

BUSINESS

Minimum wage enforcement could set back recovering businesses: MEF

Micro-enterprises ill-prepared to absorb additional costs, says president

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Citing numbers from the Entrepreneur Development and Cooperatives Ministry, Datuk Syed Hussain Syed Husman points out that a staggering 37,415 businesses were forced to shut down between 2020 and June 2021 due to the pandemic's impact. – Bernama pic, July 5, 2023

JOHOR BARU – The Malaysian Employers Federation (MEF) is concerned over the implementation of the RM1,500 minimum wage, given businesses have yet to recover from the negative economic impacts of the Covid-19 pandemic.

In a statement released by MEF president Datuk Syed Hussain Syed Husman to The Vibes, he said commercial enterprises are now facing additional challenges due to volatile business coupled with the implementation of a minimum wage policy.

“Since the onset of the pandemic, micro-enterprises have grappled with cash flow difficulties, compounded by increased borrowing costs resulting from the recent rise in the Overnight Policy Rate (OPR).

“ *Effective May 3, the OPR stands at 3.0%, placing further strain on micro-enterprises as they contend with higher loan repayments,” he said when contacted.*

Faced with adverse business conditions, Syed Hussain said these enterprises are ill-prepared to absorb the additional costs associated with the increased minimum wage of RM1,500 per month.

Citing numbers from the Entrepreneur Development and Cooperatives Ministry, he pointed out that a staggering 37,415 businesses were forced to shut down between 2020 and June 2021 due to the pandemic's impact.

Among these closures, 26,007 were micro-enterprises, while 2,738 were small and medium enterprises.

“During this period, an average of 68.4 businesses ceased operations every day, underscoring the challenges faced by the micro-enterprise sector.



Datuk Syed Hussain Syed Husman says commercial enterprises are now facing additional challenges due to volatile business coupled with the implementation of a minimum wage policy. – MEF pic, July 5, 2023

“Micro-enterprises have experienced a gradual decline in their profit margins, leaving them ill-equipped to absorb any further cost increases associated with the proposed minimum wage.

“ *Even with multiple delays in its implementation, initially slated for May 2022 and subsequently postponed to January 2023 and July 2023, micro-enterprises have struggled to regain their financial stability amidst a challenging business environment,” he added.*

On December 27 last year, Human Resources Minister V. Sivakumar announced that the implementation of the minimum wage order for employers with less than five workers had been postponed again from January 1 to July 1 this year.

He said the decision was made after taking into account the views of the many stakeholders who may be affected by financial and economic uncertainties.

The minimum wage order took effect on May 1 with a minimum wage of RM1,500 per month for employers with five or more workers in all sectors, regardless of region.

Yesterday, Economy Minister Rafizi Ramli said that the government **does not rule out** the possibility that the enforcement of the RM1,500 minimum wage for employers with fewer than five workers will have an impact on the country's inflation rate.

However, he also mentioned that Putrajaya had carried out the necessary assessment on the matter before deciding to enforce it. – The Vibes, July 5, 2023