

Educating Your MDW About Money Lending

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Money-lending remains an issue for some MDW's. How should employers help them?

Migrant domestic workers (MDW's/FDW's/maids) are integral to the smooth functioning of many households in Singapore. They provide invaluable assistance in managing household chores, caregiving, and other essential tasks, enabling their employers to maintain a balanced and productive life. However, Migrant domestic workers (MDW's/FDW's/maids) often face financial challenges, including the temptation or necessity to borrow money. This can lead to serious consequences such as debt traps, legal issues, and employment termination. The Ministry of Manpower (MOM) has an article titled: "3 Things to Tell Your FDW About Borrowing" serves as a crucial resource for employers to help their FDWs navigate these challenges. This essay aims to educate employers on the key points from that MOM article, emphasizing the importance of financial literacy, open communication, and access to legitimate financial services.

Link to MOM article: <https://www.mom.gov.sg/-/media/mom/documents/publications/infocus-monthly-edm/edm-20-3-things-to-tell-your-fdw-about-borrowing-singapore.pdf>

Understanding the Reasons Behind Borrowing

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Migrant domestic workers (MDW's/FDW's/maids) borrow money for various reasons, and understanding these reasons is the first step for employers in addressing the issue. Common motivations include:

1. **Remittances:** Many Migrant domestic workers (MDW's/FDW's/maids) feel a strong obligation to send a significant portion of their earnings back home to support their families. When the expectations exceed their actual earnings, they might resort to borrowing.
2. **Emergency Situations:** Unexpected expenses such as medical emergencies for family members can compel Migrant domestic workers (MDW's/FDW's/maids) to seek quick loans.
3. **Pre-existing Debt:** Migrant domestic workers (MDW's/FDW's/maids) often arrive in Singapore already in debt due to recruitment fees paid to employment agencies. This initial financial burden can lead to further borrowing to manage daily expenses and debt repayment.
4. **Social Pressures:** Migrant domestic workers (MDW's/FDW's/maids) may face pressure from their peers or family to maintain a certain lifestyle or contribute to communal financial needs, pushing them towards borrowing.

The Risks of Borrowing

Borrowing, especially from unlicensed moneylenders, carries significant risks:

1. **High-Interest Rates:** Loans from informal moneylenders often come with exorbitant interest rates, trapping Migrant domestic workers (MDW's/FDW's/maids) in a cycle of debt that becomes increasingly difficult to escape.
2. **Legal Consequences:** Engaging with unlicensed moneylenders is illegal in Singapore. Migrant domestic workers (MDW's/FDW's/maids) caught in such activities can face severe legal repercussions, including fines and imprisonment.
3. **Employment Risks:** Financial distress due to borrowing can lead to termination of employment. Employers might lose trust in an Migrant domestic worker (MDW/FDW/maid) who is constantly borrowing, fearing that her financial instability could affect their work performance.
4. **Emotional and Mental Stress:** The burden of debt can lead to significant emotional and mental stress, affecting the overall well-being of Migrant domestic workers (MDW's/FDW's/maids) and their ability to perform their duties effectively.

Preventive Measures for Employers

Employers have a critical role in preventing the borrowing problems faced by Migrant domestic workers (MDW's/FDW's/maids). The MOM article outlines three key preventive measures:

1. Financial Literacy
2. Open Communication
3. Access to Legal Financial Services

1. Financial Literacy

Financial literacy is crucial in helping Migrant domestic workers (MDW's/FDW's/maids) manage their finances effectively. Employers can support their Migrant domestic workers (MDW's/FDW's/maids) by:

- **Providing Education:** Employers can arrange for financial literacy programs that teach FDWs how to budget, save, and manage their money. These programs should cover essential topics such as budgeting, understanding loans, and the importance of saving.
- **Sharing Resources:** Employers can provide Migrant domestic workers (MDW's/FDW's/maids) with resources, such as pamphlets or online courses, that are available in their native languages. This ensures better understanding and engagement.
- **Practical Tips:** Employers can give practical tips on managing day-to-day expenses and setting aside a portion of their earnings as savings.

2. Open Communication

Creating an environment of trust and open communication is essential for addressing financial issues early. Employers should:

- **Foster Trust:** Encourage Migrant domestic workers (MDW's/FDW's/maids) to discuss their financial concerns without fear of judgment or repercussions. This open dialogue can help employers understand the financial pressures their Migrant domestic workers (MDW's/FDW's/maids) face.



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- Regular Check-Ins: Schedule regular conversations about financial well-being. This proactive approach can help identify potential problems early and allow employers to provide timely support or advice.
- Empathetic Approach: Approach financial discussions with empathy and understanding, considering the cultural and economic contexts of the Migrant domestic workers (MDW's/FDW's/maids) situation.

3. Access to Legal Financial Services

Employers should ensure that Migrant domestic workers (MDW's/FDW's/maids) are aware of and have access to legal financial services. This involves:

- Providing Information: Educate Migrant domestic workers (MDW's/FDW's/maids) about the legal avenues for borrowing, such as loans from licensed moneylenders or financial institutions. Ensure they understand the terms and conditions, including interest rates and repayment schedules.
- Facilitating Bank Accounts: Assist FDWs in opening bank accounts. This can help them manage their finances more effectively and securely, reducing the temptation to borrow from unlicensed sources.
- Recommending Reputable Services: Provide recommendations for reputable financial institutions that offer reasonable loan terms. Employers can also help Migrant domestic workers (MDW's/FDW's/maids) compare different loan options to find the most suitable one.

The Role of Employers in Financial Education

Employers can significantly influence their FDWs' financial habits and decision-making. Here are some steps employers can take:

1. Workshops and Seminars: Organize or encourage attendance at workshops and seminars focused on financial literacy. These can be conducted by NGOs, community centers, or financial institutions.
2. Mentorship Programs: Pair FDWs with mentors who can provide guidance on financial management. These mentors could be other FDWs who have successfully managed their finances or volunteers from financial literacy programs.
3. Resource Centers: Establish resource centers within the community or workplace where Migrant domestic workers (MDW's/FDW's/maids) can access information and assistance on financial matters. These centers can offer brochures, online access to financial tools, and personal counseling.

Conclusion

Preventing borrowing issues among Migrant domestic workers (MDW's/FDW's/maids) requires a comprehensive approach that involves employers, policymakers, and the community. Employers have a critical role in educating their Migrant domestic workers (MDW's/FDW's/maids) about financial management, fostering open communication, and ensuring access to legal financial services. By implementing these measures, employers can help their Migrant domestic workers (MDW's/FDW's/maids) achieve financial stability and well-being, ultimately benefiting both the workers and their households. Creating a supportive environment where Migrant domestic workers (MDW's/FDW's/maids) can thrive financially not only enhances their quality of life but also contributes to a more harmonious and productive employer-MDW relationship.

Additional Resources

If you are an employer or an MDW who is facing issues regarding money-lending, please feel free to:

1. Have a private conversation with our AI chatbot (blue button at the top of the screen).
2. Speak with our live agent via the WhatsApp button at the bottom of the screen.

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