

# MEF wants more time

It says longer grace period needed to implement minimum wage

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**PETALING JAYA:** The Malaysian Employers Federation feels that the minimum wage implementation for the private sector needs a longer grace period for employers to make the necessary adjustments in balancing the extra labour cost to be in line with productivity level.

Its executive director Shamsuddin Bardan said the minimum wages of RM900 per month for employees in the peninsula and RM800 per month for employees Sabah, Sarawak as well as the Federal Territory of Labuan would be quite challenging for employers to comply with as the grace period was too short.

"The current average basic wages for employees in the peninsula is between RM600 and RM650 per month while for Sabah, Sarawak and Labuan it is between RM400 and RM450 per month.

"Thus to adjust the salary to RM900 and RM800 would be pure extra cost for the employers as it's not accompanied by increase in productivity and operational performance.

"This implementation could be a determining factor for the employers whether to absorb the cost, restructure manpower requirement or totally get out of the business," he told *StarBiz* yesterday.

On Monday, the Prime Minister Datuk Seri Najib Tun Razak



**Under paid:** A worker prepares to unload oil palm fruits at a factory on the outskirts of Kuala Lumpur. Workers in the plantation sector are paid low wages due to cheap foreign labour. — Reuters

announced the minimum wages rates would take effect six months from the date the Minimum Wage Order was gazetted while the effective date for micro enterprises had been extended by another six months.

However, the 12-month grace period for micro enterprises did not cover professional outfits such as dental and medical clinics as well as legal, architecture and consultancy firms.

This was considered a special

present to all employees in Malaysia from the Federal Government where it felt that the grace period given was ample to give employers time to make preparations so that their business would not be affected.

Also, Najib was quoted saying that the Government was providing a flexible implementation mechanism so that employers who were really unable to implement the minimum wage could appeal for an extension. Nevertheless, Shamsuddin recalled that about two years ago the mini-

imum wage for security employees was set at RM750 per month could not be successfully implemented as most security companies did not have the capacity to adhere to the new requirements.

"It was then (revised) to RM500 per month plus some incentives," he said.

Shamsuddin suggested that ideally salary increase should be accompanied with a skills certification system. "If that happens, employers are willing to pay higher salaries based on the skills that in turn would have a positive impact on productivity.

"But not many employees have their skills certified, and that could be done at the department of skills development now," he said.

Echoing similar a stand, Citigroup Inc senior economist Kit Wei Zheng in a recent report said a blanket minimum wage of RM800-RM900 would probably erode Malaysia's cost competitiveness and short circuit the nascent foreign direct investment recovery, since productivity would be unable to keep up in the short run.

"However, a sensibly designed and targeted minimum wage that takes into account inter-sectoral and state differences would have a much smaller impact, with the plantation sector (where wages are lowest to begin with due to the large presence of foreign workers) likely to see the biggest squeeze on margins," he said.