

## **Malaysia's Fitch rating upgraded, so what?**

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**By Andy Yong**

COMMENT Do the people on the street care about the Fitch (or Flinstone) rating? Or do they feel better after the assurance given by the Bank Negara governor or a minister? They don't give a damn. After all they feel the pinch of the Goods and Services Tax (GST), petrol hike, possible higher toll charges, etc. This is especially so to those who are under-employed. *Semua naik tapi gaji tak naik.*

Simply put, many Malaysians who have a decent job cannot find a decent quality of living, especially in the city.

As for now forget about the government or politicians; one of the main reasons the economy is not doing well (as everyone says it nowadays) is that companies or individuals are hoarding cash and 'maximising profits' instead of investing in their people and future projects.

This behavior is contributing to record income inequality in the country and starving the primary engine of an economic growth - the vast middle class purchasing power.

If the average rakyat don't get paid a living wage, they can't spend much money shopping (or may incur more credit card debts). And when they can't buy quality products and services or urban properties, the companies that sell products and services to average citizen can't grow. So the profit obsession of these companies is, ironically, hurting their ability to accelerate revenue growth.

One obvious solution to this problem is for big companies to pay their people more - to share more of the vast wealth that they create with the people who create it.

The companies have record profit margins, so they can certainly afford to do this.

But, unfortunately, over the past three decades, what began as a healthy and necessary effort to make our companies more efficient has evolved into a warped consensus that the only value that companies create is financial and that the only thing employers should ever worry about is making more of it.

This view is an insult to anyone who has ever dreamed of having a job that is about more than money. And it is a short-sighted and destructive view of capitalism, an economic system that sustains not just this country but most countries in the world.

This view has become deeply entrenched, though.

These days, if you suggest that great companies should serve several constituencies (customers, employees, and shareholders) and that companies should share more of their

wealth with the people who generate it (employees), you get called a 'socialist'. You get called a 'liberal'. You get told that you "don't understand economics". You get accused of promoting 'wealth confiscation'.

They say in Malaysia, people get paid what they deserve to get paid.

### **'Start their own company'**

Anyone who wants more money should go out and "start their own company" or "get a better job." (Some see no incentive to earn an honest living due to bureaucracy, cronyism and corruption; this is another issues that I would discuss in future.)

In other words, you get told that anyone who suggests that great companies should share the value they create with all three constituencies instead of just lining the pockets of shareholders is an idiot.

After all, these folks say, one law of capitalism is that employers pay their employees as little as possible. Employees are just 'costs'. They should try to minimise those 'costs' whenever and wherever you can.

This view, unfortunately, is not just selfish and demeaning. It's also economically stupid. Those 'costs' you are minimising (employees) are also current and prospective customers for your company and other companies. And the less money they have, the fewer products and services they are going to buy.

Obviously, the folks who own and run big corporations want to do as well as they can for themselves. But the key point is that it's not a law that they must pay their employees as little as possible.

It is a choice made by employers who want to keep the highest possible percentage of a company's wealth for themselves.

It is a choice that reveals that, regardless of what they say about how much they value their employees, regardless of what euphemism they use to describe their employees ('associate', or 'partner'), they, in fact, don't give a damn about their employees. (not me of course :))

Employers or CEOs, after all, are earning profits while choosing to pay their employees so little in many cases that the employees have to live in poverty (including those receiving the minimum wages of RM900).

Solution? I am no economist but I met a young man yesterday who works as an agent for longs and promotes vice activities, who said a job like the one he has is his solution in order to live comfortably in Malaysia.

Anyway Confucius said: "In a country well governed, poverty is something to be ashamed

of. In a country badly governed, wealth is something to be ashamed of”.

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