

Minimum wage set, RM100 difference between east, west Malaysia, say sources
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KUALA LUMPUR, March 3 — The Cabinet has agreed to set a minimum wage of below RM1,000 for the 3.2 million workers in the private sector, with a RM100 difference between states in the Malay peninsula and Sabah and Sarawak, sources say.

The Malaysian Insider understands that the Najib administration decided on a regional difference in wages rather than sectoral differences although some sectors will be excluded from the policy. Selangor under Pakatan Rakyat (PR) rule has set a minimum wage of RM1,500 as demanded by most unions but opposed by employers.

“There will be a minimum wage below RM1,000 as the minister has said before and the Cabinet has approved it,” said a source, referring to Human Resources Minister Datuk Seri Dr S. Subramaniam (picture) who said two weeks ago that the Cabinet will decide soon.

“The announcement will be made very soon,” another source confirmed.

The government itself has revamped the civil service pay since January 1 but it has run into problems after government workers umbrella union group Cuepacs complained the pay hike was uneven with some 2,000 senior officers getting a huge rise while the 1.3 million others received paltry increments. Prime Minister Datuk Seri Najib Razak has ordered a review which has to be ready by April 16.

Private and government sector unions have been asking for minimum pay for years but employers say it will not be constructive in the local market especially with competition from regional economies that use cheap labour. But Najib’s target of a high-income nation by 2020 has prompted the government to review pay scales for all sectors.

Former Prime Minister Tun Dr Mahathir Mohamad weighed in yesterday on the minimum wage issue, warning that Malaysia may become bankrupt as is happening now in the West if the federal government caves in to public pressure on the matter.

Still influential despite having retired from office in 2003, he noted that the federal government’s seeming haste to adopt a minimum wage policy without taking into account the spike in public holidays to include the weekends and the holy days of all major religions was a serious risk to the country’s economy.

He described the West as bankrupt because they were unable to sustain the practice of paying large salaries to employees despite working them less, especially with the Asian markets becoming more competitive.

“I fear Malaysia may be heading this way if we pay more for less work, as we are doing now,” Dr Mahathir said in the latest post on his chedet blog.

However, Dr Subramaniam said last month that the wage structure was proposed after

taking into account studies by the World Bank, which included factors such as the cost of living, poverty line index, median range, productivity and unemployment rate.

The new rates will have a bigger impact in Sabah as the average salary there is RM577, followed by Sarawak, at RM758. In the peninsula, the average minimum wage is RM1,131. Close to 33 per cent of workers in the private sector are said to be earning less than RM700 a month, which is below the poverty line, according to a New Straits Times report.

“If we keep the wage between RM800 and RM1,000, it will not have any negative impact on drawing investments, but if it goes above RM1,000, then it may cause a negative impact on the economy,” he said then, adding a median wage policy would be established in stages, with a grace period given to employers to restructure their wage schemes once the new minimum wage was implemented.

He added that this would be reviewed once every two years, reminding employers that they risked a maximum RM10,000 fine per worker if they failed to comply with the policy.

“The reason for this policy is because over the past 10 years, there had been an increase of only 2.6 per cent per year, and we were lagging behind other countries that have set a minimum wage standard.

“We are now looking at streamlining the rate of our wages while bridging the gap of those who are living below the poverty line,” Dr Subramaniam said.

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