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Upward revision of minimum wages would derail economic recovery, 12MP - MEF

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Datuk Dr Syed Hussain Syed Husman, MEF president

KUALA LUMPUR, Oct 23 -- Employers are in no position to absorb any increases in wage costs and any upward review of minimum wages would derail economic recovery and the 12th Malaysia Plan (12MP), said the Malaysian Employers Federation (MEF).

President Datuk Dr Syed Hussain Syed Husman said the COVID-19 situation had caused a massive drop in the performance of all the economic sectors which resulted in Malaysia’s economy contracting 5.0 per cent in 2020.

“More than 32,500 companies had ceased operations with more than 107,000 employees losing their jobs following the lockdowns that were imposed by the government to break the chain of infections in 2020 and 2021.

"This resulted in higher unemployment rate which in August 2021 recorded four per cent," he said in a statement today in response to proposals to review the existing minimum wages.

He shared that prior to the pandemic outbreak, Malaysia was at full employment as the unemployment rate was below 4.0 per cent.

Even more worrying is that the unemployment rate of those between 15 and 24 years is currently at 12 per cent, he said.

Syed Hussain said due to various cost-cutting measures undertaken by employers, the median wages dropped to RM1,988 compared to RM2,442 in 2019, while average wages dropped to RM2,933 in 2020 compared to RM3,224 in 2019, a decrease of nine per cent.

Labour productivity, he said, also recorded negative 16 per cent in 2020 following the reduction in the number of workforce which lowered the value added Gross Domestic Product (GDP) in 2020.

He noted that throughout 2020 and 2021, the government had provided a total sum of RM18 billion in the form of wage subsidy that benefitted more than 300,000 employers and 2.4 million employees but despite the various stimulus packages, many employers continue to face severe challenges to remain sustainable.

"More is needed and we must do all we can to support existing business at this very critical juncture. Our top priority should be to provide more funding for business that were forced to shut down so that we are able to create employment for all those who lost their jobs during the lockdowns.

"We need at least two years to normalise businesses and employment," he said.

Therefore, he opined that the current grim economic scenario does not permit any upward review of the existing minimum wages, especially when more than 98 per cent of all registered companies are Small and Medium Enterprises (SMEs) and micro enterprises.

He stressed that the private sector employers especially the SMEs and micro enterprises urgently need more support from the government to enable them to retain their existing employees, which would in turn help stabilise the labour market and create more quality employment in the longer run.

“Instead of increasing minimum wages, we are of the view that efforts should be put in place to urgently control the rising cost of products and services.

“No amount of wage increases will be able to keep up with the ever increasing cost of living if no effective measures are implemented to solve the issue of rising cost of living,” he suggested.

Syed Hussain also viewed that the majority of business still in existence do not enjoy the same margins as before and it was only between 10 and 15 per cent for most SMEs, which is not enough to even cover the overhead costs.

“To add to the cost of business now is unwise. It is more prudent to look into measures of controlling the cost of living which will directly help the wage earners. The most valuable asset of employers are their employees and no employer wants to see their employees face difficulties.

“Productivity and performance will also improve when all parties are happy and safe. Employers are doing their best to ensure their employees are employed and have a safe work environment. What is most important now is that we must take a balanced approach and be realistic when dealing with wage issues,” he added.

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