

**THE IMPACT OF MINIMUM WAGE POLICY ON HOURS OF WORK,
HAPPINESS AND QUALITY OF LIFE: THE PERCEPTION OF
EMPLOYEES IN THE RUBBER ESTATES OF KEDAH, MALAYSIA.**

THILAGAVATHI A/P MUTTU

**MASTER OF ECONOMICS
UNIVERSITI UTARA MALAYSIA
JUNE 2015**

THE IMPACT OF MINIMUM WAGE POLICY ON HOURS OF WORK,
HAPPINESS AND QUALITY OF LIFE: THE PERCEPTION OF EMPLOYEES IN
THE RUBBER ESTATES OF KEDAH, MALAYSIA.

BY
THILAGAVATHI A/P MUTTU

Project paper submitted to
Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
In Fullfillment of the Requirements for the Award of Master's Degree in Economics
June 2015

PERMISSION TO USE

In presenting this project paper in partial fulfilment of the requirements for a post graduate degree from University Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this project paper in any manner, in whole or part for scholarly purpose may be granted by my supervisor or in their absence, by the Dean of Graduate school of Business. It is understand that any copying of publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understand that due recognition shall be given to me and to University Utara Malaysia for any scholarly use which may be made of any material from my project paper.

Requests for permission to copy or to make other use of materials in this project paper, in whole or in part should be addressed to:

DEAN

Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

06010 UUM Sintok

Kedah Darul Aman

ABSTRACT

This study aims to investigate the relationship between hours of work, quality of life, and happiness with success of Minimum Wage Policy implementation among rubber estates employees in the agricultural sector. The relationship between those variables are predicted based on relevant literature, and are tested using survey results from 66 respondents or rubber estates employees in Kedah. Descriptive statistics analysis used to analyse the corresponding characteristics of the sample. Reliability of measures is established by testing for both consistency and stability. Pearson's Correlation used to test the relationships between minimum wage and hours of work, minimum wage and happiness, and minimum wage and quality of life. Overall results indicated that all the independent variables such as hours of work, happiness, and quality of life were significant influences by the Minimum Wage Policy. It can be observed that minimum wage is positively correlated with hours of work, happiness and quality of life. It also can be concluded that there is a small shock effect of minimum wage policy on hour of work and quality of life and a big shock effect of minimum wage policy on happiness. Moreover, the findings of this study can encourage the government to appreciate the effects of the minimum wage policy and ensure adequate monitoring with the aim of allowing estates adjust and minimize adverse effects on hours of work, happiness, and quality of life of employees. Moreover, it also will provide a useful guidance to the policy makers of other developing countries in implementation a new policy for future development especially in the agricultural sector.

Keywords: minimum wage, hours of work, happiness, quality of life

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan antara masa bekerja, taraf hidup dan kegembiraan dengan kejayaan pelaksanaan Polisi Upah Minimum di kalangan pekerja perladangan terutamanya pekerja ladang getah. Hubungan di antara pembolehubah–pembolehubah berikut adalah berdasarkan ramalan kajian lepas dan hubungan ini juga diuji dengan melakukan kaji selidik terhadap 66 pekerja ladang getah di negeri Kedah. Ujian ‘Descriptive statistic’ digunakan untuk menganalisis maklumat demografi. Ujian ‘Reliability’ digunakan untuk menguji konsisten dan kestabilan data. Ujian ‘Pearson’s Correlation’ digunakan untuk menguji hubungan antara pemboleh ubah bebas seperti masa bekerja, kegembiraan dan taraf hidup dengan pelaksanaan Polisi Upah Minimum. Keputusan keseluruhan menunjukkan bahawa Polisi Upah Minimum mempengaruhi kesemua pemboleh-ubah bebas. Keputusan ini juga menunjukkan bahawa upah minimum mempunyai hubungan positif dengan masa bekerja, taraf hidup dan kegembiraan. Keputusan ini juga menunjukkan bahawa upah minimum mempunyai kesan terkejut kecil terhadap masa bekerja dan taraf hidup. Ia juga menunjukkan bahawa upah minimum mempunyai kesan terkejut besar terhadap kegembiraan. Selain itu, keputusan kajian ini akan mengalakkan pihak kerajaan mengenal pasti kesan pelaksanaan polisi ini. Mereka juga akan menggalakkan pihak pengurus ladang untuk mengurangkan kesan sampingan terhadap masa bekerja, taraf hidup dan kegembiraan pekerja ladang. Tambahan pula, kajian ini juga dikategorikan sebagai satu panduan kepada negara-negara membangun untuk membuat satu polisi yang baru terutamanya dalam sektor peladangan.

Kata kunci: Upah Minimum, masa bekerja, kegembiraan, taraf hidup

ACKNOWLEDGEMENTS

First of all, I would like to thank the Lord Jesus Christ, who is the way, truth and life for giving me the wisdom and knowledge to accomplish this work despite all the circumstances.

It is with great pleasure to express my gratitude for every person who helped and supported me to complete my project. This project would not have been possible without the help, encouragement, suggestions and support from many people who are gratefully acknowledged here.

I would like to extend my deepest thanks to my academic supervisor named Associate Professor Dr. Norehen Bt Abdullah. Under her guidance, I have been able to complete my project. All long she has guided me with her valuable and rightful suggestions for the improvement of my project paper. She was always ready listen and better evaluated my arguments. Moreover, her feedback was insightful and greatly enhanced this thesis. I also wish to thank to my examiner for proof reading my project paper, talking out ideas.

I am also grateful to my lecturers at the Universiti Utara Malaysia, who gave me a lot of knowledge, cultivated my interest in economics and thus, led me to the field of academic research. I will always be thankful to them for everything they have taught me throughout my academic study at the university.

In addition, I wish to thank and extend my thanks to my beloved family members for always being there for me included my spiritual family members, specifically my father who always supported and encouraged me. His words of inspiration and encouragement in pursuit of excellence still ring in my mind. Words fail me in expressing my heartfelt thanks to my mother and to my siblings for their

unquestioning love and patience, understanding and believe in my effort, and for their constant support and prayers.

Furthermore, I wish to thank my dear roommates and friends especially spiritual sisters for their love, prayers, friendship and kindness always encouraged me to overcome difficulties in my study. I owe them since they always supported and gave full attention for me to solve my problems and gave the enjoyable studying environment. They made my life at UUM a truly memorable experience and their friendship is invaluable to me.

Last but not the least, I wish to thank the rubber estates staff and also my respondents who support me to complete my project paper. Their cooperation and assistance is very much appreciated.

Over and over again, I thank God Almighty and the Creator of this universe for showing me the path. All Honour and Glory belongs to Him.

Thilagavathi A/P Muttu

(815150)

TABLE OF CONTENTS

	PAGE
PERMISSION TO USE.....	iii
ABSTRACT.....	iv
ABSTRAK.....	v
ACKNOWLEDGEMENTS.....	vi-vii
TABLE OF CONTENTS.....	viii
LIST OF TABLES.....	xii
LIST OF DIAGRAMS.....	xiv
CHAPTER ONE: INTRODUCTION.....	
1.1 INTRODUCTION.....	1
1.2 BACKGROUND OF THE STUDY.....	1-7
1.3 PROFILE OF RUBBER ESTATES IN KEDAH.....	7-10
1.4 PROBLEM STATEMENT.....	10-13
1.5 RESEARCH QUESTIONS.....	14
1.5.1 GENERAL RESEARCH QUESTIONS.....	
1.5.2 SPECIFIC RESEARCH QUESTIONS.....	
1.6 RESEARCH OBJECTIVES.....	15
1.6.1 GENERAL OBJECTIVES.....	
1.6.2 SPECIFIC OBJECTIVES.....	
1.7 SIGNIFICANCE OF THE STUDY.....	16
1.8 SCOPE OF THE STUDY.....	17
1.9 ORGANIZATION OF THE STUDY.....	17

CHAPTER TWO: LITERATURE REVIEW.....	
2.1 INTRODUCTION.....	18
2.2 THEORETICAL REVIEWS.....	18
2.2.1 MINIMUM WAGE, EMPLOYMENT AND PRODUCTION.....	18-21
2.2.2 MINIMUM WAGE, GDP, EXPORT AND TECHNOLOGY.....	21-22
2.2.3 MINIMUM WAGE, PHYSICAL WORKING CONDITION, ON-THE-JOB TRAINING, MANAGERIAL CONTROL...	22-23
2.2.4 MINIMUM WAGE, LABOUR UNION, LABOUR SUPPLY, LABOUR DEMAND AND LEISURE.....	23-24
2.2.5 MINIMUM WAGE, WELFARE, POVERTY, RURAL HOUSEHOLD.....	25
2.3 EMPIRICAL REVIEWS.....	27
2.3.1 MINIMUM WAGE, HOURS OF WORK, HAPPINESS AND QUALITY OF LIFE.....	
I. MINIMUM WAGE AND HOURS OF WORK.....	27
II. MINIMUM WAGE AND HAPPINESS.....	28
III. MINIMUM WAGE AND QUALITY OF LIFE.....	29
2.4 HYPOTHESIS DEVELOPMENT.....	30-32
2.5 CONCLUSION.....	33
CHAPTER THREE: METHODOLOGY.....	34
3.1 INTRODUCTION.....	34
3.2 RESEARCH FRAMEWORK.....	34
3.3 SAMPLING.....	35
3.4 OPERATIONAL DEFINITION.....	35

3.5 MEASUREMENT OF VARIABLES/INSTRUMENTATION.....	36
3.6 DATA COLLECTION.....	39
3.7 POPULATION AND SAMPLING.....	39-40
3.8 DATA COLLECTION PROCEDURES.....	40
3.9 TECHNIQUES OF DATA ANALYSIS.....	40
3.9.1 DESCRIPTIVE ANALYSIS.....	40-41
3.9.2 CORRELATION ANALYSIS.....	41
3.9.3 PILOT TEST.....	41
3.9.4 REALIABILITY TEST.....	42
3.9.5 INDEX OF IMPACT MEASUREMENT.....	42
4.0 CONCLUSION.....	43
CHAPTER FOUR: DISCUSSION OF RESULTS.....	
4.1 INTRODUCTION.....	44
4.2 PILOT TEST	44
4.3 OVERVIEW OF DATA COLLECTED	44
4.4 RELIABILITY ANALYSIS	46
4.5 DESCRIPTIVE ANALYSIS.....	47
4.5.1 DEMOGRAPHIC INFORMATION.....	47
4.5.2 OCCUPATION INFORMATION.....	52
4.5.3 PERCEPTION OF EMPLOYEES.....	56
4.6 CORRELATION ANALYSIS.....	66
4.7 INDEX OF IMPACT MEASUREMENT	68
4.7.2 INDEX OF MEASUREMENT IN HOURS OF WORK.....	69
4.7.3 INDEX OF IMPACT MEASUREMENT ON HAPPINESS.....	72

4.7.4 INDEX OF IMPACT MEASUREMENT ON QUALITY OF LIFE...	76-79
4.8 OPEN ENDED QUESTION.....	80
4.9 CONCLUSION.....	81
CHAPTER FIVE: CONCLUSION AND POLICY IMPLICATION....	
5.1 INTRODUCTION.....	83
5.2 DISCUSSIONS ON HYPOTHESIS TESTING	83
5.3 DISCUSSIONS ON THE RESEARCH OBJECTIVE	84
5.3.1 STUDY ON OBJECTIVE.....	84-86
5.4 LIMITATIONS OF STUDY.....	87
5.5 SUGGESTION FOR FUTURE RESEARCH	87
5.6 POLICY IMPLEMENTATION	88
5.7 CONCLUSION.....	89
REFERENCES	
APPENDIXES	

LIST OF TABLES

TABLE	PAGE
TABLE 1.2.1 MAIN NATURAL RUBBER PRODUCING COUNTRIES IN 2010.....	2
TABLE 1.2.2 PRINCIPAL STATISTIC OF RUBBER INDUSTRY, 2005-2010.....	3
TABLE 1.2.3 PERCENTAGES OF RUBBER PLANTED AREA BY DIFFERENT STATES, 2010.....	4
TABLE 1.2.4 NUMBER OF ESTATES WORKER BY CATEGORIES.....	5
TABLE 1.2.5 MONTHLY AVERAGE SALARIES AND WAGES BY THE STATES, 2010.....	5
TABLE 1.2.6 PLANTED AREA OF NATURAL RUBBER ESTATES FROM 2011-2013.....	6
TABLE 1.3.1 LIST OF ESTATES PRODUCED BY LGM, KEDAH, 2015.....	7-8
TABLE 1.3.2 LIST OF ESTATES WHICH APPLYING MINIMUM WAGE POLICY IN KEDAH, 2015.....	9
TABLE 3.5.1 EXAMPLE OF LIKERT SCALE.....	36
TABLE 3.5.2 EXAMPLE OF DESCRIPTIVE SCALE.....	37
TABLE 3.5.3 INDEX OF IMPACT MEASUREMENT.....	38
TABLE 4.2.1: RESULT OF RELIABILITY STATISTICS FOR PILOT SURVEY	43
TABLE 4.3.1 INFORMATION OF QUESTIONNAIRES DISTRIBUTION	45
TABLE 4.4.1 RESULT OF THE RELIABILITY TEST	46
TABLE 4.5.1 DEMOGRAPHIC INFORMATION	47-52
TABLE 4.5.2 OCCUPATION INFORMATION	52-55
TABLE 4.5.3 RESULT OF PERCEPTION OF	

EMPLOYEES ON HOURS OF WORK.....	56
TABLE 4.5.4 RESULT OF PERCEPTION OF EMPLOYEES ON HAPPINESS.....	59-62
TABLE 4.5.5 RESULT OF PERCEPTION OF EMPLOYEES ON QUALITY OF LIFE.....	63-65
TABLE 4.6.1 ANALYSIS RESULT OF CORRELATION BETWEEN DEPENDENT VARIABLE AND INDEPENDENT VARIABLES.....	66-67
TABLE 4.7.1 INDEX OF IMPACT MEASUREMENT	68
TABLE 4.7.2 RESULT OF PERCEPTION OF EMPLOYEES ON HOURS OF WORK	69
TABLE 4.7.3 RESULT OF PERCEPTION OF EMPLOYEES ON HAPPINESS	72-76
TABLE 4.6.4 RESULT OF PERCEPTION OF EMPLOYEES ON QUALITY OF LIFE	76
TABLE 4.6.5 RESULT OF OPEN QUESTION	80

LIST OF DIAGRAMES

DIAGRAM	PAGE
DIAGRAM 1 THEORETICAL FRAMEWORK.....	26
DIAGRAM 2 RESEARCH FRAMEWORK.....	34

CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter provides a general introduction of the study. The first section introduces the background of the study while the second section presents the problem statement. The third section of this chapter presents the research questions and the research objectives of the study are stated in fourth section. The significance of the study is presented in the fifth section, followed by the scope of the study. Finally, the organization of the report is in the last section.

1.2 Background Of The Study

Malaysia is a federal constitutional monarchy located in Southeast Asia. It consists of thirteen states and three federal territories and has a total landmass of 329,847 square kilometres separated by the South China Sea into two similarly sized regions, East of Malaysia and Peninsular of Malaysia. It also called as Malaysian Borneo. It is named as a developing country which is moving in the path of modern economic and demographic transitions. It has experienced tremendous economic growth since 1957. The encouragement and leading by our former Prime Minister, Tun Dr Mahathir, the father of modernization, has transformed Malaysia from an agricultural nation to an industrial nation in the early 1984. As a result, the contribution of manufacturing and construction (secondary sector) and services sector (tertiary sector) have increased rapidly (Subramaniam, 2008).

The contents of
the thesis is for
internal user
only

REFERENCES

- Aaronson, D. French, E. & MacDonald, J. (2008). The Minimum Wage, Restaurant Prices, and Labor Market Structure. *The Journal of Human Resources*, 43(3), 688-720.
- Addison, J. T. & Blackburn, M. L. (1999). Minimum Wage and Poverty. *Industrial and Labor Relations Review*, 52(3), 393-409.
- Ahmad.N. & Peelings, J.H.M. (2009). Addressing workers rights in the textile and apparel industries: Consequences for the Bangladesh Economy. *Journal of World Development*.37(3), 661-675.
- Annual Report (2012). Potential impact of the minimum wage policy on the Malaysian Economy. Retrieved October 24, 2013, from http://www.bnm.gov.my/files/publication/ar/en/2012/cp04_005_box.pdf
- Basu, K. (2000). The Intriguing Relation between Adult Minimum Wage and Child Labour. *The Economics Journal*, 110(462), C50-C61.
- Bazen, S. & Le Gallo, J. (2009). The state-federal dichotomy in the effects of minimum wage on teenage employment in the United States. *Economics Letters*, 105, 267-269.
- Bell, L.A. (1997). The Impact of Minimum Wages in Mexico and Colombia. *Journal of Labor Economics*, 15(S3), S102-S135.
- Benhayoun, G. (1994). The Impact of Minimum Wages on Youth Employment in France Revisited A Note on the Robustness of the Relationship. *International Journal of Manpower*, 15(2/3), 82-85.
- Betsey, C. L. & Dunson, B. H. (1981). Federal Minimum Wage Laws and the Employment of Minority Youth. *The American Economics Review*, 71(2), 379-384.
- Brown, C. (1988). Minimum Wage Laws: Are They Overrated?. *The Journal of Economics Perspective*, 2(3), 133-145.
- Brown, C. Gilroy, C. & Kohen, A. (1982). The Effect of The Minimum Wage on Employment and Unemployment. *Journal of Economics Literature*. 20(2), 487-528.
- Brown, W. (2002). The Operation of the Low Pay Commission. *Employee relations*, 24(6), 595-605.
- Burkhauser, R. V. Couch, K. A. & Wittenburg, D.C. (2000). A Reassessment of the New Economics of the Minimum Wage Literature with Monthly Data From the Current Population Survey. *Journal of Labor Economics*, 18(4), 653-680.

- Card, D. & Krueger, A.B. (1995). Times-Series Minimum Wage Studies: A Meta-analysis. *The American Economics Review*, 85(2), 238-243.
- CIMB analysis (2012). Retrieved September 28, 2013, from <https://cimbequityresearch.cimb.com/.../GetDocPDF.asp?...A=>
- Deltas, G. (2007). Can a minimum wage increase employment and reduce prices in a neoclassical perfect information economy?. *Journal of Mathematical Economics*, 43, 657-674.
- Fraja, G. D. (1999). Minimum Wage Legislation, Productivity and Employment. *Economica, New Series*, 66(264), 473- 488.
- Gavrel, F. Lebon, I. & Rebiere, T (2012). Minimum wage, on-the-job search and employment: on the sectoral and aggregate equilibrium effect of the mandatory minimum wage. *Economics Modeling*, 29, 691-699.
- Katz, L. F. & Krueger, A. B. (1992). The Effect of the Minimum Wage on the Fast-Food Industry. *Industrial and Labor Relations Review*, 46(1), 6-21.
- Kaun, D. E. (1965). Minimum Wages, Factor Substitution and the Marginal Producer. *The Quarterly Journal of Economics*, 79(3), 478-486.
- Kennan, J. (1995). The Elusive Effects of Minimum Wage. *Journal of Economics Literature*, XXXIII, 1950-1965
- Koing, M. & Moller, J. (2009). Impact of minimum wage a microdata analysis for the German construction sector. *International Journal of Manpower*. 30(7), 716-741.
- Machin, S. & Wilson, J. (2004). Minimum wage in a Low-Wage Labour Market: Care Homes in the UK. *The Economics Journal*, 114(494), C102-C109).
- Mangan, J. & Johnston, J. (1999). Minimum wages, training wages and youth employment. *International Journal of Social Economics*, 26(1/2/3), 415-429.
- Martins, A.P. (2009). Union duopoly with heterogeneous labor: the effect of minimum wage regulation. *International Journal of Social*, 36(5), 580-607.
- Metcalf, D. (2002). The National Minimum Wage: Coverage, Impact and Future. *Oxford Bulletin of Economics and Statistics*, 64, 567-582.
- Moore, T. G. (1971). The Effect of Minimum Wages on Teenage Unemployment Rates. *Journal of Political Economy*, 79(4), 897-902.
- Morris, D. Collier, & T. Wood, G. (2005). Effects of Minimum Wage Legislation Some Evidence from Small Enterprises in the UK. *International Small Business Journal*, 23(2), 191-209.

- Neumark, D. & Wascher, W. (1992). Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws. *Industrial and Labor Relations Review*, 46(1), 55-81.
- Neumark, D. & Wascher, W. (2001). Minimum Wage and Training Revisited. *Journal of Labor Economics*, 19(3), 563-595.
- Neumark, D. Schweitzer, M. & Wascher, W. (2004). Minimum Wage Effects throughout the Wage Distribution. *The Journal of Human Resources*. 39(2), 425-450.
- Page, M.E. Spetz, J. & Millar, J. (2005). Does The Minimum Wage Affect Welfare Caseloads?. *Journal of Policy Analysis and Management*, 24(2), 273-295.
- Pratomo, D.S. (2014). Does minimum wage affect hours worked of paid employment in Indonesia?. *International Journal of Social Economics*, 41(5), 362-379.
- Rebitzer, J.B. & Taylor, L.J (1995). The consequences of minimum wage laws: some new theoretical ideas. *Journal of Public Economy*, 56, 245-255.
- Resources, H. (2014). Retrieved May 18, 2014, from <http://humanresources.about.com/od/glossary/g/employment-job.htm>18/5/201412:27am
- Sabia, J. J. (2008). Minimum Wages and the Economics Well-Being of single Mothers. *Journal of Policy Analysis and Management*, 27(4), 848-866.
- Schulten, T. (2008). Towards a European Minimum Wage Policy? Fair Wages and Social Europe. *European Journal of Industrial Relations*, 14(4), 421-439.
- Silberman, J. I. & Durden, G. C. (1976). Determining Legislative Preferences on the Minimum Wage: An Economics Approach. *Journal of Political Economy*, 84(2), 317-330.
- Smith, D.A. Norris, G. & William, S. (2003). The implication of national minimum wage for work and employment in the hospitality industry. *The Journal of Work, Employment and Society*, 17(1), 29-47.
- Stewart, M.B. (2002). Estimating the Impact of the Minimum Wage using Geographical Wage Variation. *Oxford Bulletin of Economics and Statistics*, 64, 583-605.
- Stewart, M.B. & Swaffield, J.K. (2008). The Other Margin: Do Minimum Wages Cause Working Hours Adjustment for Low-Wage workers?. *The London School of Economics and Political Sciences*, 75, 148-167.
- Wang, J. & Gunderson, M. (2012). Minimum wage effects on employment and wages: dif-in-dif estimates from eastern China. *International Journal of Manpower*, 33(8), 860-876.

- Yuen, T. (2003). The Effect of Minimum Wages on Youth Employment in Canada: A Panel Study. *The Journal of Human Resources*, 38(3), 647-672.
- Zainuddin, A. A. (2012). The Relationship between workload, job satisfaction and absenteeism among staff nurses at Institut Jantung Negara (IJM), Othman Yeop Abdullah Graduate School of Business, 1-88.