



Profoundly Disappointed That Call For Progressive Adjustment To Minimum Wages Disregarded

Kuala Lumpur, April 28, 2022 – The Federation of Malaysian Manufacturers (FMM) is profoundly disappointed that despite several high level engagements with the policy makers, its call for a progressive adjustment to the minimum wages under the current Covid-19 economic recovery, global supply chain disruptions and geopolitical tensions arising from the Russian invasion of Ukraine has been totally disregarded in the gazette of the Minimum Wages Order 2022 on April 27, 2022. There is grave fear that the immediate jump to RM1,500 minimum wages will result in a steep cost increase and reverse the otherwise optimistic business recovery for 2022.

The industry has repeatedly affirmed that it is supportive of a review of the minimum wages but based on the current economic factors where the business environment continues to be fragile, a progressive adjustment with a RM150 increase in 2022 and a further increase of another RM150 in 2023 to reach the RM1,500 minimum wage would be more manageable for the industry. The increase in the minimum wage from the current RM1,200/RM1,100 to RM1,500 represents an immediate increase of 25%-36% on the basic salary which will have a tremendous knock-on effect to the overall payroll cost and have a spiralling impact on business cost that could potentially derail economic recovery. The small and medium enterprises (SMEs), especially those in the suburban areas would be most impacted with this sharp rise in wage cost given that only the micro enterprises will be exempted for a period of 8 months until December 2022. The economy would also see an immediate monthly outflow of close to RM500 million with the repatriation of funds by foreign workers (based on 1.6 million legal foreign workers) with no direct positive impact to the local economy.

As it is, the industry is facing an influx of cost increases as businesses continue to rebuild their performance to the pre-pandemic levels. They are experiencing an escalation of operating cost with the rise in raw materials; logistics cost due to high sea freight rates caused by global shortages in containers; increasing energy prices due to the rising commodity prices; labour shortages especially in bringing in foreign workers, and the stringent conditions imposed; and impending cost arising from the amendments to the Employment Act. The weakening of the Ringgit is also impacting revenue. In addition, margins are being eroded due to the weakening of the Ringgit.

Ultimately, the increase in minimum wages is going to further push cost of production and lead to greater inflationary pressures. In this regard, FMM calls on the Government to ease the cost impact by providing all affected employers a wage credit/subsidy to lessen their burden and ensure that the business recovery continues at the intended speed for Malaysia to remain competitive in the global arena as a preferred supply chain hub and investment destination in the region.

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President, Federation of Malaysian Manufacturers

FMM Advocates Transparency, Integrity and No Corruption

About FMM

The Federation of Malaysian Manufacturers (FMM) has been the voice of the Malaysian manufacturing sector since 1968. Representing over 11,500 member companies (3,500 direct and 8,000 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-add services, including training, business networking and trade opportunities as well as regular information updates.

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