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## Progressive Wage System pilot in June

# Progressive Wage System pilot project in June

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**PETALING JAYA:** Deputy Minister of Economy Datuk Hanifah Hajar Taib said yesterday that the government understands that minimum wages or the productivity-linked wage system and others like them cannot potentially resolve the issues of people living below the poverty line.

Speaking at a conference titled "Malaysia *Madani*: Progressive Wage System (PWS) Conference" with the theme "Empowering Tomorrow's Workforce Through Revolutionary Wage System", at a hotel here, she said a more comprehensive and revolutionary strategy needed to be integrated into the wage system and only then can the desired results be seen.

"This is why the government is rolling out the PWS as a pilot project in June. Industries and practitioners are being briefed on the strengths of its initiatives as its mechanisms must be shared with all stakeholders to understand the extent of employers' and employees' readiness.

"The PWS's introduction is made possible through a critical process of understanding the plight of employees and employers. Government initiatives would run futile if they are not supported by them," she said.

➤ Introduction of new initiative made possible through critical process of understanding plight of employees and employers, says deputy minister

The conference was attended by over 200 participants across the manufacturing and non-manufacturing sectors. PWS experts and observers were also invited to shed light on PWS's nature and the impact of its initiatives.

In November last year, Economy Minister Rafizi Ramli said the PWS, under which employers would gradually increase pay for their workers based on their skills, experience and performance, will start in June 2024 and involve 1,000 companies in a pilot project.

It is being introduced to reform the wage structure and complement existing policies, namely the Minimum Wage Policy, Productivity-Linked Wage System and Collective Agreements.

Rafizi said his ministry would undergo a dry-run with companies until September the same year, to sort out any teething or operational issues.

"The ministry had allocated RM30 million for the initiative,

which would only be for entry-level graduates, semi-skilled Malaysians, and companies that were disadvantaged based on the current labour markets.

"Employers have welcomed the voluntary aspect of the programme as they were worried about other mandatory policies being imposed, such as the minimum wage, as it would eventually take away the competitive salaries offered by companies."

Rafizi also denied claims that the decision to adopt a voluntary option was made due to lobbying by certain groups.

"Removing the mandatory part of the PWS is a strategic decision based on the fact that 97% of businesses in Malaysia are MSMEs or SMEs," he said, adding that the burden is on the government to ensure its success, with the pilot project making an impact on the economy.

Datuk Dr Syed Hussain Syed Husman, the president of Malaysian Employers Federation,

which organised the conference, said one of the most important discussions at the national level is to realise efforts to exit the middle-income trap and enter the high-income economy, which is why it organised the conference.

He said the PWS initiative is a step in the right direction as its implementation will help to move the country further up the economic ladder.

"We are part of the established tripartite partnership between the government, private sector employers and trade unions to provide a balanced and competitive working environment that is attuned to global requirements.

"Our efforts to establish a better business environment reflects the changing calls to re-examine the wage structure, gender inclusion, and safe and fair work ecosystem."

Syed Hussain said MSMEs comprise more than 97.4% or 1,173,601 of all registered businesses in the national economy.

"MSMEs recorded a growth of 11.6% in 2022, which surpassed the national GDP growth of 8.7% in the same year, while microenterprises consist of 78.7% or 923,667 firms out of the total number of MSMEs in the country.

"So the PWS is an initiative that will transform the wage system and positively affect millions of workers."