

More calls for review, delay of minimum wage implementation

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This is to enable businesses some flexibility in adjusting the wage structures and ensure survivability

by AZREEN HANI & NURUL SUHAIDI / pic by BLOOMBERG

LOCAL employers and more industries are urging the government to review the RM1,500 minimum wage implementation to enable businesses to gradually adjust the wage structures and ensure survivability.

Malaysian Employers of Federation (MEF) president Datuk Seri Syed Hussain Syed Husman said Malaysian businesses are still grappling with the business recovery efforts due to the devastating impacts of Covid-19 and the big floods in late December 2021.

“The decision to postpone the RM1,500 minimum wage implementation will make them more sustainable and more resilient,” he said in a statement yesterday.

“MEF hopes that Human Resources Minister Datuk Seri M Saravanan and Entrepreneur Development and Cooperative Minister Tan Sri Noh Omar will consult stakeholders on the mechanisms to allow the micro, small and medium enterprises (SMEs) to postpone the implementation of the RM1,500 minimum

wage,” he added.

The federation proposes for the new wage not be implemented across the board but rather based on the business’ capability.

“It is to be noted that not all local companies (have) the same financial ability. Many have suffered due to lockdowns and floods. Now with government support and opening up the states and soon the national borders, we see better light at the end of the tunnel,” Syed Hussain said, citing the tourism and hotel industry as an example.

The Malaysian Reserve reported yesterday that several industry players — from manufacturing to hoteliers — have asked for the minimum wage implementation to be done gradually, a sentiment that is also shared by MEF.

“MEF is of the view that the government should assist industries and Malaysia’s economy to be sustainable and to spur further domestic investment. In view of the very challenging competitive global environment, the government should incentivise industries to contain costs and improve efficiency to control inflation and enhance productivity and competitiveness,” Syed Hussain added.

Recently, Prime Minister Datuk Seri Ismail Sabri Yaakob announced the government’s decision to increase the minimum wage to RM1,500 effective May 1.

Business owners have also raised concerns on the short time frame to prepare for the implementation.

The Malaysian Semiconductor Industry Association said the government need to consider that most business costs have increased since the pandemic, from direct material to freight costs.

“This increase is ‘Too Much Too Soon’, and electric and electrical

(E&E) companies do not have sufficient time to make adjustments to the wage structure and productivity improvements to remain competitive,” said the association’s president Datuk Seri Wong Siew Hai.

“To remain competitive, businesses will need to focus on improving productivity and putting these improvement programmes in place,” he said.

“The government’s decision to increase the minimum wage to RM1,500 may potentially drive some companies to include these allowances and incentives into the basic pay,” he said, adding that the increment will also have corresponding knock-on ramifications across the entire wage and salary structure of all E&E companies, thereby increasing the cost of doing business and reducing the competitiveness of businesses.

“Vulnerable small and medium Malaysian E&E companies will be impacted the most with these new regulations,” he added.

IC Insights is forecasting an 11% growth in 2022 (from US\$510 billion [RM2.14 trillion] in 2021 to US\$565 billion in 2022) in global semiconductor sales and a compounded annual growth rate of 7.1% per annum from 2023 to 2026.

Looking at the projection, many E&E companies in Malaysia are currently still expanding and constructing new facilities to meet this demand.

Malaysia attracted RM148 billion of new investments from the E&E sector in 2021 (48% of Malaysia’s total investments) that will create more than 28,000 new job opportunities.