



**PERSEKUTUAN MAJIKAN-MAJIKAN MALAYSIA
MALAYSIAN EMPLOYERS FEDERATION**

**MINIMUM WAGES POLICY IN MALAYSIA
ITS IMPACT & EMPLOYERS' READINESS**

by

***Datuk Hj. Shamsuddin Bardan
Executive Director MEF***

***Persidangan Statistik Malaysia ke 9 (MYSTATS) 2022
5th October 2022***

ILO C 131-MINIMUM WAGE FIXING

- **C 131** - intended to protect wage earners against unduly low wages.
- It gives effect to the principles of Declaration of Philadelphia 1944 that “labour is not a commodity”.
- C. 131 provides that price of labour cannot be determined purely and simply through the application of the rules of supply and demand and that minimum wage is to be provided to all employed and in need for such protection.

- Malaysia ratifies the Minimum Wage Fixing Convention 7
Jun 2016
- Malaysia was the 53rd ILO member State to have ratified this Convention

SHARE OF WAGES TO GDP

- Malaysia Plan -11th
 - Targeted 38.0% of wages to the GDP in 2020
 - Percentage of wages at 37.2 % of GDP in 2020
- Forecast of wages to GDP in 2025: 39.5%
- Target for RMK 12: 40% in 2025
- 2030: 41.9%
- **SHARED PROSPERITY VISION 2030** -
Targets wages to be at **48%** of GDP

INDICATORS USED IN MINIMUM WAGES SETTING

| CRITERIAS | | JUSTIFICATION |
|---------------------|---------------------------------|---|
| BASE CRITERIA | Poverty Line Income | To determine basic needs of the workers and their families |
| | Median Wage | Refers to employers capacity to pay wages |
| ADJUSTMENT CRITERIA | Changes in Consumer Price Index | An indicator to show changes in cost of living |
| | Labour Productivity Growth | To indicate that wages growth to be consistent with productivity growth |
| | Unemployment Rate | To ensure that increase of wages does not effect employment and employment creation |

REVIEW OF MINIMUM WAGES

- **Sec 25** NWCC Act 2011
 - (1) The Council shall, **at least once in every two years**, review the minimum wages order.
 - (2) Notwithstanding subsection (1), the Council may, on its own accord or upon the direction of the Government, review the minimum wages order.

- Minimum Wages Order made under National Wages Consultative Council Act 2011 by Minister of Human Resources.
- Section 2 NWCC Act : "***minimum wages***" means the ***basic wages to be or as determined under section 23.***

BNM – LIVING WAGES ?

- BNM indicated the **living wage in Kuala Lumpur in 2018** as follows:
 - **For a single adult** - **RM2,700 .**
 - **For a couple without a child** - **RM4,500, and**
 - **For a couple with two children** - **RM6,500**

ANNOUNCEMENT BY YAB PM – 19TH MARCH 2022

- YAB PM announced on 19th March at UMNO assembly that National Minimum Wages would be increased nationwide wef 1st May 2022.
 - RM 1500 - initially apply to big companies and Government-linked companies.
 - For MSMEs, Minister MoHR would discuss with Entrepreneur Development and Cooperatives Minister to postpone implementation for MSMEs.
 - Micro enterprises with 4 and less employees exempted from the RM 1,500 minimum wages.



ANNOUNCEMENT BY MINISTER OF HUMAN RESOURCES

- On 13th April 2022 Human Resources Minister announced RM1500 will be implemented wef 1st May 2022
- EXEMPTIONS
 - Informal Sector
 - those experiencing financial losses from the Covid-19 pandemic

MINIMUM WAGES ORDER 2022

- IN exercise of the powers conferred by **section 23** of the National Wages Consultative Council Act 2011 [*Act 732*], Minister of Human Resources issued the MWO 2022 vide gazette notification P.U. (A) 140 dated 27th April 2022

APPLICATION OF MWO 2022

- Applicable to an employee employed by :
 - (a) an employer who employs five (5) or more employees;
and
 - (b) an employer who carries out a professional activity classified under the Malaysia Standard Classification of Occupations (MASCO), **regardless of the number of employees employed.**

02 – NON - APPLICATION

- 2. This Order shall not apply to a domestic servant as defined under:
 - S. 2(1) of the Employment Act 1955,
 - S. 2(1) of the Sabah Labour Ordinance [*Cap. 67*]
 - S. 2(1) of the Sarawak Labour Ordinance [*Cap. 76*].

O4- APPLICABILITY OF MINIMUM WAGES RATES

- O 4 (2) This paragraph shall **apply to** an employee employed by—
- (a) an **employer who employs five or more employees**; and
 - (b) **regardless of the number of employees employed, an employer who carries out a professional activity** classified under the Malaysia Standard Classification of Occupations (MASCO) as published officially by the Ministry of Human Resources.

POLL : COMPANY READINESS TO IMPLEMENT RM1,500 MINIMUM WAGES

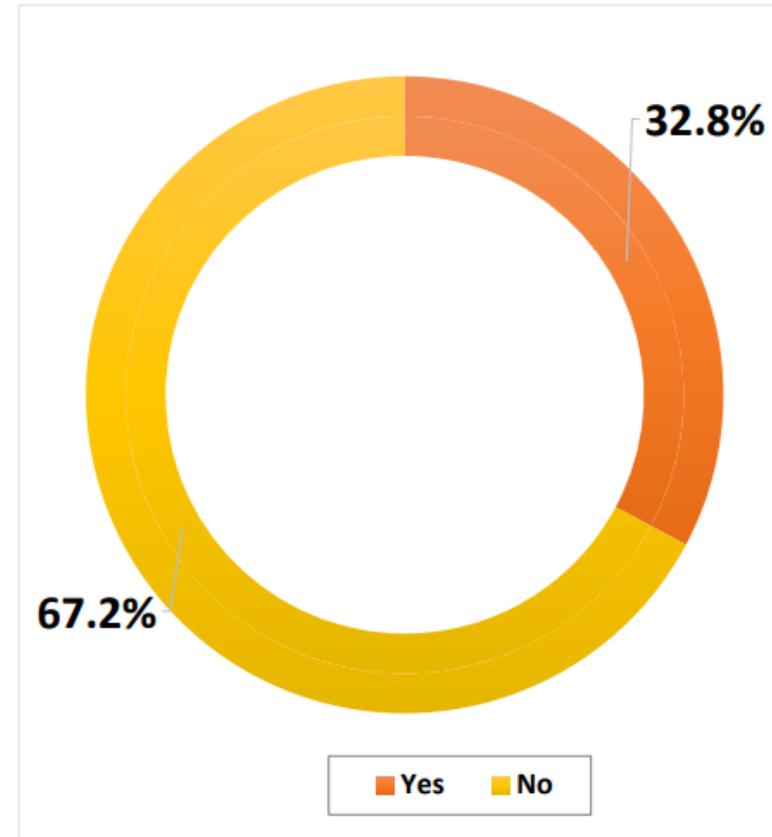
POLL: COMPANY READINESS TO IMPLEMENT RM1,500 MINIMUM WAGES

Q: Is your company ready to implement RM1,500 minimum wages with effect 1st May 2022?

Started: 14 Apr 2022

Ended: 1 May 2022

| | No. of response |
|----------------|-----------------|
| Website | 202 |
| WhatsApp Group | 414 |
| Total (100%) | 616 |



BENEFICIARIES OF INCREASE IN MW

- Study of impact on 2018 MWO implementation
 - 1.8 million employees earning less than RM 1,500 at the material time
 - In 2018 there were about 2.2 million FWs in the country

EFFECT OF 2020 MW REVIEW ON REMITTANCES

- Before review of MW to RM 1,500 FW remitted about RM 34 billion to the source countries annually
- If other forms of remittances through unofficial channels are taken into account the total amount of remittances can be more than RM 70 billion annually
- Review of 2022 MW represent 25% to 36% increase from previous levels of RM 1,100/ 1,200 MW
- For every RM 100 increase in MW will result in about RM 4 billion additional remittances
- Average of RM 350 increase will result in additional RM 14 bil increase in remittances annually



EXPECT 50%-60% PRICE HIKE IN JUNE 2022

- PRICES of basic items in the country will likely see a hike between 50% and 60% starting next month following the implementation of the new RM1,500 minimum wage, reports Utusan Malaysia.
- The report noted prices of several daily necessities such as poultry and vegetables have increased prior to the Aidilfitri celebration last week and businesses nationwide have also implemented price hikes on their items.
- Universiti Tun Abdul Razak economist Prof Emeritus Dr Barjoyai Bardai said the price hike on basic items such as food would have a ripple effect on restaurants.

(The Malaysian Reserve -14 May 2022)

