

Minimum wage not a cure-all
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I refer to the letter Najib, you're wrong on minimum wage.

Noor Yahaya did point out accurately the direct effect of minimum wage - companies that can't afford it go under (or less dramatically, lay off their workers) while others switch to more capital intensive production.

But rather than increased efficiency as Noor Yahaya claims, the direct cause of this is unemployment - not 'freeing labour resources to be employed elsewhere'. If 'elsewhere' could exist after minimum wage, it already does now. And labourers can freely go to this 'elsewhere'.

The minimum wage, according to Noor Yahaya, would encourage capital intensive production. He gave the example of retrenching road sweepers for one driving a truck. This highlights the problem with minimum wage - road sweepers would be unemployed.

And production shifts to capital only because the price of labour (road sweepers) increased; not because the cost of capital (trucks) reduced. This increased cost would be passed on to the consumers (which may include those retrenched road sweepers).

Noor Yahaya brings in another 'benefit' of minimum wage - those refusing to work under the hypothetical minimum wage would enter the labour market. This exacerbates unemployment - more supply (labour), less demand (jobs). The writer also ignores the existence of jobs that pay more than RM5.

Additionally, those retrenched road sweepers would be competing against those very people Noor Yahaya claims would enter the market. This after Noor Yahaya claims the poor may not have the 'gift or ability' for education - how then are the retrenched road sweepers going to compete?

Far from increasing efficiency, minimum wage causes even more problems in the end. And there are other ways to guarantee a minimum income - Juliet Rhys-Williams and Milton Friedman's Negative Income Tax, for example.

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