

MEF: Give small firms more time to implement RM1,500 minimum wage

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PETALING JAYA: Employers want more time to implement the RM1,500 minimum wage on small firms, which should be done gradually to ensure that it will not hurt micro enterprises, says Datuk Dr Syed Hussain Syed Husman.

The Malaysian Employers Federation (MEF) president said micro enterprises faced various challenges during and after the Covid-19 pandemic, adding that such factors must be considered before the

minimum wage rule is enforced on July 1.

"MEF hopes that the government will allow time to roll out RM1,500 across all sectors and only then look at a method of gradual increases that will not hurt the micro enterprises.

"This balancing act is vital for success in terms of managing minimum wage," he said when contacted on Tuesday (May 30).

The enforcement of the RM1,500 minimum wage order for companies with fewer than five workers has been pushed to July 1, 2023.

Small businesses were initially slated to comply with the order on Jan 1.

Human Resources Minister V. Sivakumar had said the government deferred enforcement of the order as it expected businesses to face economic and financial challenges next year.

Syed Hussain said micro enterprises faced many challenges in recent years including high inflation, supply chain disruptions due to geopolitical conflicts and aftermath of Covid 19, as well as the crunching labour shortages.

"All these factors combined resulted in about 120,000 small businesses including micro enterprises ceasing operations in 2020, 2021 and 2022.

"These issues are still not fully resolved and will likely continue for the rest of 2023 making it very difficult for micro enterprises to absorb the additional cost of about RM300 and 400 wages per month for each worker.

"The inability to absorb such increases in labour costs arising from the implementation of RM1,500 minimum wages may result in such micro enterprises reducing their workforce and some may decide to call it a day," added Syed Hussain.

He said that some micro enterprises are facing difficulties to keep up with digitalisation of business processes due to its high cost.

"Many micro-enterprises are still stuck in the old ways of carrying out their businesses and as such not able to be cost efficient.

"They need to be supported by the government to embrace and keep up with technology in their business processes," he said, adding that adequacy of cash flow and capital posed major challenges to micro enterprises.

He said that many of them are not able to get financing due to lack of collateral and recent increase of the Overnight Policy Rate (OPR).

"We are already seeing many small businesses, especially food and beverage businesses closing down. The government may wish to consider making working capital at minimal cost be made available to micro enterprises," he noted.

The MEF said that the government should find ways to address the high cost of living which he described as a "complex issue beyond the minimum salary."

"The government must address the issue of high cost of living which is not caused by employers. Any increase in basic salary will not address cash in hand for the employees if cost of living keeps going up," he said.

Syed Hussain said that other countries such as South Korea had exempted micro enterprises with 10 employees and less from its minimum wage policy.

"Based on the above factors, the government may wish to consider micro enterprises being exempted from the scope of implementation of minimum wages policy," he added.