



Questions raised over MEF's RM111bil 'extra-cost' claim

By **Rahul Menon** - December 31, 2022 12:30 PM



Given the cost-of-living crisis, it is wiser to put money into the hands of consumers who will then spend it on products and services, says Geoffrey Williams. (Bernama pic)

PETALING JAYA: The Malaysian Employers Federation's (MEF) claim of a massive RM111 billion cost to be incurred by employers with the implementation of the Employment (Amendment) Act 2022 has drawn flak from a leading economist.

MEF president Syed Hussain Syed Husman claimed that employers are expected to pay additional costs of RM9.25 billion per month, or RM111 billion per year, for workers once the new employment law is implemented next year.

The amendment will see the minimum monthly wage raised from RM1,200 to RM1,500, reduced working hours, and a bigger overtime pay coverage.

In an interview with Utusan Malaysia, Syed Hussain lamented these changes are "too much for the employers to handle in a short period of time".



Geoffrey Williams.

Geoffrey Williams, professor and provost of research and innovation at Malaysian University of Science and Technology, contests the metrics employed by MEF in arriving at the lofty figure.

He pointed out 9.7 million people are paid a monthly wage in Malaysia and half earn more than RM2,250.

“Even if all the other 4.85 million were on minimum wage and there was an increase of RM300 for each employee per month, the total annual cost would be RM17.46 billion and not RM111 billion,” he said.

It has previously been reported about 1.8 million people are currently earning minimum wages in Malaysia. Based on a RM300 monthly increase for each of these employees, that would result in an additional cost of RM6.48 billion in annual salaries.

MEF declines to clarify

When FMT Business pointed this out, a high-ranking MEF official was unwilling to clarify the details of their figures.

He said the matter was “highly sensitive, and it would be inappropriate to publish the metrics for the calculation”.

Williams questioned the intentions of MEF’s proposal for a phased implementation of the amendment. Instead, he argued that even with a long lead time provided to companies, many have not taken steps toward implementing the changes.

“The phased introduction is simply a strategy to delay or frustrate the changes. It is not being used to encourage changes in management.

“Phasing will not make these changes happen any quicker. At the end of the delayed implementation deadline, most companies will still be in the same situation,” he added.

Cost-of-living crisis not an excuse

Williams took aim at MEF's suggestion that the protracted cost-of-living crisis was another critical reason to ensure money was kept in the hands of employers.

"Given the ongoing cost of living crisis, it is wiser to put money into the hands of consumers who will then spend it on products and services. This in turn circulates as revenue for companies, benefitting them more than they would from holding down costs," he said.

"Moreover, the average share of a company's 'value added' in Malaysia has dropped to around one-third, whereas in countries like Singapore, South Africa, and Canada, it is closer to or above half."

This is indicative of an environment where Malaysian employers are not suffering, instead, they are holding onto more capital than they ever have before.

This evidence shows that when left to the market, trickle-down economics has failed to deliver the prosperity it promises. Reforms in the marketplace are urgently required to better protect employees.

The amendments to the Employment Act also span provisions for reduced working hours and greater overtime pay coverage. Instead of sounding alarm bells, Williams urged MEF to promote improvements in company productivity.

"The stipulated reduction of maximum working time is from 48 to 45 hours a week, translating to half an hour per day. Good managers will adjust the working time to allow greater flexibility so long as deliverables are achieved."

He added that higher overtime pay only affects those working longer hours, so employers should aim to get the work done within regular working hours to avoid incurring the overtime cost.

"Thus, the changes (under the Employment Act) should serve as an incentive to increase productivity," Williams said.

At a time when the average Malaysian employee is coming under immense economic pressures, government regulation is rightly addressing their concerns, he added.

Williams also believes that a strengthening of labour laws ensures employers are not able to leverage their power at the expense of employee welfare.