

Minimum Wage Announcement Not A Game Changer
Pakatan Rakyat Manifesto / Policy Committee
MalaysianMirror.com
02 May 2012

Pakatan Rakyat welcomes the long overdue announcement of a minimum wage rate at RM900 for Peninsula Malaysia and RM800 for Sabah and Sarawak by Prime Minister Najib Razak yesterday.

However, Pakatan Rakyat is of the view that it is long overdue, the effective rate amounts to no change in reality and the policy is implemented in a piecemeal manner.

First, the announcement is long overdue.

The now discarded New Economic Model, which was prepared by the now defunct National Economic Advisory Council, stated that "Malaysia is stuck in a middle income trap. Malaysia briskly climbed the ladder to attain upper middle status by 1992, but its economy has become sluggish since then."

The lack of a minimum wage policy, the dependence on foreign unskilled labour, and the resulting inability to automate and move up the technological ladder were the key contributing factors of a stagnated Malaysian economy since the 1990s.

With the passing of Minimum Wage Act by Parliament in June 2011, the Federal Government was scheduled to announce a minimum wage rate by December 2011. PM Najib's statement yesterday came half a year late, and seems to be just another pre-election announcement.

Second, the announcement yesterday amounts to very little in reality. The most important finding that eventually convinced the Najib administration to implement the minimum wage policy was a Human Resources Ministry study that found a third of the workers were living with a wage of about RM700, below the poverty line.

The announced minimum wage rate of RM900 for the Peninsula and RM800 for Sabah and Sarawak is actually inclusive of allowances, which effectively means the basic wage is still between RM700 and RM800.

This means, the purported changes were almost no change at all. Pakatan Rakyat on the other hand proposed a minimum wage of RM1100 (total compensation).

Third, to be effective, minimum wage policy must not be implemented in isolation and in a piecemeal manner.

Pakatan Rakyat recognises that a minimum wage policy that is effective must be implemented in a package holistically.

Thus, already in October 2011, Pakatan Rakyat in our alternative national budget proposed that:

- a) a clear and determined policy to stop dependence on foreign unskilled labour which results in a "race to the bottom" in terms of wage;
- b) a Facilitation Fund to be set up to help employers including those in the manufacturing and services industry to automate and to improve on technologies, provide tax breaks as well as other financial assistance, shall also be considered;

c) to provide for child care and other facilities to facilitate female participation in the workforce to tap into the total strength of Malaysian workforce.

Pakatan Rakyat also acknowledges the reality that minimum wage is not the silver bullet to improve the wellbeing of the workers, otherwise the government is merely outsourcing its welfare role to the private sectors which eventually translates into additional cost for doing business.

The government has a role to improve public transport, public health care, public education and public housing. Failure in those areas resulted in the erosion of disposable income of the workers.

Finally, the government needs to remove the various monopolies that benefit only the cronies at the expense of the low-wage earners' disposable income.

A holistic policy framework, as proposed by Pakatan Rakyat, will mean more income and more disposable income for Malaysian workers, which will in turn boost domestic consumption and drive the growth prospect of the economy.

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