Higher wages, lower satisfaction

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PETALING JAYA: Whenever there is a change in minimum wages, there is often minimum satisfaction all around.

That is certainly the case when the Budget 2020 speech included the surprise announcement that the minimum wage in major cities will be increased from RM1,100 a month to RM1,200 next year.

Employers said they were blindsided by the proposed hike and questioned the wisdom of a rate increase just a year after the previous one.

Workers, too, are unhappy about the lack of consultation and some of them said the extra RM100 was not enough.

The Malaysian Employers Federation (MEF) did not expect the minimum wage rate to be adjusted in 2020 because it was only in January this year that the current nationwide rate came into effect.

Before that, the monthly minimum wage was RM1,000 in Peninsular Malaysia and RM920 in Sabah, Sarawak and Labuan.

MEF executive director Datuk Shamsuddin Bardan said the government’s decision raised a lot of concern as there was no apparent reason for another review of the national minimum wage this soon, even for the big cities.

Although the National Wages Consultative Council Act 2011 provides that minimum wages must be reviewed at least once every two years, the federation believed that the next adjustment can wait until 2021.

When tabling Budget 2020 in Dewan Rakyat last Friday, Finance Minister Lim Guan Eng said the government proposed to raise the minimum wage rate only in major cities from 2020.

This is to take into account the higher cost of living in urban centres.

It has been reported that the Human Resources Ministry would name the relevant cities later.

Shamsuddin said the National Wages Consultative Council (NWCC) was not consulted prior to the announcement of the proposed increase.
He said under the Act, a review of the minimum wage should include the council gathering feedback and information, and conducting research.

The NWCC then makes recommendations to the government on the minimum wage. It is only then that the government sets the new rate.

Among the members of the council are representatives from the government, employers and employees.

Another worry for the MEF is that employers have little time to prepare for the new rate because 2020 is less than three months away.

Shamsuddin said foreign workers were more likely to benefit from the new rate and he cautioned that this would result in a larger outflow of funds from the country with foreign workers sending more money home.

Also, he said a higher minimum wage rate for major cities would work against the efforts to encourage rural development.

Federation of Malaysian Manufacturers (FMM) president Datuk Soh Tian Lai pointed out that any decision to increase the minimum wage must be preceded by sufficient stakeholder engagement.

“We understand that even the NWCC is unaware of this proposal to increase the minimum wage to RM1,200, ” he said, adding that FMM hoped to get more details of the affected cities.

Malaysia Singapore Coffee Shop Proprietors’ General Association president Datuk Ho Su Mong pointed out that many coffeeshop operators in places such as Kuala Lumpur, Johor Baru and Penang were already paying workers more than RM1,200.

“The new rate will affect operators in smaller towns and rural areas.

“These are usually family-owned businesses,” he said.

Ho called on the government to defer implementing the new rate to April.

Malaysian Trades Union Congress (MTUC) president Datuk Abdul Halim Mansor said it was shocked and disappointed with the announcement of the proposed new rate.

He too said the increase was not discussed within the NWCC.

National Association of Skilled Workers secretary-general Mohammad Rizan Hassan said that while it welcomed the proposed higher rate in certain cities, the amount was insufficient to cover the rising cost of living.

The association instead hoped that the minimum wage be raised to between RM1,800 and RM2,000 nationwide, and that the government reviews the rate every six months.

Economist Prof Dr Yeah Kim Leng said given the low inflation of 2% expected next year, the nearly 10% rise in the minimum wage was reasonable.
A higher increase could push up inflation as well as imperil companies dependent on low-skilled labour, he said.

“Firms in urban areas are likely to pay above minimum wage due to labour shortage and are therefore less affected by the rise in the minimum wage,” he said.