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Rafizi hints at making salary hike mandatory in planned progressive wage policy



Economy Minister Rafizi Ramli speaks during International Malaysia Law Conference at Shangri-La Kuala Lumpur July 11, 2023. — Picture by Ahmad Zamzahuri

KUALA LUMPUR, July 11 — The federal government’s plan to unveil a progressive wage model could entail making annual salary increments mandatory, Minister of Economy Rafizi Ramli suggested today as he described the wage model as one of the most “unpopular” reforms he would implement as a policymaker.

Raising pay was among the key election pledges of the ruling Pakatan Harapan (PH) coalition, which had vowed to carry out broad but painful reforms to reshape an economy driven largely by cheap labour.

Rafizi’s ministry has been tasked with overseeing the project, but the minister warned that a policy that may compel employers to raise pay periodically could face backlash.

“There’s an elephant in the room, which is wages,” he responded to a question about how the Anwar administration plans to alleviate living cost pressure.

“We will present to the government the policy paper for a progressive wage model in early August, and it is perhaps the most unpopular thing I have ever undertaken in my job as a minister because nobody (employers) will be happy, especially the (senior) lawyers because... nobody wants to raise wages,” the Pandan MP added.

“A progressive wage policy not only means a progressive increment every year, which means there is a certain level of annual increment that the economy has to commit, it also means the (wages) between the most senior partners and the most junior partners have to be adjusted.”

Details about the proposed wage model are scant but Rafizi’s ministry had suggested that it would be a crucial policy fix to address long standing structural defects in the economy that has allowed employers to suppress wages, which haven’t kept up with inflation.

Suppressed wages have also led to fears about growing wealth inequality, especially between the country’s top and bottom earners.

Malaysia has faced increasing competition from neighbouring countries that are also capitalising on cheap labour, which economists said have limited Malaysia’s wage growth.