Tie wage increase to skills

LETTERS

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I REFER to the letter "Wage hike will benefit all" (*The Star*, Nov 10). Ideally, wages should be driven by market forces and not determined through statutory interventions.

The introduction of minimum wages through the National Minimum Wages Council Act 2012 has distorted the labour market and, to a large extent, impacted on the cost of production that has in turn caused inflation to balloon.

The decision of the government to increase the minimum wage to RM1,100 – overruling the earlier gazetted rate of RM1,050 – was a huge boon particularly to foreign workers who comprise more than 95% of minimum wage earners in Malaysia.

The increased pay package of foreign workers, on top of the additional benefit of not having to pay levy (shifted to employers from Jan 1, 2018) would raise the overseas remittances through the official banking and financial institutions to their home countries to more than RM40bil per year.

As foreign workers also use unofficial channels to remit money to their home countries, the real amount in remittance may add up to RM80bil per year.

While this is positive for foreign workers, employers would have to deal with the further impact on the cash flow of their businesses and also the depreciation of the ringgit.

As it is, employers have had to deal with a reduction of about RM3.5bil yearly in terms of available working capital (or a 20% increase in overall labour costs) due to the levy, thus affecting Malaysia's exports competitiveness.

Like it or not, employers would shift the additional cost to the consumers, resulting in increased inflation which would be borne by the rakyat.

While there has been a reduction in the number of legal foreign workers as a whole due to the implementation of national minimum wages, this does not reflect the situation on the ground.

The number of illegal foreign workers, with an estimated ratio of 1:2.33, provides some indication of the actual manpower requirements of the country.

Based on this, the suggestion that the B40 households would benefit under the government's rationalisation process is a distortion.

While the Malaysian Employers Federation (MEF) supports the government's efforts to facilitate the use of artificial intelligence (AI), automation and mechanisation to increase productivity, increasing the minimum wage at this present juncture is akin to putting the bull before the cart.

The policies on automation and mechanisation and skills certification and development have yet to find solid ground but the cost of doing business continues to rise.

Similarly, the rationalisation process should also include streamlining the definition of "wages", and conducting an overall review of the minimum wage structure and a holistic review of the national human resource ecosystem.

The downward revision by the World Bank of Malaysia's GDP growth forecast from 5.4% to 4.9% clearly reflects the current difficult economic situation.

As the government develops new policies and regulations, it is important that the cost of doing business is kept under control.

In reshaping our economy, Malaysia requires industrious and hard-working employees who are trained and highly skilled so that labour productivity can be increased.

The fact is Malaysia's productivity level of US$21,564 still lags behind several advanced economies, and is four times lower than Singapore's (US$80,065).

In order to uplift the income of the local workforce, wages should be linked to certified skills through the recognition of prior learning, and ensuring the quality of training delivery and training providers.

Instead of raising the minimum wage every two years, the government should support skills certification and development, especially for the SMEs.

The MEF has called for the levy paid for foreign workers, amounting to more than RM3bil per year, to be ear-marked for this purpose but this has not been received positively by the government, both past and present.

The fact is that holding on to the minimum wages concept is regressive and a hindrance to overall development, especially in the era of IR4.0.

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