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Proposed Progressive Wage Policy, National Economic Structuring Based In Ministry's Responsibility: Rafizi



The Ministry of Economy reiterates and reminds all Malaysians that the roles and objectives of the ministry is based on its responsibility to manage country's economic planning as a whole.

Economy Minister Rafizi Ramli said this today (July 13) on claims made by the Malaysian Employers Federation (MEF) recently on the function of the Ministry of Economy with regards to the wage policy,

In a statement today, he said: "Wage disparity if it not being equal to the cost of living is the main issue that is an obstacle to Malaysia's transition towards a high-income

economy. Dependence on low-skilled workers is one of the causes that have resulted in wages that are disproportionate to the value of the worker's output in the economy.”

Rafizi added that the ratio of employee wages (Compensation of Employees, CE) in Malaysia to Gross Domestic Product for 2019 is 35.9%, which is much lower than other developed countries such as Germany (59.4%), the United Kingdom (55.5%), Australia (46.9%) and the Republic of Korea (46.8%).

Real median wages and entry level wages have declined post-pandemic and remain lower than pre-pandemic levels.

“The Ministry of Economy's mandate is to resolve economic structural issues that can slow down the country's economic growth like this. Wage growth is one of the main focuses of structural reforms to achieve the country's CE target, as stated in the 12th Malaysia Plan.

“The Ministry of Economy is working with the Ministry of Human Resources to draft some policy options to be presented to the National Economic Action Council (MTEN) which will discuss the best strategy going forward to increase people's wages,” Rafizi said.

The details and mechanism of the final policy will be decided based on comprehensive considerations, including affordability and cost impact to the private sector, sequencing of implementation, and tripartite agreement between the government, employers, and employees.

Engagement sessions with the main stakeholders, namely the government, employers, and employees will also be held to get the views of all parties. While efforts to repair other economic structures continue, the Ministry of Economy will emphasise the aspect of fair wage increases for all parties, Rafizi said.

Earlier, the Malaysian Employers Federation (MEF) expressed disappointment with the performance of Economy Minister Rafizi Ramli, reminding him of his task to improve the economy and raise the people's standard of living.

“Thus far, MEF has yet to see any such concrete plans from the minister of economy that are really focused and formalised, that would be able to improve the country's economy thereby raising the standard of living of the nation and its citizens,” MEF president Syed Hussain Syed Husman said in a hard-hitting statement responding to Rafizi's recent remarks on possible wage increments.

MEF also said it was “shocked that the economy minister was taking action on something outside his jurisdiction. This should be under the purview of the minister of human resources,” added Syed Hussain.

This followed Rafizi's announcement of the government's plan for a progressive wage model which could entail making annual salary increments mandatory.

MEF had said higher wages are tied to performance and productivity, while the associated cost increases come from the increased revenue and profits.