

## **MEF: Government's intervention measures needed to mitigate increasing costs of doing business**

PETALING JAYA: YAB PM Datuk Seri Ismail Sabri Yaakob announced that the RM1,500 minimum wages will be implemented with effect from 1<sup>st</sup> May 2022. The YAB PM made the announcement during his winding-up speech at the Umno General Assembly. The YAB PM announced that the government has approved the implementation of the new minimum wage rate of RM1,500 per month from May 1, 2022 for the whole of Malaysia.

MEF President Dato' Dr. Syed Hussain Syed Husman J.P. stated that "there are many details that need to be discussed with the stakeholders before the RM 1500 minimum wages is immediately implemented. The devil is in the details of its execution. Currently many stakeholders are still in the dark on the details of the new minimum wages implementation. Further the NWCC meeting is scheduled the 24<sup>th</sup> March 2022 and any announcement on the details of the Rm 1,500 minimum wages is premature before the issues are discussed at the NWCC meeting."

"MEF is of the view that increases in minimum wages should be done gradually. A sudden increase of between 25% to 36 % of the minimum wages rate is putting a lot of financial pressures on the businesses especially so as most businesses are trying to build back their businesses that had been impacted by covid 19 and the big floods"

Dato' Dr. Syed Hussain adds that "arising from the decision to increase the minimum wages to RM1,500/ month with effect from 1<sup>st</sup> May 2022, private sector employers will face increasing costs of doing business. Private sector employers urgently require government's intervention measures to mitigate the increasing costs of doing business to ensure sustainability and at the same time to assist the government to create more jobs and stabilise the labour market. The increase in the minimum wages rates amount to about 25% to 35% of the

existing minimum wages of RM 1,200 in cities and municipalities and RM 1,100 for those outside the cities and municipalities.”

“MEF is appealing to the government to review the costs imposed on employers to hire foreign workers. MEF hopes that the government consider introducing a holistic policy that all foreign workers costs to be borne by the foreign workers themselves. Such policy will reduce the cost of employing foreign workers.”

The cost of recruiting foreign workers is very expensive. For example, cost of recruitment of a Bangladeshi worker is about RM20,000 per worker after taking into account the costs to be paid for fees incurred by the worker to the agents in Bangladesh. Cost of recruitment of an Indonesian domestic worker was reported to be about RM 20,000 – 25,000. MEF urges the Government to negotiate for maximum ceiling on the charges by recruiting agents at source country.”

“Upon arrival, the foreign workers need to be quarantined at quarantine centers situated in Klang Valley. The estimated cost of quarantine is between RM2,000 and RM3,000, including accommodation, food and drinks (three times a day), transportation to the quarantine centres as well as Covid-19 screenings during the quarantine period. The government should fix maximum ceiling for charges by the quarantine centres for each foreign worker. Quarantine centres should also be set up outside Klang Valley to reduce the cost of quarantine. Government should fix maximum ceiling for charges imposed by the quarantine centres for each foreign worker. Quarantine centers should also be set up outside Klang Valley to reduce the cost of quarantine.”

“The costs of accommodation for foreign workers need to be rationalised. Employers incur about RM300 to RM400 per month per foreign worker to provide accommodation as per the standard specified under Act 446. Employers currently are only allowed to charge RM 100 per worker /month. MEF appeals to the government that employers be allowed to charge the actual costs of providing accommodation to foreign workers”

“Generally the MSMEs are still grappling with the efforts to recover their businesses due to the devastating impacts of Covid 19 and the big floods in late December 2021. The decision to postpone the RM 1,500 minimum wages implementation will make them more sustainable and more resilient. MEF hopes that YB Datuk Seri M. Saravanan, the Human Resources Minister and YB Tan Sri Noh Omar, the Entrepreneur Development and Cooperative Minister will consult the stakeholders on the mechanisms to allow the MSMEs to postpone the implementation of the RM1,500 minimum wages. MEF is of the view the MSMEs, which constitute about 98% of all businesses in Malaysia should be given reasonable chance to recover their businesses first before the RM 1,500 minimum wages is implemented to MSMEs.”

“Whilst The YAB PM also announced that the increase from the current minimum wages will only involve companies in the private sector which have five employees or more MEF hopes that the government would reconsider such policy and exempt companies with 20 employees and less be exempted from the minimum wages policy. Such exemption will give the required assistance to the such small enterprises to better sustain their businesses in the challenging environment” added Dato’ Dr. Syed Hussain.

“On Malaysian workers MEF supports the increase but has to be gradually implemented. It is to be noted that not all local companies are on the same financial ability. Many have suffered due to the lock down n floods. Now with Government support and opening up the states and soon the National borders we see better light at the end of the tunnel. Industries appreciate the efforts of YAB PM, MOH, MoHR and MITI.”

“MEF is of the view that the higher cost of living cannot be passed to employers as that will put business out of survival. The cost of living is rising and this is putting pressure on the B40 and d M40 groups’ The higher cost of living must be addressed and controlled by the government to make life easier for all Malaysians.”

“MEF is of the view that the Government should assist industries and Malaysia’s economy to be sustainable and to spur further domestic investment. In view of the very challenging competitive global environment, the Government should incentivize industries to contain costs and improve efficiency to control inflation and enhance productivity and competitiveness. “adds Dato’ Dr. Syed Hussain

“MEF appeals to the government not to implement the RM 1500 minimum wages across the board but rather based on affordability of the individual business, sectors and industries. For example the Hotels, services and tourism industry are all still suffering. Businesses have not picked up yet. Implementing the RM 1500 across the board will be too taxing and can make the industries to close. The issue is not only the basic RM1500 minimum wages cost. For the businesses it involves many other related matters. It includes levy and housing. Food, EPF, Insurances and other benefit to mention a few. The net cost of doing business is much more than what it looks.”

“MEF appeals to the government that where increases in costs for businesses are involved, all decisions should be well discussed before implementation “.

For further information, please contact the MEF Secretariat at 03-7955-7778 or fax 03-7955-9008 or email [mef-hq@mef.org.my](mailto:mef-hq@mef.org.my).

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