

Impact of Gender Roles and Business Type: A Study of Entrepreneurship  
among AIM Microcredit Borrowers

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Abstract

Gender roles and business type are two important elements that determine the success of an entrepreneurship activity. The purpose of this paper is to explore the impact of those two elements on the success of entrepreneurship activities of AIM microcredit borrowers. Data was collected based on a survey with a total of 133 AIM borrowers in Selangor, Malaysia. It consists of 71 men borrowers and 62 women borrowers. The research findings show a significance difference in the impact of gender roles and business type on the success of men and women borrowers. The findings of the survey suggest that impact of gender roles are more significant on the success of women borrowers compared to the men borrowers while the type of business conducted which varies from public transportation business to food and beverage business determines the success of men borrowers as well as the women borrowers. It is argued that gender roles have greater influence on the success of female borrowers compare to men borrowers whereas the choice of type of business differ between male and female borrowers. Female borrowers concentrated more on food and beverages and tailoring business while most male borrowers involved in public transportation business as taxi drivers. This study is expected to highlight the difference in entrepreneurship success determinants between men and women borrowers of AIM.

*Keywords: Gender roles; business type; entrepreneurship activity; microcredit borrowers.*

*\*Author did not make paper available*

**GLOBALISATION,  
TRANSNATIONALISM  
AND MIGRATION**

## A Case Study of the Foreign Labour Outsourcing System in Penang, Malaysia

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### Abstract

Since 2005, the government introduced the foreign labour outsourcing system to streamline the management of foreign workers. Some controversial issues emerged as workers are exploited under the management of unscrupulous outsourcing agencies. The research was conducted from May 2012 to April 2013 and in-depth interviews were carried out with four outsourcing agencies. The author established the habit to record the everyday observations and conversations in written form during the field work at the migrant laborers' hot spot. The paper focuses on the interface between outsourcing agencies who act as the migrant labourers' direct employers, and the foreign workers in the everyday lives in the host society, drawing on the Structuration Theory which highlighted the controlling and enabling factors on structural conditions. Apart from the critique on the exploitative labor migration regime, the findings show that there is an interdependent relationship between outsourcing agencies and migrant laborers. The interdependency lies in which workers give consent to work in the factory and to maintain a good relationship with their employers, while the outsourcing agencies who are interested in their industrious labor to sustain the profitable businesses likewise to maintain a harmony relationship with workers. The discussion will further reveal the wider environment of which the outsourcing agencies are embedded in with the government, factory and the local man power agency in the origin country. Further, it is observed that male and female foreign workers are managed slightly different under the scheme of outsourcing management. The future research can possibly looking into the good practices of accountable and transparent foreign labour management system, and taking into account the workers' rights.

Keywords: *foreign labour outsourcing agencies, factory workers, Penang*

### 1. Introduction

Malaysia is a magnet for migrant workers from neighbouring countries, mainly from Indonesia, Bangladesh, Vietnam, Myanmar, and Nepal. Wong (2010: 301) highlights that from 1980 to 2000, 25 percent of Malaysia's workers were migrants and Malaysia is the country with the highest amount of migrant labour in Southeast Asia (Devadason, 2011). In brief, the Employment Restriction Act 1968 and the Immigration Act 1957 regulated all foreign workers with work permits for their employment (Kaur, 2012, p. 247). All contracted migrant workers found jobs in the six government identified labour-intensive sectors. The manufacturing sector

recorded the highest number (688,886 foreign workers out of 1.8 million workers<sup>5</sup>) of total foreign workers in Malaysia (Mohd Sabri Bin Haji Karmani, 2010) with Indonesian factory workers being by far the dominant group (198,643 Indonesian workers out of 688,886 workers in manufacturing sector<sup>6</sup>) (Mohd Sabri Bin Haji Karmani, 2010). They are officially categorised as semi-skilled and unskilled foreign workers with an income of less than RM 2,500 a month (Kanapathy, 2006:2).

A significant change in migration policy took place from 1996 onwards. The Malaysian government officially established a state-managed foreign contract worker system, which was treated as an official migrant labour system based on work permits and contract-based off-shore recruitment. Kaur (2007, p. 81) highlights the key elements of the work permit system for less-skilled foreign workers, which is being more rigid than before: a guest-worker rotation system; repayment of advances through salary deductions; work under a specified employer; fixed term employment and return of migrant workers to their country of origin upon completion of contract. The employers hold the responsibility of obtaining and renewing work permits for their foreign workers.

Since 2005, the government introduced the foreign labour outsourcing system to streamline the management of foreign workers. Some controversial issues emerged out of the management of unscrupulous agencies against the exploitation of workers' rights in the work place. The paper focuses on the role of outsourcing agencies, who act as the migrant labourers' direct employers, which play a major role in the process of labour recruitment and organisation, and the foreign workers in the everyday lives in the host society.

## 2. Methodology

The research was conducted from May 2012 to April 2013 and in-depth interviews were carried out with four outsourcing agencies. The author established the habit to record the everyday observations and conversations in written form during the field work at the migrant labourers' hot spots.

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<sup>5</sup> Of which there was 288,722 workers for construction sector; 256,382 workers for plantation sector; 224,544 accounted as domestic workers; 180,890 workers for services sector and 163,836 workers for agriculture sector.

<sup>6</sup> The second, third and fourth largest groups in manufacturing sector are Bangladesh (170,332 workers), Nepal (135,764 workers) and Myanmar (92,135 workers).

### 3. Theory

Drawing on the central argument of structuration, the notion of ‘duality of structure’, which implies that structure constrains and enables human agency with regard to everyday interactions in the social system, acknowledging that structures are ‘both the medium and outcome of the practices which constitute social systems’ (Giddens, 1981, p. 27). In other words, individuals’ practices and behaviours are shaped by the social structure, and their activities in turn reproduce the social structure. In the Glossary of Terminology of Structuration Theory, Giddens interprets structure as ‘rules and resources, recursively implicated in the reproduction of social systems. Structure exists only as memory traces, the organic basis of human knowledgeability, and as instantiated in action’ (Giddens, 1984, p. 377). As such, the structure is characterised only in its ‘virtual’ existence, i.e. it refers to a ‘virtual order of relations’ (ibid. 1984, p. 304) which can only be seen when actors reproduce the activity, when gets ‘instantiated’ in action. The structuration approach denotes all human beings as social actors who comprise two important principles of agency: knowledgeability, and capability. Their actions have a transformative capacity, resulting in either the changing or the maintenance of the status quo in the context of interaction with other people, within the context of specific constraining or enabling social structures.

### 4. Findings

#### *4.1 A controversial issue: Outsourcing agencies as the direct employers*

Outsourcing companies have a binding contract with the Ministry of Home Affairs. They were initially established to support small- scale factories<sup>7</sup> to recruit and manage foreign workers, as well as to help large-scale factories to recruit migrant workers in peak production periods. Outsourcing companies had to post bonds on each worker, provide housing and a minimum salary if the worker does not have a job (Kanapathy, 2006). By 2010, about 277 recruitment agencies with binding contracts with the Ministry of Home Affairs, were operational (Kwek, 2010).

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<sup>7</sup> Employers who recruit less than 50 migrant workers have to hire the foreign workers through labour outsourcing agencies (Fair Labor Association and Bar Council Malaysia, 2009; Kaur, 2012).

In 2008, the then head of the enforcement unit of the Immigration Department, Datuk Ishak Mohamed, was quoted in a national newspaper as follows:

“Outsourcing is good as it will attract foreign direct investment. Investors will not want unions to be formed in their establishments. Through outsourcing, it would be difficult for unions to be formed as the outsourcing company, and not the factory, would be the employer.”

Only outsourcing companies or manpower suppliers, which is now known as ‘Contractor for Labour’<sup>8</sup> received the mandate to recruit foreign workers. The amendment have eroded the bargaining power of unions for migrant workers, which are the outsourced workers provided by ‘contractors for labour’ or outsourcing companies. These ‘non-employees’ are excluded for the benefit from collective bargaining agreements, an important agreement between employers and employees. For instances, they are not eligible to join workplace union and benefit from Collective Agreements. The Malaysian Trades Union Congress (MTUC) strongly advocating for the elimination of recruiting agents<sup>9</sup>; the Malaysian Bar passed a Resolution to retain the two-party employment relationship, between workers and the principal, and to end the role of all third parties, especially the ‘contractor for labour’.

Thus, the amendment of the Employment Act enables ‘the contractor for labour’ to act as direct employer between the owner operator of a company (defined as the ‘principal’) and their worker-employee. The change is justified as ‘an investment friendly anti-union measure’ (SOMO, 2013a, p. 23). Employers who recruit less than 50 migrant workers have to hire the foreign workers through the outsourcing agencies (Fair Labor Association and Bar Council Malaysia, 2009). Fernandez (Tenaganita Women’s Force, 2011), the human rights activist for migrant workers, claimed that around 80% of the documented migrants turned to be or were forced to become undocumented workers upon arrival because they found they were cheated by the recruitment agents. Since migrant workers rely on employers for contract-bound work permits and the majority of these are low-status or ‘unskilled’ workers, they have to endure

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<sup>8</sup> With the 2012 amendments to the Employment Act 1955 in April. The particular amendments to section 2, 31, 33A, 69, 73 brought about by the Employment (Amendment) Act 2012 [ACT A1419] relating to the ‘contractor for labour’ and their practices. (A joint statement is calling for the ban of the ‘contractor for labour’ system)

<sup>9</sup> Source: <http://www.mtucworkersrights.com/> Retrieved 16 December 2013

highly exploitative or abusive treatment (Amnesty International, 2010; Kaur, 2007; SOMO, 2013).

#### *4.2 Outsourcing agencies embedded in a wider environment*

The research findings showed that outsourcing companies are playing multi-functional roles as they claim to absorb the dirty works and risk for factories, though they admitted they are profit oriented. Outsourcing companies are embedded in a wider environment of which they are the middle person to liaise with the government, factory and the local man power agency in the origin country.

Their responsibilities are as follows: To negotiate the quota (total head) of permitted foreign workers per year with the Ministry of Home Affairs, and to proceed for work permit application upon receiving approval. In addition, they discuss the demanded criteria of foreign workers, nationality, skills and number of workers, as well as other related concerns with the Human Resource representative from factories. Besides, they in charge of contacting the recruitment companies in the origin countries in order to request for the number of workers needed. Further, they provide all-in-one facilities for the factory workers, including transportation, accommodation, panel clinic services, and in time of emergency.

#### *4.3 The exploitative practices towards workers*

The exploitative practices are found experienced by outsourced workers. For instances, Outsourcing agencies keep the passport of the workers; workers are obliged to work OT and they are not allowed to demand for OT to be scheduled; all workers are on leave on Sunday but if they work on that day, they receive double payment. If they work continuously without any single day of absence, they are entitled to the monthly' attendance bonuses of RM 60. However, if they are absent for one day, even with a medical certificate issued by the doctor of the panel clinic and permitted by the outsourcing companies, they will automatically lose half of their 'attendance bonuses'.

Besides, they are not entitled to yearly bonus as what is enjoyed by the local factory workers; most of their monthly salary remain flat for the first two years during the contract period. And yet, it is up to the agent to decide the salary increment for the third year, if they agree to renew the contract; the salary slip specifies unknown about the charge for

transportation fees and hostel. Further, the workers were asked to sign a new contract when they start working in factories. Many of the workers stressed that the total monthly salary, as elucidated by the local officer in the origin country, and their expectation for earning higher income overseas when they start working were mismatched.

#### *4.4 The interdependency between outsourcing agency and workers*

Apart from the critiques and findings on the exploitative labor migration regime, the findings show that there is an interdependent relationship between outsourcing agencies and migrant laborers. The interdependency lies in which workers give consent to work in the factory and to maintain a good relationship with their employers, while the outsourcing agencies who are interested in their industrious labour to sustain the profitable businesses likewise to maintain a harmony relationship with workers. Male and female foreign workers' formal work life are managed by the outsourcing agencies, especially the accommodation, and to organize the workers' transportation back and forth from the factory, by specially rented buses. An officer in charge who works for the outsourcing agencies keeps a daily record of who gets on and off the bus. Workers expressed their gratitude for the pre-arrangements as received and prepared for them upon their arrival. The facilities have assisted them to cope with the new environment in an easier manner. Further, workers' take the advantage of their legal status to actively involved in social activities without feeling fearful of being caught by authorities.

## 5. Conclusion

The emergence of outsourcing agencies is one of the strategies by the government to streamline the management of foreign workers for employers. However, due to lack of proper monitoring and the protection of foreign workers' rights, workers are found exploited under the unscrupulous agencies. As outsourcing agencies are embedded in a wider environment, thus appropriate procedures should be made transparent for all related and relevant parties to hold responsibilities for the exploitation of workers. In line with the Structuration Theory which highlighted the controlling and enabling factors on structural conditions. The paper concludes that while workers facing the exploitation in workplace, there is also an interdependency relationship between workers and the outsourcing agencies, it points to the



reality that workers choose to work in the factories for earning the salary, and the profit-oriented outsourcing agencies provide facilities to smoothen their adaption to the new working environment. The future research can possibly looking into the good practices of accountable and transparent foreign labour management system, and taking into account the workers' rights.

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