

Alarm bells over unions' bluster on RM1,500 base wage

By Shannon Teoh

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KUALA LUMPUR, Oct 3 — The country's main labour centre's push for a RM1,500 per month base wage has raised the hackles of other stakeholders who warn that businesses will collapse while inflation spirals out of control with such minimum salaries.

Employers also said that as the four million foreign workers make up the bulk of those earning below that mark, their RM22 billion repatriated annually could double and far surpass last year's RM29 billion in foreign direct investment (FDI).

The Malaysian Trades Union Congress (MTUC) raised the bar last week from its previous demand of RM900 minimum wage. Both public and private sector workers say wages need to go up to cope with inflationary pressures and rising prices of staple goods apart from fuel costs.

But others are wary of the distortionary effects of setting a high base wage, insisting instead that efforts should be focused on upgrading the glut of unskilled workers to fill the dearth of semi- and highly-skilled workers.

"This figure seems to be plucked out of thin air," Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan told *The Malaysian Insider*.

Malaysia has always prided itself as a low-cost centre for manufacturing since the 1970s, offering tax incentives, cheap electricity, land and labour to entice multinationals to set up base. But prices are rising and the Najib administration has targeted 2020 for Malaysia to be a high-income nation.

Centre for Public Policy Studies director Ng Yeen Seen said that a minimum wage should be geared towards avoiding exploitation, rather than creating hard and fast ideals.

She said labour exploitation was particularly rife in Sabah and Sarawak, where some were paid as little as RM180 a month.

But paying cleaners, dishwashers and maids RM1,500 would wreak havoc on operating costs of most businesses as wage bills are usually kept under 20 per cent of total expenditure.

"The unions should ask themselves what will happen when most SMEs are forced out of business," said Ng, who is a member of the NWCC's technical committee.

The Malaysian Insider understands that the current civil service pay structure begins from a baseline of about RM500 a month, but with a new scheme set to be announced this month, this could rise to RM700.

Shamsuddin said the average foreign worker now earned about RM750 per month and any rise would be pure disposable income that would be repatriated to their home countries.

He pointed out that foreign labour already sent RM22 billion out of our economy last year and rising wages will likely to discourage foreign investors.

He said that Singapore already attracts far more FDI than Malaysia with RM114 billion against RM27 billion in 2008 and RM52 billion to RM4 billion in 2009.

But this was because the island's average productivity was 3.8 times Malaysia's while wages were only triple, making the republic "better in terms of cost per unit," he added.

MTUC executive committee member Bruno Pereira insisted however that most employers were already paying most of their workers over RM1,000 but split the wages into different allowances.

"This is so they can pay less to the Employees Provident Fund and also make the overtime rate lower. If we made all allowances part of the basic wage, then wages would already come close to RM1,500," he said.

But Jupiter Securities research head Pong Teng Siew said that an ideal minimum wage can only be implemented once "labour bottlenecks" are solved.

He said the glut of unskilled workers was only exacerbated by the influx of foreigners, depressing the wages of this category.

Meanwhile, the lack of skilled workers has caused high-end wages to surge, applying further pressure on unskilled workers as prices of goods increase, Pong said.

"If we don't solve these bottlenecks first, then a minimum wage will just feed back into inflation and start a vicious cycle," he said.

He said there was currently a huge mismatch as the education sector was churning out diploma holders instead of those with vocational skills who are in high demand from the manufacturing sector.

"In the end, the diploma holders are saddled with study loans but hold no distinct advantage over unskilled workers in the job market," he added.