

## **Minimum wage rise 'tricky', living cost needs to be addressed**

RAISING the minimum wage for the workers now could be “tricky” as it depends on the living cost, as well as economic recovery which was derailed due to the pandemic.

UniKL Business School economic analyst Dr Aimi Zulhazmi Abdul Rashid said the rise of minimum wage is not a one size-fits-all-solution as it depends on the variable of expenses adopted for the cost of living such as transportation, rental, mortgage and the price of essential food items.

He added that the cost of living in the urban areas, such as the Klang Valley, Penang, Johor Baru and other major cities is well known to be higher on average and escalating on yearly basis.

The common perception is that the expense of living in an urban area is higher than in rural areas, however, this may not be the case in some cities.

Looking at the economic perspective, Dr Aimi Zulhazmi said the higher income versus higher cost of living, is the outcome of demand versus supply.

The minimum household income in the urban areas has been outpaced by the rising living cost that is attributed to many factors such as inflation rates, weakening of local currency causing a price spiral.

“Although this issue is prevalent, the impact of the pandemic to the economy also reflects into the wage level as unemployment rates escalated and businesses closed,” he said.

Based on the data from the **Department of Statistics Malaysia (DoSM)** in 2020, there was an additional 12.5% of households with income less than RM2,500 per month, across the country.

“The data provided by DoSM enveloped this unequal distribution of living expenses in tandem with higher income levels associated with urban versus rural areas,” he added.

“The (living) costs should be addressed first.”

Last Friday, Human Resources Minister Datuk Seri M Saravanan said the National Wage Consultative Council (MPGN) is still discussing the proposal on whether to maintain or increase the minimum wage rate before tabling it for the Cabinet’s consideration.

He said the National Wage Legislative Technical Committee had presented the findings and recommendations of the Impact Study and Review of the Minimum Wages Order 2020 at the MPGN meeting held last Thursday.

Among the matters discussed at the meeting was the proposal from the employers to maintain the current minimum wage rate while the employees recommended that the rate be increased, he said.

According to the National Wages Consultative Council Act 2011 (Act 732), Minimum Wages Order must be reviewed at least once every two years. The Minimum Wage Order came into effect on Feb 1, 2020.

The Malaysian Employers Federation (MEF) recently stated that raising the minimum wage will derail the economic recovery.

According to MEF, any upward review of minimum wages would disrupt efforts for economic recovery and derail the programmes outlined by the 12th Malaysia Plan.

It added that the massive drop in the performance of all the economic sectors, caused by the pandemic, has resulted in a 5% contraction in Malaysia's economy in 2020.

"Due to various cost-cutting measures undertaken by employers, the median wages dropped to RM1,988 from RM2,442 in 2019, while average wages dropped 9% to RM2,933 in 2020 from RM3,224 in 2019," MEF president Datuk Dr Syed Hussain Syed Husman said.

Therefore, the "grim economic scenario" does not allow any space for an increase in existing minimum wages at this point, he said.

Recently, PERSOLKELLY Malaysia, published a Salary and Employment Outlook providing definitive salary benchmarks across key sectors, putting an average of RM2,500 to RM3,000 as minimum wage for the administrative sector while RM4,000 for both IT and engineering sectors.

On the new employment landscape, it also provides the benchmark of salary across top industry sectors such as banking and financial services, property and construction, human resources and administrative, sales and marketing, and supply chain and logistics.

PERSOLKELLY also outlines that the increase in wages should be done alongside the upskilling/ reskilling of workers (education).

PERSOLKELLY Malaysia country head Brian Sim pointed out that employer expectations have shifted from emphasising academic qualifications to prioritising relevant skills when recruiting talents.

"This wave of change has highlighted the importance of technical and soft skills to provide a strategic advantage to Malaysian jobseekers irrespective of roles and industry."

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