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MEF's RM111b minimum wage claim doesn't add up, says economist

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MEF president Datuk Dr Syed Hussain Syed Husman had claimed that employers would have to cough up an additional RM9.25 billion per month, or RM111 billion per year, when the new minimum wage was enforced. -NSTP file pic

PETALING JAYA: An economist has criticised the Malaysian Employers Federation (MEF) over its claim that the new minimum wage of RM1,500 will cost businesses RM111 billion a year.

MEF president Datuk Dr Syed Hussain Syed Husman had claimed that employers would have to cough up an additional RM9.25 billion per month, or RM111 billion per year, when the new minimum wage was enforced.

He had said amendments to labour law that raised the minimum monthly wage from RM1,200 to RM1,500, would result in reduced working hours increased overtime pay.

In an interview with a Malay daily, Syed Hussain expressed concern that these changes are "too much for employers to handle in a short period of time".

Geoffrey Williams, professor and provost of research and innovation at the Malaysian University of Science and Technology, questioned MEF figures.

He said 9.7 million people in Malaysia were paid a monthly wage, 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 was quoted as saying.

About 1.8 million people in Malaysia are now earning the minimum wage, which would result in an additional RM6.48 billion in salaries annually if each of them received an RM300 salary increase each month.

News portal FMT Business said it had questioned MEF on this, but "a high-ranking MEF official was unwilling to clarify the details of the figures".

The official said the matter was "highly sensitive, and it would be inappropriate to publish the metrics for the calculation".

Williams said MEF's suggestion of phased implementation was not in keeping with the intentions of the amended law.

He argued that many companies had not implemented the changes to working conditions despite being given a long lead time.

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

"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 criticised MEF's assertion that the prolonged cost of living crisis was another reason employers should retain money.

"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, benefiting them more than they would from holding down costs.

"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 indicated that Malaysian employers were not suffering, instead, they were holding onto more capital than ever before, he said.

The evidence indicated that trickle-down economics was ineffective when left to the market and urgent market reforms were needed to protect workers, Williams said.

On reduced working hours and greater overtime pay, he said "good managers will adjust the working time to allow greater flexibility so long as deliverables are achieved".

He said overtime pay was applicable only to those who worked longer hours, so employers should strive to complete work within regular hours to avoid extra costs.

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

Government regulations were addressing the concerns of employees at a time of immense economic pressures, he said.

Williams also believes that strengthening labour laws will prevent employers from exploiting their employees.