

## Minimum Wage: Implementation and Implications

**T**he panelists for this session were **Mr A Sivanathan**, Senior IR Practitioner from the Malaysian Trade Union Congress (MTUC), and **Tuan Hj Samsudin Bardan**, Executive Director of the Malaysia Employers Federation (MEF). The session was moderated by **Mr Steven Wong**, Senior Director (Economics) of ISIS Malaysia. ISIS Senior Analyst **Dr Muhammed Abdul Khalid** reports.

**A Sivanathan** said that the aim of the minimum wage is to reduce poverty; it is not linked to productivity. Subsequent revisions to the minimum wage, however, should be based on productivity. He added that the Malaysian Trades Union Congress (MTUC) is in favour of only one national minimum wage, not sector-based minimum wages, and they want it to cover all workers, including foreigners. Sivanathan also raised the point of the lack of laws covering the welfare of workers in Malaysia; he said that the current laws are retrogressive. There has been little improvement in conditions for workers in Malaysia partly due to the weakening bargaining power and social dialogue between workers and employers.

The MTUC's intense push for the minimum wage was due to the accelerated pace

of globalization, although discussions on implementation have been going on for the past 30 years. The MTUC has suggested RM 900 as the rate for the minimum wage, based on the minimum daily expenditure of an average worker, with an additional RM 300 as the cost of living allowance (COLA). Sivanathan also expressed concern over the widening wage gap between management and the low-level worker. He argued that the productivity growth of the worker is the responsibility of the management. He concluded by reiterating that the minimum wage should not be the average wage, but a wage that allows workers to earn above the poverty rate.

**Tuan Hj Samsudin Bardan** argued that the minimum wage issue re-surfaced because the government is aiming for Malaysia to become a high-income economy nation; otherwise the issue



(From left) A Sivanathan, Steven Wong and Samsudin Bardan

would not have gained prominence. He reiterated that the Malaysian Employers Federation (MEF) opposes the minimum wage as it will reduce Malaysia's competitiveness. He further argued that the minimum wage does not guarantee job creation, but may instead increase unemployment — if the minimum wage is set too high, it will be costlier for employers to hire workers. Samsudin disagreed with the MTUC on the fixing of a single rate for the minimum wage. He proposed that the minimum wage should take into account the type of employment, location, and the economic sector involved.

Nonetheless, he reaffirmed the MEF commitment to the National Wage Consultative Council (NWCC), but cautioned that as the majority of the NWCC members are pro-worker, the impartiality of its members cannot be taken for granted. He further stressed that NWCC members do not have the expertise in these issues as most of them are academicians and researchers.

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Samsudin said that the introduction of the minimum wage in Malaysia may lead to higher remittances overseas by foreign workers, citing the fact that the current average remittance per foreign worker is RM 750 per month. In concluding, Samsudin reaffirmed the MEF stand on the minimum wage; in principle, the MEF supports the introduction of the minimum wage, but companies should be given a grace period for its implementation. Finally, he suggested that efforts should be made to raise incomes overall; any increase to wages must be determined by the productivity of workers.



*Participants at the seminar*