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Press Release on Minimum Wage

The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) clarifies that it has never neglected its role in protecting the interest of various industries, particularly the SMEs in respect of the issue of minimum wage. ACCCIM is making this clarification in response to recent allegation by some guilds and associations that it has not done enough to protect the SMEs which are facing tremendous hardship as the result of the implementation of minimum wage scheme by the Government.

ACCCIM points out that when the Ministry of Human Resource (MOHR) first proposed the implementation of minimum wage in 2007, the ACCCIM had by writing opposed the proposal of setting an uniform minimum wage for the whole country. The reasons cited by ACCCIM being that the huge disparity in the cost of living and income structure between different regions, and between urban and rural areas in the country; wide variations in the nature of works and productivity level of workers within different industries in the SMI sector; financial constraints and difficulties of the SMIs are far from being resolved; foreign workers are still needed by our industrial sector; and setting of minimum wage structure would threaten the survival of SMEs in the globalisation trend.

The Ministry's proposal was then shelved until 2010 where MOHR called for several meetings and workshops. ACCCIM together with other private sector organisations were invited. During the meetings, ACCCIM representatives as well as others have raised objection for having an uniform minimum wage for the whole country and insisted that the quantum of minimum wage should be reasonable so as not to affect

the operation of industries. Productivity-linked Wage System (PLWS) should be implemented in lieu of plain minimum wage as this can improve productivity directly.

However, the Government insisted on implementation of uniform minimum wage, ACCCIM again submitted a memorandum to MOHR opposing such minimum wage structure for the whole country, and proposing a gradual scheme of implementation according to different regions, different industries and sizes of companies as what have been done by HRDF. A grace period of at least 9 to 12 months was also proposed. However MOHR did not respond to ACCCIM's proposals.

The National Wage Council was subsequently formed in September 2011. However only Malaysian Employers Association (MEF) was appointed as a member. Thus the proposals and problems faced by private sector were not reflected adequately in the council.

ACCCIM issued a press release on 6th Mar 2012 in response to the Minister of Human Resource's statement that only 2% of additional cost would incurred after implementation of minimum wage. It pointed out that the statement was misleading and did not reflect the actual situation. ACCCIM also listed all the proposals it submitted to MOHR earlier in the press release.

After the announcement of minimum wage by Prime Minister, ACCCIM has written to MOHR requesting to participate in the technical committee of the minimum wage with the view to safeguard the interest of industries in the guidelines of implementation. However MOHR did not respond to ACCCIM's request.

Concerned that the Government did not take heed of the voice of business community, ACCCIM participated in a colloquium called by Federation of Malaysian Manufacturers (FMM) on 24th July 2012. During the colloquium, participants have expressed their dissatisfaction on the hasty implementation of minimum wage without clear guidelines. A joint statement was issued after the colloquium by 31 participating organisations including ACCCIM, to express the views and proposals of private sector urging the Government to give due consideration.

As MOHR announced the guidelines of implementation of minimum wage on 12th September 2012, ACCCIM has requested all the members of its constituent chambers to submit their application for deferment before the closing date. A press statement was released on 19th September 2012 to call on all affected parties to submit their applications. However the response from SMEs has been poor. Only 171 cases were referred to ACCCIM. The Minister of Human Resource even claimed that majority of businesses did not face problem on minimum wage scheme as only some 4,200 applications were received by the wage council.

When the National Wage Council met with various organisations, the council insisted that the Minimum Wage would be implemented as scheduled. Only those companies suffering 3 years of loss would be considered for deferment. ACCCIM opined that this stipulation is meaningless and the council should give consideration to those companies which would be incurring loss consequent upon the implementation of minimum wage.

As the government refused to postpone the implementation of minimum wage, ACCCIM submitted a memorandum to the Prime Minister on 27th Nov 2012 citing comparison with other countries, and the in-depth study by ACCCIM Socio-Economic Research Centre on the impact to national economy. In order to mitigate the negative impact on employers, particularly on SMEs, ACCCIM proposed:

- As foreign workers benefit the most from the implementation of Minimum Wage, it is only fair that foreign workers will have to pay for their levy. Further, this will prevent an additional outflow in foreign exchange;
- to defer the implementation of minimum wage for non-professional micro-enterprises by at least 12 months until a solution is found to mitigate their difficulty;
- to reduce the corporate tax rate of SMEs to 18% with a chargeable income of less than RM1,000,000 a year;
- Kelantan, Perlis, Terengganu and Kedah should have a minimum wage of RM800 as in the case of Sabah;
- The Government should implement productivity-linked wage system (PLWS) instead of fixing the quantum of minimum wage;

- The 4,200 applications received by Wage Council should be given at least 6 months grace period so as the employers will have sufficient time to negotiate with its employees for wage restructuring.

As only about 600 employers who have faced 2 to 3 years loss were approved for deferment among the 4,200 applications submitted as announced by Minister of Human Resource on 21st Dec 2012. It means that over 85% of applications have been rejected by the Council.

ACCCIM re-submitted its proposals on 16th Jan 2013 during a dialogue with the Prime Minister and requested the government to review this issue seriously. This has led to government's adjustment of foreign worker's levy policy recently.

ACCCIM leaders including Tan Sri William Cheng and Dato' Lim Kok Cheong, as well as Secretary General Dato' Low Kian Chuan, have been monitoring closely on the progress of minimum wage since 2007. ACCCIM has spared no efforts to voice its views and proposals in various meetings with government ministries, and has constantly called on the SMEs to be aware of changes in Government policy.

It is crucial for industries to support ACCCIM's efforts by providing responses and data as and when necessary. Many SMEs have been too passive and unresponsive even when they are alerted to do so. More often than not they are caught unprepared when a major policy change is effected. On the other hand, ACCCIM hopes that Government would be more considerate in any implementation exercise, as not all entrepreneurs are resourceful enough to be able to transform immediately. There are hundreds of thousands of SMEs struggling to survive and grow. ACCCIM will continue to voice out for such enterprises, and continue to be a primary voice for the Malaysia business community and the national economy.

