



PRESS STATEMENT (FOR IMMEDIATE RELEASE)

Minimum Wage Hike Triggers Unwanted Domino Effects

On 5 February 2022, Datuk Seri Saravanan, Minister of Human Resources had reportedly said a minimum wage of around RM1,500 a month was expected to be implemented before the end of this year. STA had issued a press release on 30 December 2021 after its first Virtual Annual General Meeting, one of the pleas made by STA to the Government was to be more understanding on the very real predicament faced by the employers, particularly small and medium enterprises (SMEs) and micro enterprises.

STA reiterates that any revision of the minimum wage upwards is unfitting now as businesses are still recovering from the prolonged containment measures implemented to break the chain of infections in 2020 and 2021 that had badly affected all economic sectors. STA wishes to emphasise again if it was not because of the wage subsidy of RM18 billion provided by the Government in 2020 that benefitted more than 300,000 employers and 2.4 million employees, STA believes that the number of companies which ceased operations and employees who lost their jobs would be far more than the reported 32,500 companies and 10,000 employees.

However, even before businesses could recover and stabilise, the Minister of Human Resources is now proposing for a 25% hike of minimum wage rate from RM1,200 to RM1,500 by end of this year. STA and its members are indeed very disturbed by this announcement. STA expressed its deep concern that, with the raise of minimum wage, it will lead to an unwanted domino effect in hiking the cost of doing business, which will undoubtedly be passed on to the rakyat. While they may actually be receiving more ringgit in their pockets with the increased minimum wage, but their real purchasing power is not growing in tandem. In such case, the increase in minimum wage will not help to mitigate the rakyat's rising cost of living.

The use of minimum wage to address rising cost of living is certainly not an appropriate measure. This endless vicious cycle will certainly prolong the economic recovery and be vastly detrimental to the country's economic situation as a whole. The wellbeing of rakyat will also be affected by the slow recovery of the country's economy.

The Government has a crucial role to play in stabilising businesses to ensure a steady economic recovery in the country. Consistent policies that will assist to strengthen businesses are vital during this period, so that Malaysia is able to regain its status as an attractive investment destination. STA urges the Government to not increase the minimum wage until the economic situation stabilises.

Sarawak Timber Association (STA)
9 February 2022