

Raising minimum wages will derail economic recovery, says MEF

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KUALA LUMPUR (Oct 23): The Malaysian Employers Federation (MEF) said any upward review of minimum wages would disrupt efforts for economic recovery and derail the programmes outlined by the 12th Malaysia Plan.

MEF president Datuk Dr Syed Hussain Syed Husman said Covid-19 had caused a massive drop in the performance of all the economic sectors, which resulted in a 5% contraction in Malaysia's economy in 2020.

“More than 32,500 companies ceased operation with more than 107,000 employees losing their jobs following the lockdowns that were imposed by the government to break the chain of infection in 2020 and 2021,” he said in a statement.

“This resulted in a higher unemployment rate, which in August 2021 [was at] 4%. Prior to Covid-19, Malaysia was at full employment as the unemployment rate was below 4%. Even more worrying is that the unemployment rate of those [aged] between 15 and 24 years is currently at 12%,” added Syed Hussain.

As employers took cost-cutting measures, the median wages dropped to RM1,988 from RM2,442 in 2019, while average wages dropped 9% to RM2,933 in 2020 from RM3,224 in 2019.

While the various stimulus packages implemented by the government had helped, MEF said many employers continue to face severe challenges to remain sustainable.

“We thank the government for its various subsidies but 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 businesses 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,” said Syed Hussain.

He added that the “grim economic scenario” does not allow any space for an increase in existing minimum wages.

Instead, the federation said efforts should be directed towards controlling the rising cost of products and services.

“To add to the cost of business now is unwise. It is more prudent to look into measures of controlling cost of living which will directly help the wage earners,” Syed Hussain said.

Edited by S Kanagaraju