

NST Leader: Progressive wage

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Move over low-wage Malaysia, progressive wages are here. Not so fast, we must say. Although the Malaysian Employers Federation (MEF) is uncustomarily employee-friendly on this, it has issues to be ironed out.

For now, it calls the government's proposal to implement the Progressive Wage Policy (PWP) a win-win for the employers and employees. Why then the cautious enthusiasm?

There are at least three reasons for this. One is that the PWP isn't a new idea. Conceptually, progressive wage as an idea has been around for many years, though not dressed up in the PWP nomenclature. But the idea wasn't well-received by employers then.

Let's not forget that the White Paper on PWP was tabled in November and not all employers have embraced the idea. Be that as it may, employees want to get it done.

Now unions and non-governmental organisations have added their voices to it. Happily for them, the government is serious in getting it implemented nationwide.

Unfortunately for things such as a wage policy, political will alone isn't enough. The business community must share the same seriousness in seeing it implemented.

Two, the PWP is starting off as a voluntary programme with enticement. Each participating employer is given an incentive of between RM200 and RM300 for every staff employed under the scheme.

There is an unnoticed logic here which some may miss. A mandatory scheme may be disruptive, especially given most of our businesses are small ones. A voluntary one will enable them to adapt over time.

But it should not be on voluntary mode for too long because it will defeat the purpose of PWP, which is to promote progressive wages based on productivity.

Besides, the government can't subsidise the incentives for long. A voluntary programme will also mean not all employers will be involved, leading to a low coverage of employees.

Three, the PWP is in pilot mode. This means it will take time to design into the policy what works and leave out what doesn't. For this pilot, only full-time workers are included.

Why not the part-time ones and other informal workers is a question that hasn't a clear answer. But we can make an intelligent guess. The PWP, arguably modelled on Singapore's Progressive Wage Model (PWM), may eventually include all workers as PWM is doing in an expansionary manner.

If Singapore's experience is anything to go by, at the very least it takes two years to move from one sector to another. And a few more years before wages change to deserve the label "progressive".

When three parties are involved – employers, employees and the government – negotiations can't be concluded as speedily as one may want to. Malaysian employers may be hoping that our government will put them on incentives like the Singapore government is doing.

They should not place their hope there for two reasons. Firstly, Singapore is in a better fiscal position. Malaysia is running a debt of RM1.2 trillion. Add to this RM227 billion lost to corruption in the last five years.

Secondly, if there are good reasons to remove subsidies elsewhere, there is surely one here. Employers mustn't find ways to keep the subsidies going, but work with their employees to make them more productive. Higher productivity means higher profits. And, most importantly, higher profits must mean higher wages.