

Press Release

Employers surprised by second minimum wage hike

MEF was taken aback by the Budget 2019 announcement by Minister of Finance YB Tuan Lim Guan Eng in Kuala Lumpur today who arbitrarily raised the national minimum wages to RM1,100 nationwide.

On Sept 5, 2018, the Prime Minister's Department, based on the recommendations of the National Wage Consultative Council (MPGN) that conducted a review of the Minimum Wages Order 2016 rates of RM1,000 for Peninsular Malaysia and RM920 for East Malaysia, announced RM1,050 as nationwide minimum wages with effect from 1st January 2019. The new minimum wages rates as announced in Budget 2019 was not in accordance with the procedure as laid down in the National Wages Consultative Council Act 2012.

MEF Executive Director Datuk Hj. Shamsuddin Bardan stated the decision to further increase the minimum wages would impact the cost of doing business, and unfair to employers who are required to implement the new minimum wages on 1 January 2019.

“Besides the obvious cost impact, there would also be higher remittance of the Ringgit to the source countries of the foreign workers, who had already been given an indirect pay hike of about 15 % early this year following the government’s decision to shift the burden of paying levy to the employers.”

“Companies dependent on foreign workers would be further impacted by the introduction of the multi-tier levy system that would be implemented effective on 1 January 2019,” he added.

He said employers would also be impacted by the new tax regimes that was introduced in the Budget 2019.

However some of the other provisions of Budget 2019 such as the direct allocation for skills development, encouraging the participation of women and retirees in the workforce, policies to encourage R&D, and financial and technical support for SMEs to move up the value chain were refreshing.

“The ‘Malaysia is open for business’ policy provides much encouragement for the private sector employers and investors. The budget allocation of RM314.5 billion – the biggest ever so far – was very encouraging.”

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