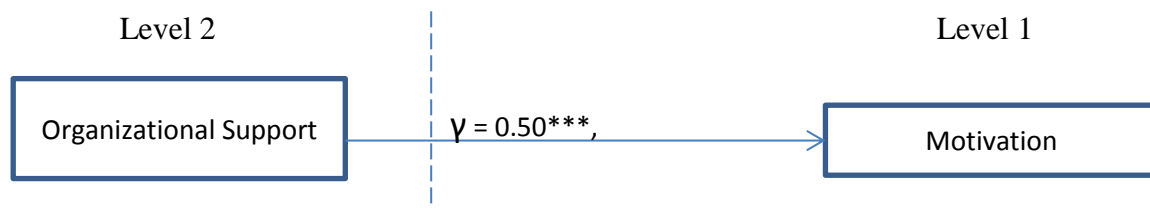


Figure A5.1 Model 2 ( OS → MOTIVATION)

## Model 3

Hypothesis 3 predicted that rewards (REWARD) and Organizational Support (OS) both have a significant impact on Motivation (MOT) (OS →REWARD→MOTIVATION). Based on the coefficient and standard error in the final estimation of fixed effects derived from the HLM 6.0 software, the result for (REWARD→MOTIVATION) shows significant impact ( $\beta = 0.24$ ,  $SE = 0.02$ ,  $t = 9.42$ ,  $p < 0.001$ ). Considering Rewards at Level 1, based on the model, the effect of Organizational Support on Motivation has reduced in magnitude to ( $\gamma = 0.26$ ,  $SE = 0.02$ ,  $t = 9.42$ ,  $p < 0.001$ ). At the same time, Reward is still considered as statistically significant predictor of the outcome as shown in Model 3 in figure A5.2 below. This result supports hypothesis 3 even though the relationship between OS and Motivation has reduced in magnitude.

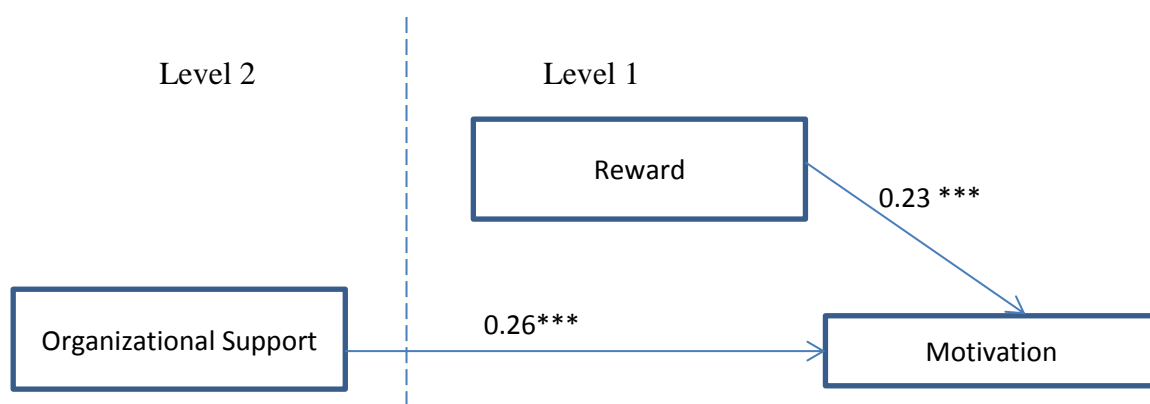


Figure A5.2 Model 3 (OS →REWARD→MOTIVATION)

Model 4

Finally, Hypothesis 4 states that Organizational Support (OS) has a significant relationship with Rewards (REWARD). The results shows that the relationship between OS and reward is significant ( $\gamma = 0.48, SE = 0.02, t = 9.42, p < 0.001$ ) which supports hypothesis 4. Model 4 is as follows:

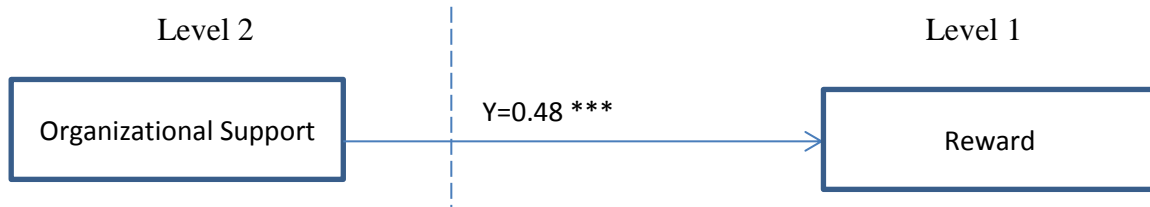


Figure A5.3 Model 4 ( OS → REWARD)

Table 5.20 below further provide the cross level effects of OS on rewards and Motivation. From the table, rewards and organisational support have significant influence on motivation ( model 1 and model 2 respectively). As shown in model 4, OS also has significant influence on the rewards system. In model 3, OS (independent variable), through rewards, has significant influence on motivation (dependent variable). As explained in chapter 3, Mediation is a hypothesized causal chain in which one variable affects a second variable that, in turn, affects a third. Therefore, this accords with hypothesis 3 where the intervening variable (Reward), is the mediator where it “mediates” the relationship between a predictor, (X), and an outcome (Y). A5.13 as below

A5.13: The HLM cross-level effects of cross level effects of organisational support, rewards and motivation.

	Dependent variables			
	Motivation	Motivation	Motivation	Reward
Model	1	2	3	4
Lower-level effects				
Rewards	0.24(0.02)**		.23(0.02)**	
Cross-level effects				
Organisational Support		.50(0.05)**	.26(0.05)**	0.48 (0.04)**

Note: N = 810 individuals, 47 organisations, \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . The first value is the parameter estimate, and value in parenthesis is the standard error.

Based on the results above, the result of mediation steps by Baron and Kenny (1986) are as follows: (i) a significant relationship between independent and outcome variables ( $X \rightarrow Y$ ), based on the results of this study, Organizational support (OS) is significantly related to motivation (MOT); (ii) the independent measure is significantly associated with the mediator ( $X \rightarrow M$ ), for example, in this study, the results show that the Organizational Support (OS) is significantly related to the mediator (M) in which is rewards (Reward); (iii) the mediator is significantly associated with the dependent variables ( $M \rightarrow Y$ ); reward is significantly related to motivation controlling the organisational support and finally; (iv) in order to establish full mediation, the effects of independent measures in step (iii) are reduced to zero. Where step (iv) is not met, only partial mediation is indicated.

According to the results of the Monte Carlo's test ran on the website, the lower level and the upper level showed a positive, significant figure and do not contain zero (95% confidence Interval (CI), Lower Level (LL) 0.180, Upper Level (UL) 0.293, does not contain zero) (Idris, Dollard, Coward and Dormann, 2012). In other words, if the lower level (LL) showed a positive figure, then the upper level (UL) should be positive, then only it will be considered as significant. However, if one of the levels consists of negative number, then it is considered to contain zero thus making the result insignificant. The result derived from the Monte Carlo test clearly shows that it does not contain zero. Therefore the mediating factor is significant (The Monte Carlo test is appended in section 5).

Both the HLM and the Monte Carlo test results show that rewards as a mediator have a significant influence on employees' motivation. This shows that, any increase or decrease in rewards would affect employees' motivation. It is also demonstrated in Figure A5.4 below that organisational support also has a significant and direct influence on employees' motivation, which confirms the presence of partial mediation in the model (Baron and Kenny, 1986)<sup>5</sup>. Therefore, from the findings of this study, organisational support does have a significant and direct influence on employees' motivation. However, the implementation of the NMW (rewards) would also provide a significant influence on employees' motivation with the presence of rewards as a mediator. This result accords with our expectations.

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<sup>5</sup> The final model in figure 5.5 is based on figures in table 5.18

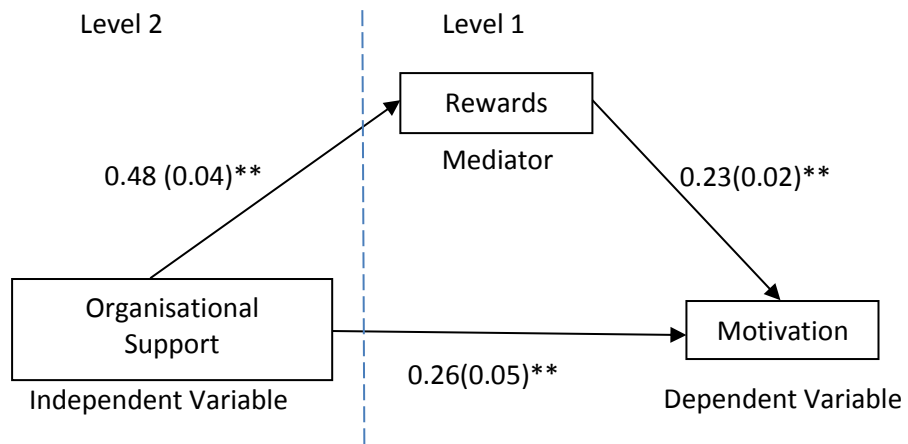


Figure A5.4: The relationship between organisational support, rewards and motivation



## (ii) The impact of WLB on Motivation

### Model 5

Supporting additional Hypothesis 5, the following results were derived from the equation based on the final estimation of fixed effect of Model 1 ( WLB → MOTIVATION) ( $\beta = 0.28$ ,  $SE = 0.02$ ,  $t = 9.94$ ,  $p < 0.001$ ) for lower level (Level 1) analysis. Based on the results, Model 5 is illustrated as below:

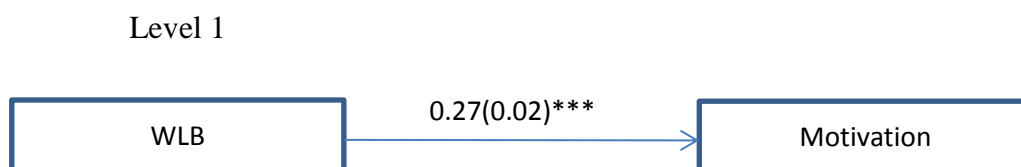


Figure A5.5 Model 5 ( WLB → MOTIVATION)

### Model 6

Similar to previous results, additional Hypothesis 6 predicted that organizational support (OS) has a significant impact on Motivation (MOT). In this cross level analysis, the result shows that OS (level 2) is significantly associated with Motivation (Level 1) ( $\gamma = 0.50$ ,  $SE = 0.05$ ,  $t = 9.39$ ,  $p < 0.001$ ) which support hypothesis 6. Based on the coefficient and standard error in the final estimation of fixed effects derived from the HLM 6.0 software above, Model 6 is illustrated as below:

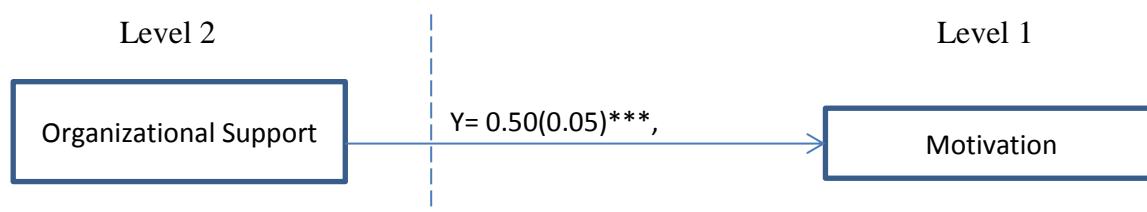


Figure A5.6 Model 6 ( OS → MOTIVATION)

### Model 7

Additional Hypothesis 7 predicted that Organizational Support (OS) and WLB both have a significant impact on Motivation (MOT) (OS → WLB → MOTIVATION). Based on the coefficient and standard error in the final estimation of fixed effects derived from the HLM 6.0 software, the result shows significant impact between WLB and motivation ( $\beta = 0.27$ ,  $SE = 0.02$ ,  $t = 10.05$ ,  $p < 0.001$ ). However, with the presence of WLB at Level 1, similar to the previous results, the effect of Organizational Support on Motivation is also significant even though has reduced in magnitude from ( $\gamma = 0.50$ ,  $SE = 0.05^{**}$ ,) to ( $\gamma = 0.36$ ,  $SE = 0.05^{**}$ ). At the same time, WLB is still considered as statistically significant predictor of the outcome as shown in Model 7 in figure A5.7 below. This

result supports hypothesis 7 even though the relationship between OS and Motivation has reduced in magnitude.

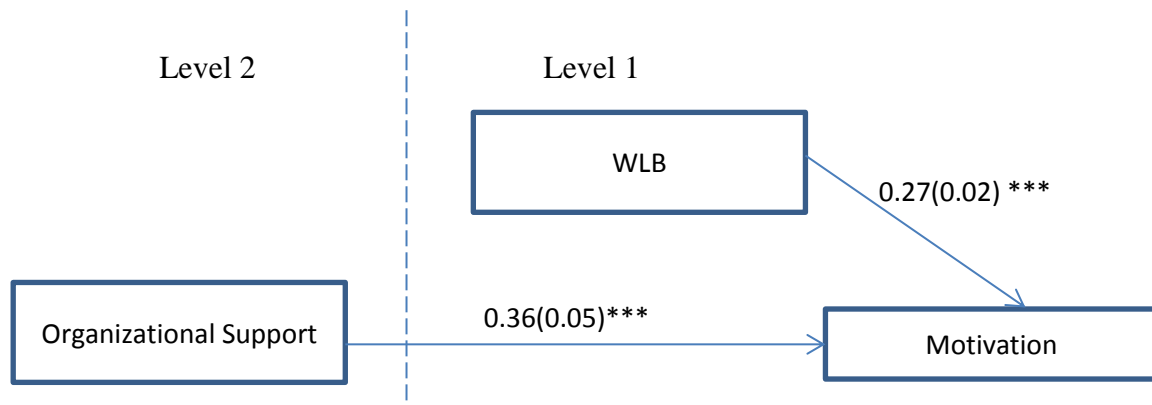


Figure A5.7 Model 7 (OS → WLB → MOTIVATION)

Model 8

Hypothesis 8 predicted the significant relationship between organisational support (OS) and work life balance (WLB). Model 4 was constructed by regressing work life balance (WLB) with organisational support (OS). The results shows that the relationship between OS and reward is significant ( $\gamma = 0.49$ ,  $SE = 0.07$ ,  $t = 6.872$ ,  $p < 0.001$ ). Model 4 is as follows:

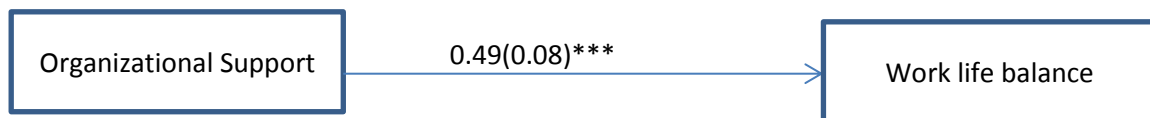


Figure A5.8 Model 8 (OS → WLB)

In the previous model tested, Rewards is significant as a mediator of the relationship between Organizational Support and employees' Motivation (OS → REWARD → MOTIVATION). A5.13 below indicates that work life balance (WLB) and organisational support also have significant influence on motivation in model 5 and model 6 respectively. As shown in model 8, organisational support also has significant influence on the work life balance. In model 7, OS (independent variable), through work life balance (mediator), has significant influence on motivation (dependent variable). A 5.14 below further provides the cross level effects of organisational support on work life balance.

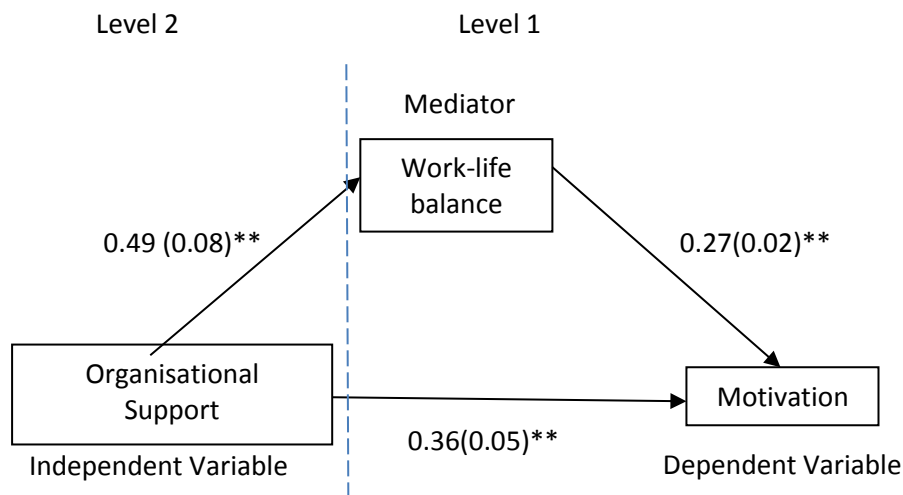
A5.14: HLM analyses of cross-level effects of organisational support on lower level (work-life balance) outcomes

Dependent variables				
	Motivation	Motivation	Motivation	Work-life Balance
Model	5	6	7	8
Lower-level effects				
Work-life Balance	0.29(0.02)**		.27(0.02)**	
Cross-level effects				
Organisation Support		.50(0.05)**	.36(0.05)**	0.49 (0.08)**

Note:  $N = 810$  individuals, 47 organisations, \*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . The first value is the parameter estimate, and value in parenthesis is the standard error.

The Monte Carlo test for mediation (Selig and Preacher, 2008) was used again in order to assess the multilevel models' mediation as suggested by MacKinnon, Lockwood and Williams (2004) (for the results, see Appendix 10). With WLB as a mediator, both the lower level and the upper level of the Monte Carlo test results showed a significant positive effect and did not contain zero (95% Confidence Interval (CI), Lower Level (LL) 0.08, Upper Level (UL) 0.1808, does not contain zero) (Idris, Dollard, Coward and Dormann, 2012).

The earlier results showed that OS does have a significant influence on motivation. The new results show that OS also has a significant and direct influence on motivation. Using Work-life balance, as a mediator also provides a significant influence between OS and employees' motivation. Again, this confirms the presence of partial mediation in the model, as shown in Figure 5.15 below:



\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . The first value is the parameter estimate, and values in parentheses are the standard error.

Figure A5.9: The relationship between organisational support, work-life balance and motivation

To ensure further that accurate estimation is provided, both mediation variables (rewards and WLB) were run simultaneously in the HLM software for the second time. The results for both rewards and WLB showed significant results as follows.

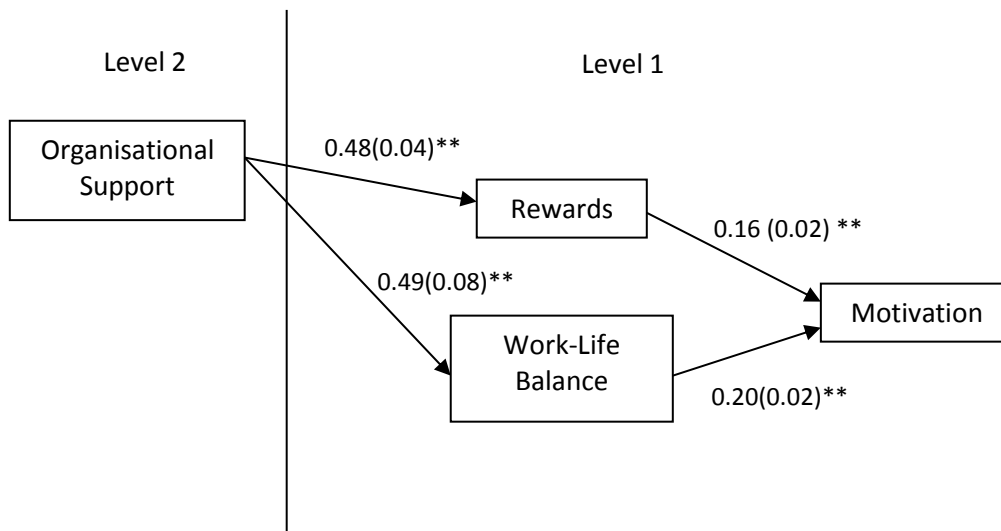
A 5.15: HLM analyses on the mediation variables

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.827636	0.210160	8.696	45	<0.001
OS_MEAN, $\gamma_{01}$	0.224296	0.042817	5.238	45	<0.001
For REWARD slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.165103	0.024995	6.605	761	<0.001
For WLIFE slope, $\beta_2$					
INTRCPT2, $\gamma_{20}$	0.201356	0.027800	7.243	761	<0.001

In order to test the significance of the mediation effect, the Monte Carlo test for mediation (Selig and Preacher, 2008) was used again on both Rewards and WLB using the figures highlighted in the table above. The result shows that, for rewards, the lower level (LL) is 0.06 and the upper level (UL) is 0.1067, while for WLB, the lower level (LL) is 0.06 and the upper level (UL) is 0.1369 as provided in the appendix. As both the lower upper levels for Rewards and WLB showed a significant positive that does not contain zero (Idris, Dollard, Coward and Dormann, 2012), this result confirms that both rewards and work life balance are significant as mediation variables.

Overall, the results of this analysis have confirmed that organisational support through rewards is does have an influence on motivation, and it is clear that WLB also has an important influence on

motivation. In fact, both the HLM and Monte Carlo results in A5.15 suggest that WLB is more important than rewards as a predictor of motivation. The final model of the relationship between organisational support, rewards, work-life balance and motivation is shown in Figure 5.16 below:



\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$ . The first value is the parameter estimate, and values in parentheses are the standard error.

Figure A5.10: The final model of the relationship between organisational support, rewards, work-life balance and motivation

### Section 3 – principle component analysis (PCA) results

#### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.895
Approx. Chi-Square		5944.372
Bartlett's Test of Sphericity	df	136
	Sig.	.000

#### Component Matrix<sup>a</sup>

	Component			
	1	2	3	4
If i do good job, I will be rewarded	.515	.385	.239	-.251
My Work conditions are good	.640	.318	.216	.276
I am interested in my job	.532	.062	.566	.015
I have the resources I need to do my job	.512	.256	.203	.554
An increase in my wage will motivate me to perform better	.496	.227	.500	-.345
The organizaton motivates me to work better	.652	-.084	.297	-.211
The Organization tries to create an exciting work environment	.656	-.452	.106	.177
The Organization encourages employees to share ideas and suggestions	.699	-.337	.047	-.166
The Organization encourages creativity, innovation and continuous improvement	.682	-.502	-.002	-.009
The Organization gives employees the oppoturnity to provide feedback to management	.580	-.529	.009	.176
This Organization communicates regularly with its employee	.625	.152	-.076	.380
This organization monitors employees' satisfaction and makes changes when necessary yo improve it	.638	.061	-.303	-.053
I am satisfied with the training opportunities provided by this organization	.699	-.042	-.205	.139
This organization recognizes personal milestones (e.g. new baby, weddings,promotions)	.631	.297	-.420	.032
The Organization communicates progress towards goal to employees	.665	.236	-.300	.050
Employee recognition is based on a fair and useful performance evaluation system	.702	-.061	-.218	-.423
The organization highlights exceptional performance and hardwork through employee awards and recognition ceremonies	.701	.217	-.302	-.263

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

#### **Section 4 – Hierarchy Linear Modelling (HLM)**

- (i) The impact of Reward (MW) on Motivation

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 Publisher: Scientific Software International, Inc. (c) 2010  
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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 12:47: 1

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtemp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is MOT

## Summary of the model specified

### Level-1 Model

$$MOT_{ij} = \beta_{0j} + \beta_{1j} * (REWARD_{ij}) + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + u_{0j}$$

$$\beta_{1j} = \gamma_{10}$$

### Mixed Model



$$MOT_{ij} = \gamma_{00} + \gamma_{10} * REWARD_{ij} + u_{0j} + r_{ij}$$

## Final Results - Iteration 6

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 0.25252$$

$\tau$

INTRCPT1,  $\beta_0$  0.02315

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.567

The value of the log-likelihood function at iteration 6 = -6.176128E+002

**Final estimation of fixed effects:**

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.990874	0.063613	47.016	46	<0.001
For REWARD slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.242541	0.016843	14.400	762	<0.001

**Final estimation of fixed effects  
(with robust standard errors)**

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.990874	0.104061	28.742	46	<0.001
For REWARD slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.242541	0.024397	9.942	762	<0.001

**Final estimation of variance components**

Random Effect	Standard Deviation	Variance Component	<i>d.f.</i>	$\chi^2$	<i>p</i> -value
INTRCPT1, $u_0$	0.15214	0.02315	46	127.68104	<0.001

level-1, $r$	0.50251	0.25252
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### **Statistics for current covariance components model**

Deviance = 1235.225526

Number of estimated parameters = 2

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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 12:53:36

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtmp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is MOT

## Summary of the model specified

### Level-1 Model

$$MOT_{ij} = \beta_{0j} + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01} * (OS\_MEAN_j) + u_{0j}$$

### Mixed Model

$$MOT_{ij} = \gamma_{00} + \gamma_{01} * OS\_MEAN_j + u_{0j} + r_{ij}$$

# Final Results - Iteration 16

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 0.30860$$

$\tau$

INTRCPT1,  $\beta_0$  0.00911

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.314

The value of the log-likelihood function at iteration 16 = -6.860339E+002

## Final estimation of fixed effects:

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.086310	0.215308	9.690	45	<0.001
OS_MEAN, $\gamma_{01}$	0.502097	0.062597	8.021	45	<0.001

## Final estimation of fixed effects (with robust standard errors)

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.086310	0.189932	10.985	45	<0.001
OS_MEAN, $\gamma_{01}$	0.502097	0.053462	9.392	45	<0.001

## Final estimation of variance components

Random Effect	Standard Deviation	Variance Component	<i>d.f.</i>	$\chi^2$	<i>p</i> -value
INTRCPT1, $u_0$	0.09544	0.00911	45	62.65754	0.042
level-1, $r$	0.55552	0.30860			

## Statistics for current covariance components model

Deviance = 1372.067717

Number of estimated parameters = 2

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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 12:55:21

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtemp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is MOT

## Summary of the model specified

### Level-1 Model

$$MOT_{ij} = \beta_{0j} + \beta_{1j} * (REWARD_{ij}) + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01} * (OS\_MEAN_j) + u_{0j}$$

$$\beta_{1j} = \gamma_{10}$$

### Mixed Model

$$MOT_{ij} = \gamma_{00} + \gamma_{01} * OS\_MEAN_j \\ + \gamma_{10} * REWARD_{ij} + u_{0j} + r_{ij}$$

## Final Results - Iteration 11

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 0.25167$$

$\tau$

INTRCPT1,  $\beta_0$  0.01490

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.466

The value of the log-likelihood function at iteration 11 = -6.114362E+002

**Final estimation of fixed effects:**

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.141655	0.221547	9.667	45	<0.001
OS_MEAN, $\gamma_{01}$	0.264436	0.066752	3.961	45	<0.001
For REWARD slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.226208	0.017278	13.093	762	<0.001

**Final estimation of fixed effects  
(with robust standard errors)**

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.141655	0.217798	9.833	45	<0.001
OS_MEAN, $\gamma_{01}$	0.264436	0.049857	5.304	45	<0.001
For REWARD slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.226208	0.024012	9.421	762	<0.001

**Final estimation of variance components**

Standard	Variance
----------	----------

Random Effect	Deviation	Component	<i>d.f.</i>	$\chi^2$	<i>p</i> -value
INTRCPT1, $u_0$	0.12205	0.01490	45	91.87444	<0.001
level-1, $r$	0.50166	0.25167			

### Statistics for current covariance components model

Deviance = 1222.872338

Number of estimated parameters = 2



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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 13: 0:35

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtmp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is REWARD

## Summary of the model specified

### Level-1 Model

$$REWARD_{ij} = \beta_{0j} + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01} * (OS\_MEAN_j) + u_{0j}$$

### Mixed Model

$$REWARD_{ij} = \gamma_{00} + \gamma_{01} * OS\_MEAN_j + u_{0j} + r_{ij}$$

# Final Results - Iteration 458

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 1.06859$$

$\tau$

INTRCPT1,  $\beta_0$  0.00208

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.032

The value of the log-likelihood function at iteration 458 = -1.179755E+003

**Final estimation of fixed effects:**

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	-0.163668	0.332125	-0.493	45	0.625
OS_MEAN, $\gamma_{01}$	1.027936	0.096813	10.618	45	<0.001

**Final estimation of fixed effects  
(with robust standard errors)**

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	-0.163668	0.317298	-0.516	45	0.609
OS_MEAN, $\gamma_{01}$	1.027936	0.092428	11.121	45	<0.001

**Final estimation of variance components**

Random Effect	Standard Deviation	Variance Component	<i>d.f.</i>	$\chi^2$	<i>p</i> -value
INTRCPT1, $u_0$	0.04564	0.00208	45	42.15099	>0.500
level-1, $r$	1.03373	1.06859			

**Statistics for current covariance components model**

Deviance = 2359.510651

Number of estimated parameters = 2

(ii) The impact of WLB on Motivation

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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 13:17:6

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtmp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is MOT

## Summary of the model specified

### Level-1 Model

$$MOT_{ij} = \beta_{0j} + \beta_{1j} * (WLIFE_{ij}) + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + u_{0j}$$

$$\beta_{1j} = \gamma_{10}$$

### Mixed Model

$$MOT_{ij} = \gamma_{00} + \gamma_{10} * WLIFE_{ij} + u_{0j} + r_{ij}$$

## Final Results - Iteration 6

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 0.25422$$

$\tau$

INTRCPT1,  $\beta_0$  0.02740

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.603

The value of the log-likelihood function at iteration 6 = -6.222988E+002

**Final estimation of fixed effects:**

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.865284	0.074140	38.647	46	<0.001
For WLIFE slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.287884	0.020673	13.926	762	<0.001

**Final estimation of fixed effects  
(with robust standard errors)**

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.865284	0.103880	27.583	46	<0.001
For WLIFE slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.287884	0.026869	10.714	762	<0.001

**Final estimation of variance components**

Random Effect	Standard Deviation	Variance Component	d.f.	$\chi^2$	p-value
INTRCPT1, $u_0$	0.16554	0.02740	46	138.77266	<0.001

level-1, $r$	0.50420	0.25422
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### **Statistics for current covariance components model**

Deviance = 1244.597556

Number of estimated parameters = 2

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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 12:53:36

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtmp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is MOT

## Summary of the model specified

### Level-1 Model

$$MOT_{ij} = \beta_{0j} + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01} * (OS\_MEAN_j) + u_{0j}$$

### Mixed Model

$$MOT_{ij} = \gamma_{00} + \gamma_{01} * OS\_MEAN_j + u_{0j} + r_{ij}$$



# Final Results - Iteration 16

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 0.30860$$

$\tau$

INTRCPT1,  $\beta_0$  0.00911

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.314

The value of the log-likelihood function at iteration 16 = -6.860339E+002

**Final estimation of fixed effects:**

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.086310	0.215308	9.690	45	<0.001
OS_MEAN, $\gamma_{01}$	0.502097	0.062597	8.021	45	<0.001

**Final estimation of fixed effects  
(with robust standard errors)**

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	2.086310	0.189932	10.985	45	<0.001
OS_MEAN, $\gamma_{01}$	0.502097	0.053462	9.392	45	<0.001

**Final estimation of variance components**

Random Effect	Standard Deviation	Variance Component	<i>d.f.</i>	$\chi^2$	<i>p</i> -value
INTRCPT1, $u_0$	0.09544	0.00911	45	62.65754	0.042
level-1, $r$	0.55552	0.30860			

**Statistics for current covariance components model**

Deviance = 1372.067717

Number of estimated parameters = 2

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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 13:21:57

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtemp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is MOT

## Summary of the model specified

### Level-1 Model

$$MOT_{ij} = \beta_{0j} + \beta_{1j} * (WLIFE_{ij}) + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01} * (OS\_MEAN_j) + u_{0j}$$

$$\beta_{1j} = \gamma_{10}$$

### Mixed Model

$$MOT_{ij} = \gamma_{00} + \gamma_{01} * OS\_MEAN_j \\ + \gamma_{10} * WLIFE_{ij} + u_{0j} + r_{ij}$$

## Final Results - Iteration 21

Iterations stopped due to small change in likelihood function

$$\sigma^2 = 0.25314$$

$\tau$

INTRCPT1,  $\beta_0$  0.00955

Random level-1 coefficient	Reliability estimate
INTRCPT1, $\beta_0$	0.365

The value of the log-likelihood function at iteration 21 = -6.094118E+002

**Final estimation of fixed effects:**

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.677545	0.205533	8.162	45	<0.001
OS_MEAN, $\gamma_{01}$	0.361987	0.059953	6.038	45	<0.001
For WLIFE slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.272505	0.020675	13.181	762	<0.001

**Final estimation of fixed effects  
(with robust standard errors)**

Fixed Effect	Coefficient	Standard error	t-ratio	Approx. d.f.	p-value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.677545	0.205368	8.168	45	<0.001
OS_MEAN, $\gamma_{01}$	0.361987	0.045250	8.000	45	<0.001
For WLIFE slope, $\beta_1$					
INTRCPT2, $\gamma_{10}$	0.272505	0.027095	10.058	762	<0.001

**Final estimation of variance components**

Standard	Variance
----------	----------

Random Effect	Deviation	Component	<i>d.f.</i>	$\chi^2$	<i>p</i> -value
INTRCPT1, $u_0$	0.09770	0.00955	45	71.99333	0.007
level-1, $r$	0.50313	0.25314			

### Statistics for current covariance components model

Deviance = 1218.823588

Number of estimated parameters = 2

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Module: HLM2S.EXE (7.00.21103.1002)  
 Date: 8 July 2012, Sunday  
 Time: 13:24:24

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## Specifications for this HLM2 run

Problem Title: no title

The data source for this run = alamanda

The command file for this run = C:\Users\IDAYAH~1\AppData\Local\Temp\whlmtmp.hlm

Output file name = E:\MULTILEVEL MODELLING\hlm2.html

The maximum number of level-1 units = 810

The maximum number of level-2 units = 47

The maximum number of iterations = 100

Method of estimation: restricted maximum likelihood

The outcome variable is WLIFE

## Summary of the model specified

### Level-1 Model

$$WLIFE_{ij} = \beta_{0j} + r_{ij}$$

### Level-2 Model

$$\beta_{0j} = \gamma_{00} + \gamma_{01} * (OS\_MEAN_j)$$

### Mixed Model

$$WLIFE_{ij} = \gamma_{00} + \gamma_{01} * OS\_MEAN_j + r_{ij}$$

## Least Squares Estimates

$$\sigma^2 = 0.75015$$

### Least-squares estimates of fixed effects

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.580427	0.273141	5.786	808	<0.001
OS_MEAN, $\gamma_{01}$	0.492057	0.079656	6.177	808	<0.001

### Least-squares estimates of fixed effects (with robust standard errors)

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.580427	0.249427	6.336	808	<0.001
OS_MEAN, $\gamma_{01}$	0.492057	0.071599	6.872	808	<0.001

### Final estimation of fixed effects:

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.580427	0.273141	5.786	808	<0.001
OS_MEAN, $\gamma_{01}$	0.492057	0.079656	6.177	808	<0.001

### Least-squares estimates of fixed effects (with robust standard errors)

Fixed Effect	Coefficient	Standard error	<i>t</i> -ratio	Approx. <i>d.f.</i>	<i>p</i> -value
For INTRCPT1, $\beta_0$					
INTRCPT2, $\gamma_{00}$	1.580427	0.249427	6.336	808	<0.001
OS_MEAN, $\gamma_{01}$	0.492057	0.071599	6.872	808	<0.001

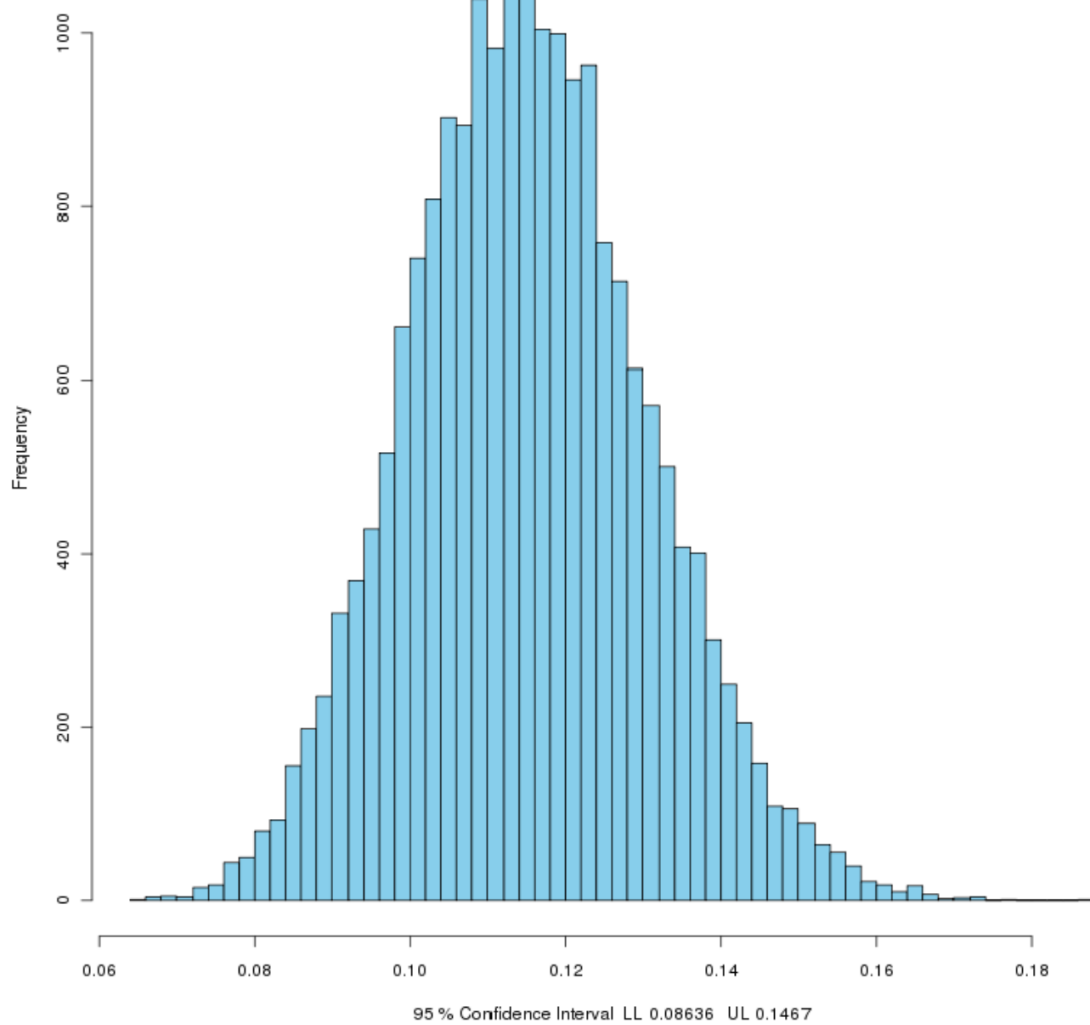
## Section 5 - Monte Carlo Test.

### The impact of Reward (MW) on Motivation

7/8/12

Results from Rweb

Distribution of Indirect Effect



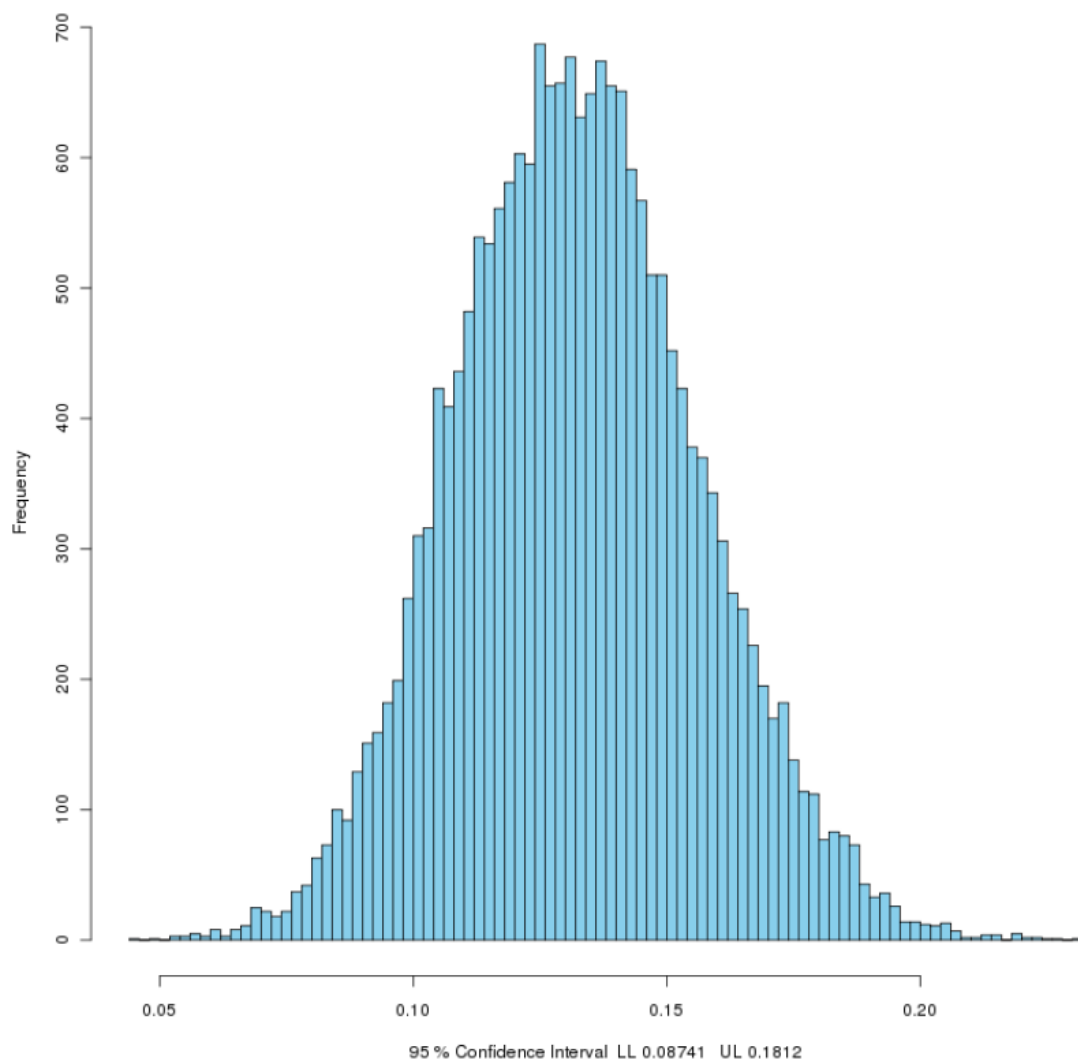


# The impact of WLB on Motivation

7/9/12

Results from Rweb

Distribution of Indirect Effect



## Appendix for Chapter 6

### Benefits offered in the hotel industry

<b>Benefits</b>	<b>Details</b>
Uniforms	Most hotels require employees to wear uniforms that are provided by the employers. Some hotels or resorts provide laundry and dry cleaning services to clean the uniforms.
Employee Meals	Employees are needed during busy times, especially during breakfast, lunch and dinner time. Most employees also work on shift hours. Therefore, employers offer free meals to their employees.
Transportation	Transportation is usually provided for the employees who work on late night shifts and early morning shifts. If the hotels are in remote areas, employers usually provide vans or buses to transport the employees to their workplace.
Accommodation	Employers usually provide housing facilities or hostels for employees who are working in remote areas and also in high cost of living areas.
Purchase Discounts	Hotel employees are usually offered staff discount on hotel room bookings, meals, beverages and other hotel products.
College Tuition Fees	Some hotels offer tuition fees for college and university for the employees.

Source: Walker and Miller (2011)