

# MEF urges govt to delay minimum wage hike implementation

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PETALING JAYA (March 21): The Malaysian Employers Federation (MEF) has urged the government to postpone the proposed RM1,500 minimum wage implementation that is to take effect on May 1 as it says that many micro, small and medium enterprises (MSMEs) are still struggling to survive the fallout of the Covid-19 pandemic.

“Generally, the MSMEs are still grappling with the efforts to recover their businesses due to the devastating impacts of Covid-19 and the big floods in late December 2021. The decision to postpone the RM1,500 minimum wage implementation will make them more sustainable and more resilient.

"MEF hopes that Datuk Seri M Saravanan, the Human Resources Minister, and Tan Sri Noh Omar, the Entrepreneur Development and Cooperative Minister, will consult stakeholders on the mechanisms to allow the MSMEs to postpone the implementation of the RM1,500 minimum wage," MEF president Datuk Dr Syed Hussain Syed Husman said in a statement on Monday (March 21).

Syed Hussain said MEF believes the MSMEs, which constitute about 98% of all businesses in Malaysia, should be given a reasonable chance to recover their businesses first before the new minimum wage is implemented.

“Whilst the prime minister also announced that the increase from the current minimum wage will only involve companies in the private sector which have five employees or more, MEF hopes that the government would consider such policy and exempt companies with 20 employees and less ... from the minimum wage policy. Such exemption will give the required assistance to such small enterprises to better sustain their businesses in the challenging environment," he further added.

### **Minimum wage hike should not be implemented across the board, individual financial ability needs to be considered**

Against this backdrop, MEF suggested that the RM1,500 minimum wage not be implemented across the board but rather based on the affordability of the individual business, sector and industry.

"For example, the hotels, services and tourism [industries] are all still suffering" as business has yet to pick up and implementing the RM1,500 minimum wage across the board would be too taxing and may force industries to close, the federation said.

"The issue is not only the basic RM1,500 minimum wages cost. For the businesses, it involves many other related matters. It includes levy and housing. Food, EPF, insurance and other benefits to mention a few. The net cost of doing business is much more than what it looks," it explained.

### **Private sector expected to face rising costs from wage hike**

MEF said it supports the proposed minimum wage hike, but would like it to be gradually implemented.

"It is to be noted that not all local companies [have] the same financial ability. Many have suffered due to the lockdown and floods. Now with government support and opening up [of ]the states and soon the national borders, we see better light at the end of the tunnel," Syed Hussain stated.

"MEF is of the view that increases in minimum wages should be done gradually," he said, noting that a sudden increase of between 25% to 36% of the minimum wage rate puts a lot of financial pressure on businesses especially as most are only recovering from the impact of the Covid-19 pandemic, made worse by the recent floods.

Where cost increases apply, all decisions should be well discussed before implementation, the MEF said, adding higher living costs should not be passed on to employers as many businesses can barely survive.

"Private sector employers urgently require [the] government's intervention measures to mitigate the increasing costs of doing business to ensure sustainability and at the same time to assist the government to create more jobs and stabilise the labour market.

"The cost of living is rising and this is putting pressure on the B40 and M40 groups. The higher cost of living must be addressed and controlled by the government to make life easier for all Malaysians.

"MEF is of the view that the government should assist industries and Malaysia's economy to be sustainable and to spur further domestic investment. In view of the very challenging competitive global environment, the government should incentivise industries to contain costs and improve efficiency to control inflation and enhance productivity and competitiveness," Syed Hussain said.

Prime Minister Datuk Seri Ismail Sabri Yaakob announced the RM1,500 minimum wage implementation during his winding-up speech at the recent Umno General Assembly and said it would apply to the whole of Malaysia.

"The devil is in the details of its execution. Currently many stakeholders are still in the dark on the details of the new minimum wages' implementation," Syed Hussain said.

"Further, the National Wages Consultative Council (NWCC) meeting is scheduled on March 24, 2022 and any announcement on the details of the RM1,500 minimum wage is premature before the issues are discussed at the NWCC meeting," he added.

On another note, MEF is appealing to the government to review the costs imposed on employers to hire foreign workers.

MEF hopes that the government considers introducing a holistic policy that all foreign worker costs be borne by the foreign workers themselves to reduce the cost of employing foreign workers.

"The cost of recruiting foreign workers is very expensive. For example, the cost of recruitment of a Bangladeshi worker is about RM20,000 per worker after taking into account the costs to be paid for fees incurred by the worker to the agents in Bangladesh. Cost of recruitment of an Indonesian domestic worker was reported to be about RM20,000–RM25,000. [Hence,] MEF urges the government to negotiate for a maximum ceiling on the charges by recruiting agents at [the] source country," Syed Hussain said.

“Upon arrival, the foreign workers need to be quarantined at quarantine centres situated in Klang Valley. The estimated cost of quarantine is between RM2,000 and RM3,000, including accommodation, food and drinks (three times a day), transportation to the quarantine centres as well as Covid-19 screenings during the quarantine period,” he pointed out.

MEF urged the government to fix the maximum ceiling for charges by quarantine centres for each foreign worker. Quarantine centres should also be set up outside Klang Valley to reduce the cost of quarantine.

“The costs of accommodation for foreign workers need to be rationalised. Employers incur about RM300 to RM400 per month per foreign worker to provide accommodation as per the standard specified under Act 446. Employers currently are only allowed to charge RM100 per worker per month. MEF appeals to the government that employers be allowed to charge the actual costs of providing accommodation to foreign workers," he added.