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Press Release

Raising employers' concerns on increasing minimum wages to RM1,200 for 57 bigger cities and towns is not fear mongering

MEF would like to respond to some of the statements made by Andrew Lo, Datuk Mohammed Shafie Mammal and Gopala Krishnan on the Joint Industry Press Release dated 23 December 2019 regarding the Government's decision to implement minimum wages of RM1,200 for 57 bigger cities and towns beginning 1 January 2020.

MEF estimated that the increase in minimum wages would add RM2.5 billion yearly in remittances to the home country. This would add about 7% to the estimated RM34 billion annually currently being remitted by the foreign workers. It is obvious that higher remittances made by foreign workers to their home countries would impact the strength of the Ringgit.

MEF supports the government's policy to reduce dependence on foreign workers. To fulfil demands for unskilled and low skilled labour in identified sectors of the economy, the government allows utilisation of foreign workers from selected source countries. Contrary to the view of Datuk Mohammed Shafie, the utilisation of foreign workers is a necessary evil and not due to the "addiction to foreign workers."

MEF is actively engaged with the government on matters concerning foreign workers and among the major concerns are the illegal foreign workers. MEF has put forth the position that among the factors that contribute to the existence of illegal foreign workers may be due to the present recruitment system, including elements of forced labour that originate in their home country.

In addition to the high recruitment and levy costs, about 10% of the approved foreign workers would abscond soon after they arrive – for which employers are also being fined amounting to RM250 for each foreign worker who absconds. Given a choice, employers prefer to recruit local workers instead of foreign workers but the fact remains that there is a shortage of workers in certain sectors, and employers are forced to depend on the more expensive foreign workers. Employers are also required to comply with international labour standards to fulfil customer demands including export of Malaysian goods and services overseas, or risk being out of business. To claim that employers are "manipulative and exploitative" toward foreign workers is absolutely false and unfounded.

The objection raised by industry was that the review of the RM1,200 minimum wages was not conducted in the proper manner as governed by the National Wages Consultative Council Act 2011.

Besides this, the industry group also called on the Pakatan Harapan (PH) to uphold its promise to equally share the burden of increasing minimum wages from RM1,000 to RM1,500 per month during the first five years of the PH government. To date, 100% of the minimum wage increases are being borne by employers.

The implementation of the RM1,200 wages in 57 bigger cities and towns would cause much confusion and anxiety among the employers and the employees as the demarcation of boundaries is unclear. The press statement issued by the Ministry of Human Resources on the 18 December 2019 regarding this has also left very little time for employers to make the necessary arrangements and adjustments. It is not appropriate to add on the cost of doing business when employers are faced with uncertainties. The media industry is badly impacted and the Ministry of Finance even mulled the idea of giving tax incentives for the media companies that do not retrench. Not only the media industry is badly impacted, those in the retail industry also face a lot of challenges. Recently one of the oldest supermarkets in Malaysia had called it a day. Thus, raising employers concerns on the impact of increasing minimum wages at a time of challenging business environment is certainly not fear mongering.

Instead of continually raising minimum wages, MEF has called for the determination of wages based on the certified skills of the employees. To compare minimum wage rate in Malaysia with other countries is anecdotal at best as the level of labour productivity in Malaysia is much lower compared to developed countries such as Australia.

Needless to say, Malaysia is affected by the sluggish global economy and the uncertainty that surrounds it. MEF expects retrenchments to increase to 30,000 in 2019 compared to 21,000 that were reported in 2018. In fact, the numbers are much higher than what was reported as more than 98% of the registered companies are small and medium enterprises (SMEs) of which about 79% are micro enterprises with five or less employees. Such micro enterprise employers are not required to report to the Labour Department when they carry out retrenchment or ceased operations.

The Fourth Industrial Revolution has ushered in new technology that would enable employers to increase higher productivity through utilisation of digital technology, automation and mechanization. However, adoption of these technologies are costly. As the majority of employers are SMEs, MEF has urged the government to set aside the levy paid by employers for foreign worker to assist employers to automate and mechanize their operations.

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