#### ASIA E UNIVERSITY

PROJECT PAPER REPORT

THE COMPENSATION SYSTEM IN THE SECURITY GUARDING SERVICE

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DAYID SOTHER NAYSADORAL M60305100001 SCHOOL OF MANAGEMENT

MAIN SUPERVISOR

PROF. DR. MOHAVIMAD ADAM BAKAR

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## **ABSTRACT**

The question of compensation for the average Malaysian security guard has been widely debated by industrial captains in the security industry field, with MTUC leading the way there is a hope for the people who guard our front door. While this is being investigated in this paper we have to take cognizance of the fact that there exists a wide gap of disparity in the attention, care and industrial recognition of them. This paper does not only look into the fact that that the remuneration system of the security guards, it also looks into the trends as to where the industry is moving into. In this age of knowledge workers, one may take a broad view of the industry, thus the varying social views, industrial and commercial aspects as well as the background of the industry is given a microscope look in this paper. The outcome of this paper is not only investigative, objective and relevant, but also may render some assistance to those who would pursue this industry with passionate commitment and unfaltering faith.

#### ACKNOWLEDGEMENT

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The many years of working in the Security Industry also gave the writer strong footing and awareness of the issues and challenges faced by the industry. The Compensation issue is one area strongly needed addressing. And therefore it is with deep desire and commitment, the writer of this project is dutifully bound to impress upon the reader the magnitude of the said issue. Many thanks go to my beloved colleague En Jebid Ariff for accessing areas for me to conduct the research, Mr Paul Raj for his exemplary faith in the industry; the Nepalese people who strive from day to day to earn money for their families, also local security guards who toil in the hope for a better tomorrow. The acknowledgment also goes to three "Captains" of the security industry of which the researcher was previously employed under, the late Mr Maurice Chong Koon Siew, Tuan Haji Nizam Bin Haji Zainal Abidin and Tuan Haji A Wahab b A Raman whose teachings are beyond monetary value. My present Head of Department of the Academy of Security Management, Major (Rtd) Suppramaneam who is a dedicated Security Practitioner and Academician, including En Ramli Bahari of Malsec.com whose inspiration and motivation propelled the writer to pursue academic interests. Finally, the writer must acknowledge his parents, wife and children whose great love and patience continues to be his guiding light.

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## INTRODUCTION

This research is concerned with the Compensation system in practice in security companies in Malaysia, it's Human Resources Management and Industrial Relations implications and wage structure. The security guard's wage has been a topic strategically avoided in all dialogues, meetings and conferences of security companies.

Currently an approximate total of 200,000 workforce employed in the security industry which comprises of 400 (registered with PPPKM) operatives. The main compensation issue is tied in with experience, qualification and market forces. Security has traditionally been seen as an area for ex-Police and ex-Army personnel. To the contrary many people particularly the security guards hardly are from those disciplined outfits. Unfortunately, most of them are either illiterate or hardly achieved lower secondary education, making the industry the last bastion for those who are looking for employment to earn a decent income. Subject to this knowledge, the security companies often exploit the labour market for these individuals. Though industry wide attempts made to recruit younger and better qualified persons were done, these young ones found that the job is unsuitable due to its unsociable working hours coupled with the agony of having to perform monotonous functions without much rest in-between. Over and above, the decisive factor is the Ringgit and Sen as the industry has already reputed for its low wages, the "probers" then find it inconceivable to work long hours for a lowly paid job, therefore making a dashing exit from the industry for a better opportunity. In the recent year, the literature on Human Resource Management (HRM) emphasis on the high performance working system

practices' on job satisfaction as hence employee performance and contributed the organization performance. Job satisfaction is one of the most widely studies work-related attitudes in the fields of industrial and organizational psychology, and organizational behaviour (Spector, 1997). Many researchers identify in several ways in definition of job satisfaction. Greenberg and Baron (1997) define job satisfaction as an individual's cognitive, affective, and evaluative reactions towards his or her job. Locke (1976) provides more specific definition on job satisfaction as the state where one's needs and one's outcomes match well. According to Cranny, Smith and Stone (1992) job satisfaction is a combination of cognitive and affective reactions to the differential perceptions of what an employee wants to receive compared to what he or she actually receives. Job satisfaction is a factor that would induce the employee to work in the long term position. Regardless of job satisfaction the organization or firm would confront with the cost of recruitment caused by turnover. For this reason, the organization should pay attention to employees' job satisfaction as well.

## LITERATURE REVIEW

## **Human Resource Management Practice**

In the organizations or security firms, human resource management (HRM) practices as a mediator between HRM strategy and HRM outcome. Sheppeck and Militello (2000) focus HRM strategy into four groups: employment skill and work policies, supportive environment, performance measurement and reinforcement and market organization whereby Guest (1997) divides in to three categories: differentiated on innovation, focus on quality and cost-reduction. However, there are many definitions in previously researches on HRM strategy, but all strategies used to achieve the same organizational goal through HRM practices. Sivasubramanian and Kroeck (1995) verify the various perspective of human resource management as the concept of fit or integration

#### **Job Training**

In general, training is referred to a planned effort facilitate the learning of job-related knowledge, skill, and behaviour by employee (Noe et al., 2006). In HRM practice, training is an important factor for productivity, higher productivity observed in firms that report providing training (e.g. Tan & Batra, 1995; Aw & Tan, 1995). Schaffner (2001) on his study assert the relationship between job training and productivity, however job training tends to be lose value when the workers change job, therefore the organization or firm increase the cost of keeping trained position filled.

#### **Pay Practice**

Pay practice is one of human resources management practice which

Normally refers to pay, wage, salary and benefit etc. The pay has an important role in implementation strategies. First, a high level of pay and/or benefits relative to that of competitors can ensure that the company attract and retains high-quality employee, but this might have a negative impact on the company's overall labour costs. Second, by tying pay to performance, the company can elicit specific activities and level of performance from employee (Noe et al., 2006). Generally, pay practice is very significant for the organizations and firms which can attract employees to apply for the job as recruitment. On the other hand, the employees have to retain the high performance of work in order to show their quality of work otherwise will lose their work. Pay practice has some correlation with job satisfaction as well. As supported by Ting (1997) asserts the significant of pay is strongly determined of job satisfaction.

## What is a Security Guard?

Wikipedia defines a security guard (or security officer) as a person who is paid to protect property, assets, or people. Security guards are usually privately and formally employed personnel. Often security offices are uniformed and act to protect property by maintaining a high visibility to deter illegal and inappropriate actions, observing for signs of crime, fire or disorder; than taking action and reporting any incidents to their client and emergency services as appropriate.

#### Wage Rates

According to MTUC (Malaysian Trade Union) the increased salary of public sector

Workers have affected both public and private sector workers. The MTUC claims that the private sector workers especially the lower ranking security guards are still living in poverty due to low wages. According to MTUC's 2006 survey the current lowest wages were recorded in the private sector were those of the Security guards with a monthly wage of RM600. In a salary scale for 100+ Singapore Jobs (2009) the Private Security Guard was ranked 90<sup>th</sup> of the entire surveyed list earning SGD1379.00 after Data entry operator earning SGD1400.00 and before Garment Pattern Maker earning SGD1361.00.

Table 1. Salary Entries for Singapore

Hotel Receptionist	\$1,543
Sales Demonstrator	\$1,515
Youth Worker	\$1,515
Bar/Lounge Hostess	\$1,435
Pre-Primary Education Teachers	\$1,409
Data Entry Operator	\$1,400
Private Security Guard	\$1,379
Garment Pattern Maker	\$1,361
Building Painter	\$1,341
Papermaking Machine Operator	\$1,331
Cleaner Supervisor	\$1,330
Wood Products Machine Operators	\$1,329
Rubber Products Machine Operators	\$1,322
Plastic Product Machine Operator	\$1,320
Hospital Attendant	\$1,311
Car Park Attendant	\$1,300
Electro-plater	\$1,271
Office Attendant	\$1,246

Salary Scale for 100+ Singapore Jobs! (2009) http://singaporesearchsite.com/2009/07/salary-scale-singapore-2009/

In 2008, the Malaysian Government announced that several commissions of inquiries and wage councils had been formed to look into minimum wages of security guards

amongst other workers categories of small holdings this was prior to MTUC proposal for a national minimum wage and would take up to six months to one year for the Wage council to do their research and come up with a decent rate (The Star, October

wage council to do their research and come up with a decent rate (The Star, October 2008). The sectors especially security guards then received a salary as low as RM 400 per month as their basic wage and their rest of their pay was made up of overtime and other benefits. This was inadequate for survival. They were paid low rates for a high-risk job. In the survey by the wage council for security guards, even food stall assistants and foreign security guards were paid more. The other reason to introduce a decent minimum wage for security guards was to cope with the problem of outsourcing the licence to the outsider or foreign workers in which they themselves turn out to be the culprits.

Table 2 Salary Entries for Malaysia

<sup>\*</sup>NET salaries are incomes received after taxes.

Career	Gross (USD)	Gross Entered Salary	Net Entered Salary	Education	Experiences	City	Added
Guardian	\$7,973	24,000 MYR	19,000 MYR	Less Than High School	1-2 Years	Kuala Lumpur	06 Mar 2012
Risk Analyst	\$39,867	120,000 MYR	105,000 MYR	Some College	8-12 Years	Kuala Lumpur	05 Mar 2012
Junior Accountant	\$17,940	54,000 MYR	47,883 MYR	Bachelor's Degree	8-12 Years	Petaling Jaya	05 Mar 2012
Accounting Assistant	\$9,302	28,000 MYR	24,920 MYR	Bachelors Degree	0-1 Year	Subang Jaya	04 Mar 2012
Corporate Counsel Lawyer	\$39,244	118,125 MYR	96,000 MYR	Bachelors Degree	4-8 Years	Kuala Lumpur	04 Mar 2012
Marketing Executive	\$10,963	33,000 MYR	29,700 MYR	Bachelors Degree	1-2 Years	Petaling Jaya	03 Mar 2012

<sup>\*</sup>GROSS salaries include all bonuses.

Lead Salesmen/Saleswomen	\$31,893	96,000 MYR	83,000 MYR	Bachelors Degree	8-12 Years	Kuala Lumpur	02 Mar 2012
CEO	\$265,780	800,000 MYR	550,000 MYR	Doctorate Degree	12-16 Years	Kuala Lumpur	02 Mar 2012
CISCO Certified Specialist	\$35,880	108,000 MYR	83,649 MYR	Bachelors Degree	4-8 Years	Kuala Lumpur	02 Mar 2012
Human Resources Manager	\$14,617	44,000 MYR	38,000 MYR	Bachelors Degree	8-12 Years	Kajang- Sungai Chua	02 Mar 2012

#### Government vs. Industry

Prime Minister Datuk Sri Najib Tun Razak had also announced during the tabling of Budget 2011 that there would be an increase in security guard salaries effective from January 2012. Hence security guard could be earning more than RM1, 000.00 monthly taking into account salaries and allowances. The government has been talking for a very long time about setting a minimum wage and the forming of the National Wages Consultative Council in June 2011, approved by Parliament is seen as paving the way for the implementation of the minimum wage for security guards. In setting a minimum wage the guiding principal must be not to allow it to be below the poverty income level. Malaysia's poverty line stands at RM763.00 a month. With the existing 40,000 extra foreigners working as Security Guards spread over three zones in Peninsular Malaysia, earnings are even lower than the envisaged RM500 to RM 700 in states like Sarawak. In April 2011 the higher security guard minimum wage was supposed to be implemented but was postponed after security firms refused to increase the salaries. In May 2011, the Peninsular Malaysia Manpower Department director general Datuk Ismail Abdul Rahman issued a directive which is in line with the provisions under the Wages Council (Salary Rules Order)(Minimum Remuneration

Statute For Private Security Guards in Peninsular Malaysia)2011 to all Security

Companies in Peninsular to immediately pay the minimum wage arrears to security
guards. This new wage policy faced resistance from employers who worry it would
hamper business. Employers argue that only the low-skill low-income foreign workers

Would benefit from a minimum wage and propose that the government increase
employee productivity instead to lift Malaysia out of its middle income trap. Security
Services Association of Malaysia (PPPKM)1. had already advertised an
announcement on the implementation of new rates for provision of security services
(all types) from January 2012 onwards. The new rates is a minimum of RM7.50 per
person per hour for static/unarmed guard services and RM15.00 per person per hour
for armed guard services and RM110.00 per hour for cash –in-transit in Selangor and
Federal Territory.

## Foreign Workers as Security Guard

In 2010 Human Resources Minister announced that Malaysia would not be accepting any more Nepalese as security guards. The reason given was that as the Malaysian Government was planning to reserve the security sector for exclusively Malaysians and that there was a review of the salary for security guards. The entire plan to ban the foreign security guards was a yearlong programme since it was scanning the security guard services since March 2009

 $1. PPPKM-Association\ of\ Security\ Services\ Malaysia.\ A\ Non\ -Government\ association\ which\ is\ registered\ under\ the\ Societies\ Act\ 1966\ Licenced\ by\ Ministry\ of\ Home\ Affairs.$ 

The entire programme of freezing was overturned on January 2012 when Nepali Ambassador to Malaysia Dr Rishi Raj Adhikari disclosed that he had received notification from Home Ministry Datuk Sri Hishamuddin Hussein on 28 January 2012 that the gates for Nepalese to work in Malaysia were open once again. The offset of the fact that the Government was on taking initiative to legalise the increasing number of foreign workers. There were a reported total of 33,000 illegal Nepali workers which registered under the 6P legalisation programme.2 the security guards could be recruited from those illegal Nepalese workers in Malaysia and accepted into private security companies. The general rule was that all Nepalese guards recruited were to be assigned to residential property, gated and guarded communities, which require security guarding services. They were also required to communicate in English and /or Bahasa Malaysia, as criteria for employment.

## Protection against Abuse of Migrant Workers and Unfair Labour Practices

In 2005 deferring from the application of international labour standards, the governments in South Asia and Iran could develop bilateral agreements on the terms of conditions of employment services including health and wages with the governments of Labour receiving countries. India, for example, has a bilateral agreement on migration with Qatar and is likely to have similar agreements with some other countries including Jordan, Korea and Malaysia. Resulting in these vulnerabilities, migrant workers were faced with innumerable problems emerging from social, religious and cultural barriers. Such typical issues include bad working and living conditions, which result in accidents or deaths

.(2)6P Programme- Government of Malaysia has decided to implement the 6P Programme as a solution to obtain an updated list on foreign workers in the country and to reduce the number of illegal workers.

According to the Human Rights Watch (2010), raids in worksites and living quarters, stepped-up arrests, deportations, overcrowded stepped-up arrests, deportations, overcrowded state of detention camps, their poor facilities such as unsafe water, inaccessibility to health care, low quality and quantity food that some migrants are exposed to in Malaysia need to be redressed. Other issues revolved around female domestic workers who suffered from delayed payment of remuneration, unregulated minimum wage, long working hours, physical and sexual abuses including denial benefits of Malaysia's Employment Act which limit working hours, guarantee public holidays, recognizes a day off weekly, allows annual/sick leave, offers maternity protections and fair termination of contracts (Human Rights Watch, 2011). The Human Rights Watch (2009) said some of the abuses being inflicted on migrant workers, especially on suspected undocumented migrants in Malaysia whenever untrained paramilitary force called RELA (Ikatan rakyat or people's voluntary corps) carried out raids with support of police and immigration officials include physical assault, threats, humiliating treatment, forced entry into living quarters, extortion, theft and destruction of identity or residency papers. Yet, Malaysia is a signatory to the January 2007's adopted ASEAN declaration on the protection and promotion of the rights of migrant workers whose article 8 reads that government shall promote fair and appropriate employment protection, payment of wages and adequate access to decent working and living conditions for migrant workers (Robertson, 2008).

According to information from the Department of Labour in Nepal, 96 (ninety-six)

Nepalese were reported to have died in destination countries between 1985 and 2001,
the figure include 4(four) in Malaysia. Throughout 2010 the MTUC received more
than 400 complaints from migrant workers relating to non-payment of wages,

arbitrarily pay, and unexplained wage deduction, breach of labour laws on working hours, overtime pay, annual leave, paid public holidays and weekly rest days. In a number of cases, the affected number of workers was repatriated before labour court proceedings could decide on the complaint. The Malaysian Government maintains contradicting regulations on the right of migrant workers to join a trade union. The Ministry of Human Resource says that migrant workers can join a trade union but the Immigration Department under the Home Affairs Ministry condition to maintain a condition on the work permit prohibiting union membership. Ultimately the employment "fate" of these Nepalese security guards is now in the hands of their employers. Whereas the PPPKM formed to only unite the security companies for solidarity and advancement of their own business endeavours.

## **Existing Security Guarding Control Models**

The researcher choose to highlight the below mentioned two (2) countries which employ the control models as an illustration for firmer control in terms of human resources, industrial relations, training and legislations enacted to ensure security guarding in their respective country is properly regularised. Subsequently existing Malaysian model would be revealed. The reason this was done is to demonstrate the difference is government administration views and importance to the security guarding industry in their own country, and eventually to show Management Controls which determine the eventual quality of the regulated services

#### A) The Hong Kong Model- The Security Guarding Services Industry Authority

The Security and Guarding Services Industry Authority was established on 1st June 1995 under the security guarding services ordinance to administer a licencing scheme to regulate the security industry. It aims to promote higher standards in the industry, thereby helping in fight against crime. The Authority consisted of a Chairman and five members appointed by the chief executive, as well as a representative of the Secretary of Security. A secretariat was then set up to administer the day to day administrative support to the Authority. The **need for a security personnel permit** encompassed the below four categories of security work available in Hong Kong.

Category A	Category B	Category C	Category D
Guarding work	Guarding work in in	Guarding work, the	Installation,
restricted to a single	respect of any persons,	performance which	maintenance and /or
private residential	premises or properties,	does require the	repairing of security
building, the	performance of which	carrying of arms and	devices and /or
performance of which	does not require the	ammunition	designing (for any
does not require a	carrying of arms and		particular premises or
firearm and carrying of	ammunition and which		place) a system
arms and ammunition.	does not fall in		incorporating a security
	Category A		device.

Table 3: categories of security work available in Hong Kong

For purposes of this paper we would examine the requirement of persons to be employed in Category A.

#### (a) Age

- (I) The Applicant must be 18 years of age or above on the date of the application.
- (ii) If the applicant or permit holder is 65 years of age or above, he/she must produce a medical certificate issued by registered medical practitioner to certify that he/she is fit to undertake the duties required every two years.

- (b) The Applicant must be physically fit to perform the job. A medical certificate issued by a registered medical practitioner may be required if the Commissioner of Police reasonable considers necessary.
- (c) Good Character. The applicant must be of good character having regard to his employment history, criminal records and other relevant factors.
- d) Proficiency in security work. The applicant must satisfy that he/she must have sat and passed a <u>trade test</u> recognized by the authority and announce that it thinks fit, within one year before submitting his/her application
- e) He or she must have sat and passed a trade test recognized by the Authority and announced in the manner that it thinks fit, within one year before submitting his/her application.

# The Trade Test and Quality Assurance

The trade test aims to ensure that people entering into the security industry have acquired the basic knowledge requirement after discharging their security duties, thus help enhance the quality of security service. The Security and Guarding Service Industry Authority announced its recognition of the trade test for categories A, B and/or C Security Personnel Permit (SPP) applicants conduct by the Vocational Training Council (VTC) on 28 March 2003. With effect from 1April 2003, an applicant who has sat and passed the VTC's trade test within 1 year before submitting his/her application for an SPP is regarded as having fulfilled the "Proficiency in Security Work" criterion for issuing an SPP. The Quality Assurance System for Recognition Scheme for Security Training Courses (QASRS) is s established to

provide the public with information on the basic security training courses which meet the standards recognised by the Security Guarding Industry Authority (the Authority). The Authority invited the Security Services Training Board (SSTB) of the Vocational Training Council (VTC) to develop the QASRS to ensure that training courses approved under the Scheme are properly run and consistently maintained at a standard acceptable to the Authority.

## B) The Singapore Model – Security Industry Regulatory Department (SIRD)

The abovementioned Department's vision is to create "A well regulated, strong, and reliable private security industry, working in partnership with the Home Team to ensure the safety and security of Singapore". The Department's mission is to regulate all armed Auxiliary Police Officers (APO), unarmed security officers, private investigators, security agencies, and security service providers in Singapore, set standards to improve competencies of all armed APO, unarmed security officers and private investigators. They also set out to ensure compliance to standards and undertake to manage training and testing for private security manpower. Since their set up in 1 September 2004, the SIRD has worked towards introducing a rigorous basic training and testing regime, developing a comprehensive set of policies and directives covering the Auxiliary police Force (APF) operations, logistics, manpower and training. They also have embarked on a comprehensive auditing regime. Singapore's security industry has improved by leaps and bounds over the last few years as an optimistic wave of change spread throughout the market. These changes were SIRD engineered. Through the Security industry Forum (SIF), together with NTUC, Ministry of Manpower, Singapore Workforce Development Agency and the

security associations, blazed the trail for the private security industry image and professionalism of security officers, reflecting by the increase in the value of security contracts, which led to a generous increase in <u>individual security officer wages</u>.

Together with the introduction of a new grading system and a more comprehensive regulatory framework, the professionalism and standards of the industry will continuously enjoy growth.

Singapore's Private Security Industry Act (Chapter 250A) – Requirement for Training

An Act to provide for the regulation of private investigators, private investigation
agencies, security officers, security agencies, and security service providers and for
matters connected therewith... The overview of the act is as follows:-

"Section 20 of the Private Security Industry Act (PISA) Regulations empowers the Licensing Officer to issue an Identification Card (ID card) to licensed security officers and private investigators and that all licensed security officers, and private investigators must carry the ID card while on duty..."

Under the Private Security Industry Act (PISA), any person employed as a security officer (Security guard) in Singapore must undergo training of two (2) modules which are

- Provide Guard and Patrol Service
- Handle Security Incidents and Services.
- And be certified competent in both the modules. Exemption from this
  requirement may be granted by Singapore Police Force Industry Regulatory
  Department (SIRD) based on the individual's previous professional training in
  Security and Policing concepts and activities.

As stated above under the Employability Skills Singapore Workforce Skills

Qualification (ES WSQ) framework. The independent assessors (examiner) are

POLWEL ("Police Welfare Co-operative"). Subsequently a written statement of

attainment (SOA) would be issued by the assessor to the Learner immediately.

#### C. The Malaysian Model- Regulations through Legislation

The Malaysian model for regulation of security guarding is divided into 4 categories

- The Auxiliary police
- The Private Security Companies which are regulated by the Private Agencies
   Act 1971
- Workmen's Compensation Act 1952
- Industrial Relations Act 1967

The Auxiliary Police refers to sworn security police officers serving in autonomous government agencies and key government –linked companies. Entities such as Petroleum National Berhad (PETRONAS), the Malaysian Federal Reserve Bank (Bank Negara), the National Anti-Drug Agency (AADK), The Federal Land Development Agency (Felda) and the Inland Revenue Board (LHDN); and other institutions with semi-governmental interest. Such institutions include the National Savings Bank (Bank Simpanan Nasional BSN), and other similar strategic organizations. Most of these organizations have already been privatized, but are allowed to maintain an auxiliary police unit. Under special circumstances auxiliary police units also have been established by private companies with no government interest at all such as the force maintained by Resorts World Berhad. At present there