

**Najib: Minimum wage 'the right thing to do'**  
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**By Clara Chooi**

KUALA LUMPUR, May 8 — Putrajaya's new base wage policy for workers was the "right thing to do", Datuk Seri Najib Razak has insisted, attempting to quell dissent from both employer and employee groups over the proposed salary levels.

Najib had announced last Monday a 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, after much months of heated negotiations with those from both sides of the divide.

"In principle, I am clear that this is the right thing to do," the prime minister said in a posting on his [www.1malaysia.com.my](http://www.1malaysia.com.my) blog late yesterday.

He explained to critics that the new floor wage was decided on after taking into consideration factors proposed by the World Bank such as cost of living, the poverty line index and unemployment rate.

Further to this, he pointed out, the proposed wage levels would be reviewed once every two years to account for any changes within these factors.

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 it was delayed as stakeholders continued to pressure the government. Small-medium industries (SMIs) warned that 80 per cent of active businesses could fold under a blanket wage floor, 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.

But Najib insisted that the government had to carefully consider the correct balance between guaranteeing workers a decent wage and employers' needs before introducing the policy.

"Some international studies indicate that a higher minimum wage can potentially affect demand for workers, especially youths lacking experience," he pointed out.

After the policy was announced last week, employers and economists predicted that the new base wage would lead to surging unemployment, "black market" labour and inflationary pressure.

"When employers refuse to hire at the minimum wage, desperate workers will look to the black market and agree to take less than that," said Wan Saiful Wan Jan, chief executive of libertarian think-tank Institute for Democracy and Economic Affairs.

"The irony is that the government introduced this to provide a social safety net but these workers will not have EPF or Socso," he had told The Malaysian Insider, referring to the state pension fund and Social Security Organisation.

In contrast, workers' groups protested against the new wage policy, demanding for a higher wage floor and greater employee rights.

But despite this, Najib said his government was determined to help ease the transition for the greater good of Malaysia.

He explained that when calculating the new minimum wage, the government had taken into consideration the need to maintain overseas investment in the country — which provides needed capital for generating jobs.

"We are also creating more and more job opportunities through the Economic Transformation Programme (ETP) in various industries such as tourism, wholesale and retail," he said.

The government's target, added Najib, was to create some 3.3 million jobs by the end of the next decade.

"In the meantime, I also encourage Malaysians to keep tuned to the ETP to find out which industries they can look towards for more opportunities.

"This is a day for recognising the role played by our workers, and I'm confident that this new policy will benefit many workers across the country," he said.

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