

SMEs may look at new ways to cope with wage increase

GEORGE TOWN: To cope with the increase in the minimum wage from RM1,200 to RM1,500 from May, small and medium enterprises (SMEs) may explore new ways to deal with the financial burden.

Small and Medium Enterprises Association (Samenta) south chairman Dr Louis Ooi said the measures include outsourcing labour and adding value to their production, from short- to long term.

“In the short term, SMEs can outsource lower value-added operations such as unskilled workforce from dispatchers, cleaners and security guards.

“Then in the mid-term, they may expedite workflow automation and digitalisation that can reduce dependency on foreign labour.

“For the long term, these companies may transform to higher value-added production involving design and development, mass customisation that often requires a skilled workforce rather than just assembly,” he said.

However, Ooi considered the 25% increase in the minimum wage and urged the government to defer it. “Most SMEs are still recovering from the Covid-19 pandemic, especially the tourism industry.

“Despite the opening of borders from April, a month is too short for the tourism industry to cushion the rising operating costs while waiting for tourists to return.

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“Mathematically, a 25% salary increment will require an additional 1.25 times the revenue to cover it.

“Otherwise, SMEs may pass costs to the customer, which will affect the inflation rate,” he added.

According to Ooi, the Statistics Department reported that labour productivity in the fourth quarter of last year had declined by 2.3% following the value-added per hour worked.

“This means the value declined to RM41 per hour worked last year from RM42 in the previous year.

“Nonetheless, salary increments must be directly proportional to productivity.

“Otherwise, this would not be in line with the eShared Prosperity Organisation policy promoted by the Malaysia Productivity Corporation.

“We hope the minimum wage of RM1,500 will only start at the end of this year to give SMEs more time to increase productivity,” he said.

Last month, Prime Minister Datuk Seri Ismail Sabri Yaakob announced that the national minimum wage will be revised to RM1,500 beginning May 1.

He said the government was cognisant of the increase in cost of living and its effects, especially on the B40 community.

<https://www.thestar.com.my/news/nation/2022/04/18/smes-may-look-at-new-ways-to-cope-with-wage-increase>