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RSEARCH ARTICLE

Education level and work experience affects the likelihood of earning below minimum wage or higher: Evidence from Malaysia.

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ABSTRACT

Wage is main source of attraction for many workers to work. Wage also increases motivation and self-satisfaction among workers. However, little pay can decrease the workers effort to be more productive at firms. Therefore, minimum wage implemented to provide standard basic wage to all workers regardless their gender, skills and productivity level. Although workers receive same level of basic wage, does factors such as education level and work experience affect the likelihood of earning among the workers? Yes, it is. This study collected 432 survey questionnaires from low skill workers in manufacturing firms to determine the association of education level and work experience on the workers' income level. Cross tabulation test shows there are association between income level and worker's education and working experiences. Thus, the results suggest education and longer working experience plays a vital role in increasing the pay level and improves human capital development.

Key words: Pay, Education, Work experience, Income level, Low Skill

INTRODUCTION

Wage is a primary indicator of the organization's reputation and positively relates with employee satisfaction. As argue by Rachmawati [1] wages are greatest pushing factor for many workers to work besides other reasons such as achievement, affiliation and self-development. Whereas, minimum wage is basic wage set up by government to provide fair wage to all workers. In Malaysia, minimum wage implemented in 2013.

Although minimum wage is a standard wage to all workers, there are still many workers did not receive the standard wage due to many reasons. First, firms do not comply with minimum wage policy. Second, perhaps workers do not possess necessary employment knowledge andwork skills. However, this study only explores the reason behind the likelihood workers receiving below minimum wage or higher. As such, education level and work experience found to be the key determinants of the income level of the low skill workers.

Employees with the qualification of SPM / SPMV or equivalent and below were the majority in the manufacturing sector with 1,471,680 persons or 81.2 per cent of total persons engaged in 2010 [2]. This data clearly shows that the majority of the workers in manufacturing sector comprise of low skill workers (workers with low education).In Malaysia, low skill workers comprise of 75% of labor force in the year 2007 [3]. Most of the low skill workers work as blue collar or production workers in manufacturing sector. In addition, due to the

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low skill, the workers seem to have limited career opportunity and development [4]. Therefore, this study found education level and work experience lead to likelihood earning among low skill workers in firms.

MATERIAL AND METHODS

Survey is a suitable form for collecting information from or about people to describe, compare, or explain their knowledge, attitudes and behavior [5]. Survey also an excellent method for measuring attitudes, opinions, beliefs and orientations in a large population [6,7]. In this study, semi structured survey questionnaire distributed to low skill workers in manufacturing firms. As the low skill workers have low education level, the semi structured survey very helpful in measure their income level. In addition, Nardi [8] suggests that close ended questions which give respondents standardized answers will ease and save their time. As such, this self-administrated survey ensures the individual respondents complete the survey questionnaire by themselves.

This study employed non-random sampling technique. As Punch [9] suggests sample respondents selected from the variables that can be observed maximally and represent the population of interest in the research. Specifically, purposive or judgment sampling will be deployed in this study. This type of sampling requires the sample solely chosen based on the researcher's judgment on the unit which represents the targeted population [10]. In addition, Devadason [11] and Grimshaw [12] found that 38.1% of low skilled workers are low paid labor in manufacturing sector. Therefore, low skill workers are the main respondents for this study.

Sensitive issue such as income involved in this study, thus purpose clarification important to avoid any misunderstandings among the respondents. Saying that, permission seeking letter explaining the aim and implications of the study given to the firms in encourage and increase their response rate on this study [Dillman,13].Researcher distributes and collects the survey questionnaire at manufacturing firms. Since the study employed quantitative data analysis, the researcher collects and analyzes the survey data from using SPSS. The cross tabulation test shows there is association between education level, work experience and workers' earning below and minimum wage and above.

Results:

Survey data analyzed to determine the association between education level, work experience and workers' income level (below or above minimum wage) by using chi square test. This study also analyze the results using exploratory data analysis (EDA) to provides better understanding about theassociation between variables. Table 1.1 below shows categorizes level of education by working experience for workers earning RM899 and below and minimum wage and above.

Table 1.1: Workers' educational level and working experience by income level

		Income level (%)	
Education	Working Experience	RM 899 and below	RM 900 and above
No Formal	0-4	4 (40)	6 (66.7)
Education	5-9	1 (10)	1 (11.1)
10-14	0 (0.0)		1 (11.1)
More than 15 years	5 (50)		1 (11.1)
Primary	0-4	13 (81.3)	9 (56.3)
School	5-9	2 (12.5)	0 (0.0)
	10-14	1 (6.3)	2 (12.5)
	More than 15 years	0 (0.0)	5 (31.3)
Secondary	0-4	36 (36.7)	56 (22)
School	5-9	26 (26.5)	63 (24.8)
	10-14	14 (14.3)	52 (20.5)
	More than 15 years	22 (22.4)	83 (32.7)
College /	0-4	1 (100)	17 (60.7)
University	5-9	0 (0.0)	5 (17.9)
	10-14	0 (0.0)	6 (21.4)
	More than 15 years	-	-

Although the cross tabulation results for above data shows significant result, the expected frequency for no formal education and college and university level of education shows less than 5. Thus, mathematical adjustment to each value in the samples applied (Corder and Foreman, 2009). As such, the data edited and combined. College and university level of education removed due to validity of data. The results of cross tabulation test for workers earning RM899 and below and workers earning RM900 and above presented as below.

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Figure 1.1 below shows stacked bar chart for level of education by working experiences (years) for employees earning RM899 and below. The figure shows that workers with 0-4 years of working experiences, 32.1 per cent of them have primary school or lower education and 67.9 per cent possess secondary level of education. As such, the workers perhaps receive below minimum wage due to less work experience. Limited work experience restricts the workers' ability to earn more.

The data also shows that most likely workers with low level of education has less working experiences perhaps due to insecure feelings which leads to frequently change jobs. In addition, the workers might not develop require competency skills to retain the job too. The low skill workers also perhaps unable to understand and applied the training skills due to illiteracy. Moreover, there are higher chances for the less educated workers to easily influence by external factors to change the job frequently, thus the workers remain at low level wage at the new workplace.

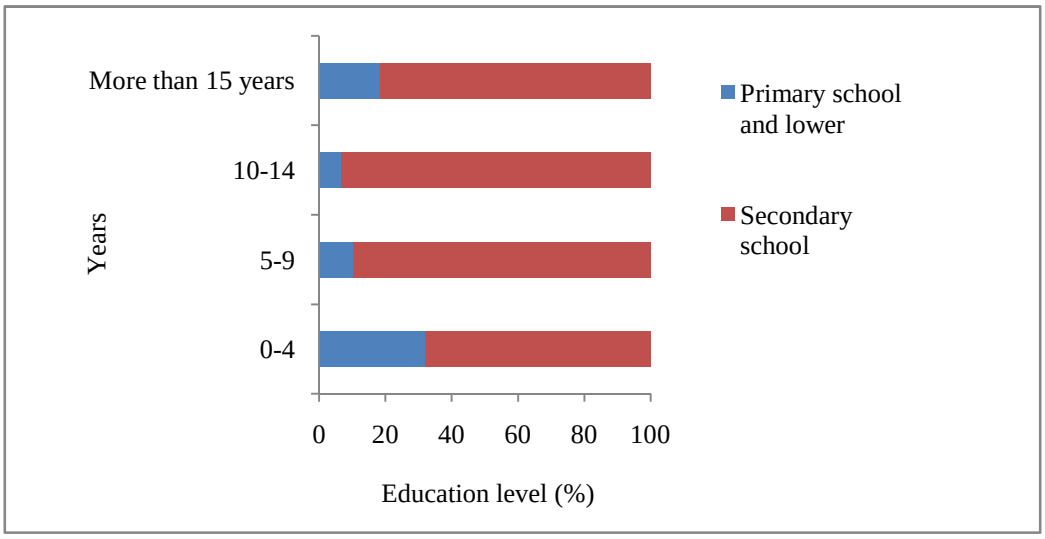

Fig. 1.1: Level of education by working years for employees earning RM899 and below

Table 1.2: Cross tabulation for combination of level of education by work experience for employees earning RM899 and below

Education level	Work Experience (Years)			
	0-4	5-9	10-14	More than 15 years
Primary school and lower	17 (32.1%)	3 (10.3%)	1 (6.7%)	5 (18.5%)
Secondary school	36 (67.9%)	26 (89.7%)	14 (93.3%)	22 (81.5%)

Table 1.2 above shows cross tabulation between education and work experiences for employees earning RM899 and below. The results show out of 124 workers who are earning below minimum wage, 79 percent of them possess secondary school qualification and 21 percent of them have primary school and lower qualification. For both level of education, high proportion of the workers has least working experiences. For example, 67.9 percent of workers with secondary school of education and 32.1 percent of informal and primary school educated workers have only 0-4 years of working experiences. This clearly shows that less working experiences associated with earning below minimum wage level. For workers with 5-9 years of work experience, 89.7 percent of them has secondary school education while 10.3 percent of them has primary school or and lower education. However, although 81.5 percent of workers with secondary level of education and 18.5 percent workers with primary school and lower education have more than 15 years of working experiences, they still earn below minimum wage.

Table 1.3: Chi-Square test for level of education by work experience for employees earningRM899 and below

Test statistic	
	Pearson Chi-Square
F	7.870
Sig	.049**

***- Significant at 1% ** - Significant at 5% * - Significant at 10%

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Table 1.3 above display the test statistic value for Pearson chi-square is 7.870, with 3 degree of freedom, and as the p value smaller than 0.05, concludes that there is significance different between education level, working experience and income level ($p<0.05$). In other words, there is association between education level, work experience and income level among the employees. For example, workers' level of education and work experiences associates with their income level. The minimum expected cell frequency is 3.15, which is >5, thus there is no violations on one of the main assumptions of chi-square.

χ = 7.870, df = 3, $p < 0.05$

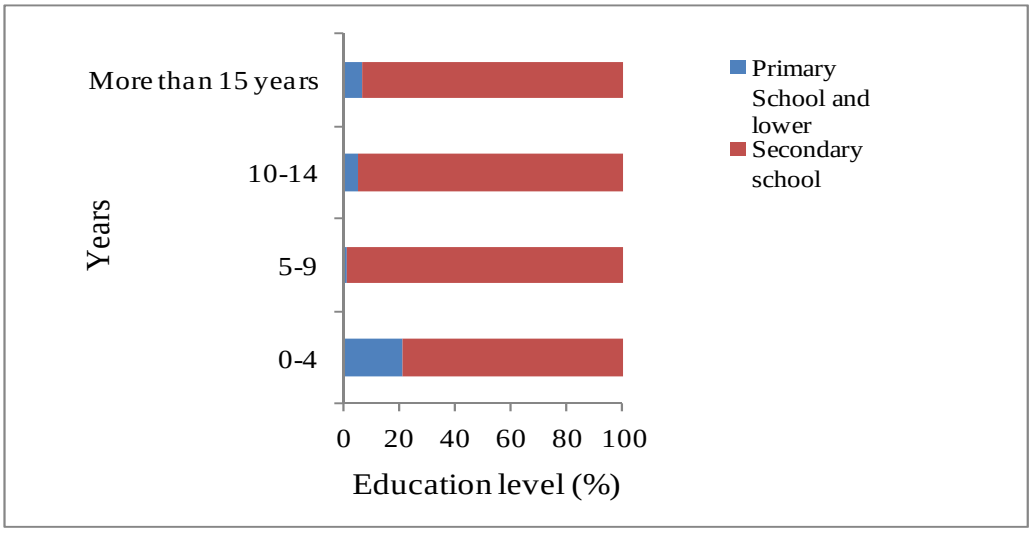

Fig. 1.2: Level of education by working years for employees earning RM900 and above

Figure 1.2 above shows stacked bar chart for level of education by working experiences (years) for employees earning RM900 and above. Out of 279 workers, 91 per cent of the workers possess secondary school education and 9 per cent has primary school or lower education level. The figures show that high proportion of workers has secondary level of education earning RM900 and above. This might due to more working experiences with average secondary school education leads the workers earns above minimum wage salary. This clearly shows that the importance of education level and working experiences in increasing the income level and uplifting workers' economic status.

Table 1.4: Cross tabulation for combination of level of education by work experience for employees earning RM900 and above

Education level	Work Experience (Years)			
	0-4	5-9	10-14	More than 15 years
Primary school and lower	15 (21.1%)	1 (1.6%)	3 (5.5%)	6 (6.7%)
Secondary school	56 (78.9%)	63 (98.4%)	52 (94.5%)	83 (93.3%)

Table 1.4 above presents that out of 279 workers, 91 percent of workers has secondary school education and 9 percent of workers has primary school and lower level of education. The data clearly shows that higher education level leads to better income among workers. For example, there are 93.3 percent of secondary school educated workers compare with 6.7 percent primary school or lower educated workers has 15 years or more working experiences earn RM900 and above. This study confirms that higher education level and working experiences plays a vital role in increasing the workers' earnings. Therefore, work experiences should complement with level of education to achieve higher earnings. As such, this study found firms conducting continuous training programs and short courses to upgrade the technical and soft skills among the employees will help them to earn higher than minimum wage.

Table 1.5: Chi-Square test for level of education by work experience for employees earning RM900 and above Test statistic

	Pearson Chi-Square
F	18.542
Sig	.000**

***- Significant at 1% ** - Significant at 5% * - Significant at 10%

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Table 1.5 shows the test statistic value for Pearson chi-square is 18.542, with 3 degree of freedom, and as the p value smaller than 0.05, concludes that there is significance different between education level, work experience and income level ($p<0.05$). In other words, there is association between education level, work experience and income level among the employees. For instance, workers' level of education and work experiences associates with their income level. The minimum expected cell frequency is 4.93, which is >5, thus there is no violations on one of the main assumptions of chi-square.

χ = 18.542, df = 3, $p < 0.05$

In nutshell, out of 403 respondents, 279 of the low skill workers have secondary school education while124 workers possess primary school and lower education level. The statistically significant evidence suggests that both income level, either RM899 and below (below minimum wage) and RM900 and above shows there is association between work experience and education level with the workers' income level. However, there are two main findings in this section. First, low skill workers with limited work experience earn below minimum wage. Second, the higher the workers' working experiences and education level, the higher the income (earns above minimum wage) of the workers received in return.

Discussion:

This study found that there is an association between work experiences and education level with workers' income level. As such, education and work experience seen as important factors in determine the income level of the low skill workers. In today's economy, workers need to have some postsecondary education or credentials in order to compete for middle-class jobs. In addition, Roberts, Povich and Mather [14]added education can narrow the income gap between working families. Therefore, higher educated workers will earn higher wages which will close the wage gap among the working class.

A study by Connolly and Gottschalk [15]suggests that higher educated workers have faster wage growth compared with their counterparts with less education level. Becker [16] and Schultz [17]argue that education correlates with productivity and higher wages. This shows the importance of work skills such as education and work experiences in uplifting the workers income level to earn decent income. For instance, longer working experiences help in improving the work skills, perform better and receiving higher pay.

Although the wage system (minimum wage) implemented in Malaysia, workers still receive below minimum wage due to lack of education, skills and work experience. Therefore, Human Resource Development Fund (HRDF) needs to be utilize by the firms to provide skill development programs and training to the low skill workers. This will help to upgrade the workers' knowledge and skills in near future. In addition, employers should encourage workers to continue learning by providing flexible working hours in firms. As such, workers might have chance to further studies and enhance their soft and technical skills at work.

Conclusion:

Minimum wage indirectly helps the low skill workers to earn above median wage in Malaysia. However, education and working experience decides either the worker earn below or above median income level. Thus, employers need to create opportunities and new programs for workers to improve their soft and technical skills at workplace. The higher the education level and the longer work experiences possess by the workers, the higher the worker's earning. Thus, negotiations between workers and employers very important in ensure the sustainable development of the firms and community.

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