

**NEW STRAITS TIMES:** Price hikes resulting from the minimum wage policy are a burden worth bearing

*He ain't heavy, he's my brother*

**H**ARDLY two weeks since the national minimum wage policy has been in force, employers are already threatening to pass on the costs to consumers. The Malaysian Employers Federation secretary has suggested that, among other things, consumers will suffer smaller roti canai and blander teh tarik, all because the government has forced employers to pay its employees the minimum of decent wages. The MEF claims the implementation of the policy will see a minimum seven per cent increase in production costs that employers cannot be expected to absorb through reduced profit margins — a loss that they have the benefit of feeling because profits margins previously enjoyed came by way of paying extremely low wages.

MEF would have consumers believe that the upcoming raising of food, products and services prices is caused by this policy. That may be partly true; but, businesses never fail to raise prices in any circumstance anyway. They do it to offset losses from pilferage, they do it when the cost of petrol goes up (but not the reverse when it goes down), and they even do it whenever government servants get a pay rise; so, it is hardly surprising that they would do the same when the opportunity presents itself so close to home. The implementation of a minimum wage policy was always bound to present some inflation at the start, but once all the calculations have been done, things ought to stabilise. However, to ensure that consumers won't be victimised, the Domestic Trade, Cooperatives and Consumerism Ministry must scrutinise these increases to make sure that they commensurate with the increase in cost the employer has to bear, so that increases are only applied by companies that have taken on additional costs by abiding with the minimum wage law, and not manipulated for profiteering purposes.

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Certainly, another hike in prices will be painful for consumers. But Malaysians should bear in mind that the whole idea of the minimum wage is to raise the overall standard of living by raising earnings and spending. The minimum wage will benefit 3.2 million private sector workers, and take some 440,000 workers (by 2009 estimates) who currently earn less than RM700 to above the poverty line of RM800. And in case anyone thinks RM900 is plenty to be living on, it is 49.9 per cent of the national mean wage of RM1,804.43 in 2010. This increase will give the poor a chance to earn a higher salary for themselves, instead of having to depend on government handouts. And it will make it difficult for employers to undercut the Malaysian workers' employment by hiring cheap foreign labour. In the long run, we have only to gain.

## MEF RESPONSE

### MINIMUM WAGE

*Get foreigners to pay their levies, not bosses*

**T**HE Malaysian Employers Federation (MEF) would like to respond to the editorial "He ain't heavy, he's my brother" (NST, Jan 10).

Having to deal with inflation following the implementation of national minimum wages is somewhat a forgone conclusion. You don't need a crystal ball to foresee the impending inflation.

However, while the minimum wages policy is supposed to alleviate the suffering of about 3.2 million private sector employees, the fact remains that more than two-thirds of them are actually foreign workers.

Be that as it may, MEF's concern does not exclusively pertain to the cost of recruiting foreign workers, which has undoubtedly increased significantly over the years.

MEF is, however, disturbed by the blatant discrimination brought upon local workers vis-à-vis their foreign counterparts as a result of the minimum wage policy.

By law, a minimum wage is de-

finied to mean a basic wage, which is what both local and foreign workers take home at the end of each month.

Notwithstanding this, while local workers make a living on their basic wages and whatever overtime they are accorded, the foreign workers are provided additional benefits which their local counterparts do not enjoy.

Besides their minimum basic wages, foreign workers are also given free accommodation, water, electricity and transportation.

Furthermore, the high cost of levy — which is a form of income tax for the foreign worker — is currently being paid by employers and not the employees.

The rate of levy also increases by 10 per cent in the third year and 20 and 30 per cent in the fourth and fifth years of service respectively.

For example, in the manufacturing sector, employers are required to pay levy at the rate of RM1,250 for each new foreign

worker and this escalates to RM1,625 in their fifth and final year of service.

Since April 2009, employers have paid RM2.5 billion per year in cost of levy, while the expected additional cost to employers to implement the national minimum wages policy for foreign workers is around RM8.4 billion annually.

These policies inadvertently give the impression that local workers will become more destitute than their foreign colleagues and, therefore, will need to continue to depend on government handouts in the long run.

Clearly, it costs more to recruit a foreigner than a local worker. To get rid of this double standard, MEF has proposed to the government that foreign workers be required to pay their own levy.

In the local context, the majority of employees pay their own income tax and only a few employees are given the privilege of having their employers pay

their income tax.

MEF had also proposed that the cost of amenities be regarded as part of the national minimum wage to balance the treatment between local and foreign workers, as well as to cushion the impact of the sudden rise in costs on employers.

While employers have in principle agreed to the national minimum wage, let's make sure that there are no discrepancies, especially towards our Malaysian workers.

Certainly, employers are not in business to hand out subsidies to the masses. This should be the role of government.

Some employers have even suggested that the government devise a *Skim Bantuan Majikan 1Malaysia* to assist employers remain in business during challenging times.

**Shamsuddin Bardan**, executive director, Malaysian Employers Federation, Petaling Jaya

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