

**Subsidies needed to cushion floor wage fallout, says Pakatan
The Malaysian Insider
May 01, 2012
By Shannon Teoh**

KUALA LUMPUR, May 1 — A Pakatan Rakyat (PR) government will use public funds to help employers and employees weather the initial impact of a floor wage policy that has raised fears of business closures and unemployment.

Its leaders say Putrajaya's minimum wage policy will not be a "game changer" as claimed by Datuk Seri Najib Razak without booting out foreign labour and offering financial assistance to help upgrade technology and skills.

The prime minister announced last night a monthly base wage of RM900 for the peninsula and RM800 in Sabah and Sarawak with a grace period of six months, or double that for micro-enterprises.

But Pakatan Rakyat (PR) leaders said today the move is piecemeal and in isolation from other measures to escape the "middle income trap" that Najib warns about.

They say public finances must "take a hit" to ensure a smooth transition into a higher income economy.

"The government can't outsource economic transformation to the private sector. Structural reforms hurt," PKR strategic director Rafizi Ramli told The Malaysian Insider.

DAP strategist Liew Chin Tong said public funds must be set aside to offer "financial assistance and tax rebates to aide small-medium industries (SMI) and even big manufacturers, as well as services, to automate, move up the technological ladder."

Rafizi also said that with employers slashing jobs to control their wage bills, the government must retrain those retrenched to ensure they are able to meet higher requirements once employers have rescaled their technology.

The two leaders and PAS research chief Dzulkefly Ahmad also released a joint press statement pointing to a RM2 billion facilitation fund and RM1.6 billion to expand technical and vocational training as outlined in the coalition's shadow budget.

The government can't outsource economic transformation to the private sector. Structural reforms hurt. — Rafizi Ramli

The federal opposition also proposed "a clear and determined policy to stop dependence on foreign unskilled labour which results in a 'race to the bottom' in terms of wage."

"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," it said.

The government began working on a minimum wage policy last year after over a decade of pressure from labour unions during which productivity rose by 6.7 per cent annually but real wages inched up by just 2.6 per cent each year.

But its implementation was delayed as stakeholders continued to pressure the government. SMIs warned that 80 per cent of active businesses could fold under a blanket wage floor policy, cutting four million jobs from the labour market.

SMIs say they make up 99 per cent of operational companies and employ 59 per cent of all workers as they are the most labour-intensive outfits and will be hardest hit by a hike in wage bills.

PR also said minimum wage is not the silver bullet to improve the wellbeing of the workers and that public transport, healthcare, education and housing must be improved to end the erosion of the disposable income of workers.

The Malaysian Insider

Copyright © 2012 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/subsidies-needed-to-cushion-floor-wage-fallout-says-pakatan/>