



## MALAYSIAN TRADES UNION CONGRESS

### MEMORANDUM TO YAB DATUK SERI ABDULLAH AHMAD BADAWI PERDANA MENTERI MALAYSIA

#### ON MINIMUM WAGE RM900 AND COST OF LIVING ALLOWANCE RM300

***Fighting poverty***

***Establishing a minimum wage may positively affect employment and industrial peace and is a means of fighting poverty. States have a major role to play in this and certain conditions have to be met. One of them is social dialogue.***

***ILO -2002***

The workers' contribution to the country's economic growth and national development as well as their cooperation in maintaining industrial peace have received government's recognition and appreciation. Yet, a significant proportion of the wage earners in the country remain poorly paid and denied of basic necessities of life. The vast majority of these workers are unskilled and remain outside the coverage of trade union membership. Wages of those represented by trade unions are no better.

Despite huge profits, basic wages of plantation workers throughout the country remain below RM400 per month. Textile and garment workers represented by trade unions are paid:-

- Kangar, Kulai	-	RM366
- Kluang	-	RM353
- Labis, Segamat, Tangkak, Jementah	-	RM332
- Johor Bahru	-	RM286 to 450
- Bayan Lepas FTZ		
- Prai FTZ	-	RM364 to 426

Collective agreements in the Non-Metallic Mineral Products Industry has established minimum wages between RM400 to RM550 per month. Even in Johore Bahru where cost of living is extremely high, industrial workers are paid as low as RM390 and the better

paid do not exceed RM600. Even five star rated hotels in Kuala Lumpur pay a basic wage of RM290 per month to cleaners and waiters.

Government has repeatedly dismissed MTUC's persistent demand for a minimum wage legislation by merely stating that market forces and demand and supply will determine the minimum wage rates and employers who fail to pay a fair wage rate will not be able to attract sufficient workers to meet their requirement.

Unfortunately Government, while rejecting MTUC's call for a minimum wage legislation has intervened and flooded the country with millions of migrant workers, with low wages and poor working conditions. MTUC sees government's action as a deliberate attempt to suppress wages.

MTUC sees the recent record 35% salary increase and a 100% increase in the cost of living allowance for public sector employees, as a significant first step taken by the Government to ensure that workers, especially those in the low wage categories are assured of a decent living. Reports on reaction from public sector employees and their families on the positive impact on their living standards show's that the record pay rise is justified. It is interesting to note that even the stock market has responded positively.

In the past Government cited the globalization process and the need to remain competitive as a major reason to keep wage levels low.

***Fundamental ingredients***

***There is an undeniable correlation between insecurity on the one hand, and the quantity and quality of work that is "available" and within the reach of the majorities on the other. Less work means lower labour costs and less spending on social protection, but also fewer consumers. Who will consume the national or international products of this or any other globalization? Who will have the capacity to save and hence foster future financing and development? How will people resist the fast-yielding criminal economy, when all the other forms of economic activity do not manage to satisfy even the basic necessities?***

***ILO – On Social Protection***

There is no justification for the government to further delay the passing of minimum wage legislation to be applicable to all workers. By enforcing a decent minimum wage, government will be able to attract more Malaysian workers and reduce dependency on foreign labour.

*Decent work as a productive factor*

*Probably the clearest link between social efficiency and productivity is found at the firm level. Enterprises have been showing that what makes work decent can also pay economic dividends. A substantial body of research shows positive effects of wages on productivity. Social dialogue in the workplace is a source of increased commitment and worker productivity. Various enterprise-level studies show the positive influence of profit – sharing, job quality and worker participation in decision making on worker attitudes, motivation and productivity. Management models developed in the retail sector in the United States, for instance, suggested that improvements in employee job satisfaction and commitment were the key to increases in customer satisfaction, and applying the model led to substantial increases in sales.*

*ILO – Reducing The Decent Work Deficit*

## MTUC'S PROPOSAL FOR A MINIMUM WAGE OF RM900

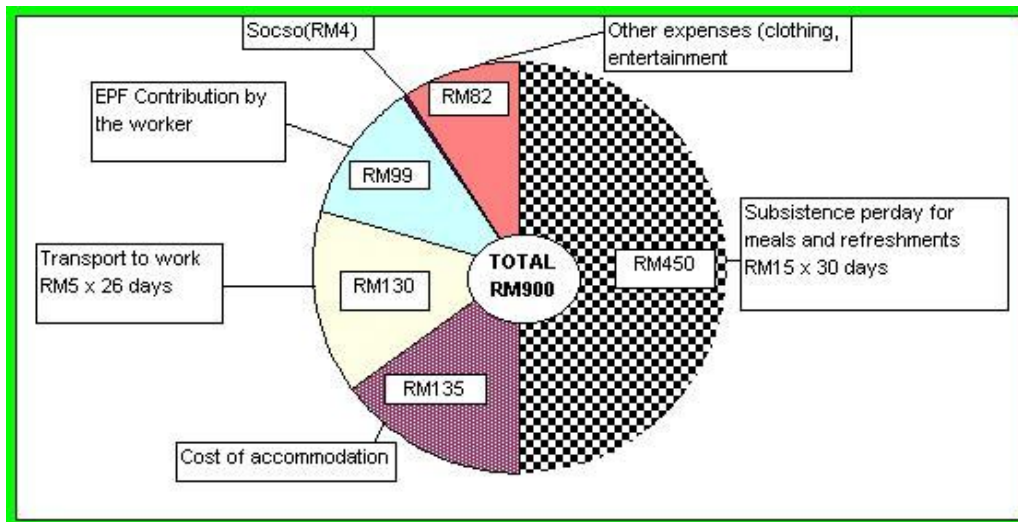
Although RM900 minimum monthly wage was based on a study carried out on the cost of living in early 2000, MTUC General Council decided to maintain the proposal.

Currently the Employment Act which sets minimum conditions on annual leave, sick leave, public holidays, working hours and a few other terms and conditions is silent on the basic and most essential issue of wages. Absence of a specific provision on wages has led to widespread exploitation. The Employment Act 1955 should be amended to stipulate a minimum wage of RM900.

### **Minimum Living Wage**

Minimum wages constitute an integral and a very important element of the trade union movement's holistic approach towards creating, sustaining and improving the quality of life of our workers.

MTUC's proposal is based on the essential and basic needs of a single person:



We do not believe that any reasonable person will dispute a worker's right to the most basic elements listed.

Government intervention is necessary in order to sustain the living standards of low paid workers. The minimum wage represents a basic requirement and a good way of improving the standard of living of the low paid and their families. The minimum wage is, furthermore, a way of protecting vulnerable workers who are often subjected to exploitation. It is also a means of redistributing income.

*From the employer's point of view, paying a minimum wage may increase productivity in three main ways: by minimizing shirking, reducing labour turnover and contributing to social peace. Firstly, the minimum wage is a way of raising productivity by motivating workers. Secondly, uniform wages, such as the minimum wage, contribute to reducing labour turnover, which can be very costly for firms. Thirdly, the minimum wage strengthens social cohesion and is a way for employers to ensure social peace by avoiding conflicts.*

*ILO – Fighting Poverty*

*For governments, a major purpose of the minimum wage is certainly to contribute to alleviating poverty. The minimum wage can act as a social safety net in countries where social security is as yet little developed. Governments have also used the minimum wage to redistribute income in society, to promote productive employment and to enhance demand driven growth. In developing countries, the minimum wage is often at the core of social dialogue. Removing it may amount to seriously damaging the quality of social dialogue.*

*ILO – Fighting Poverty*

**Poverty led to Kampung Medan clashes.**

We wish to draw the attention of YAB Perdana Menteri to a recently published report on a study carried out by University Utara Malaysia on the cause of Kampung Medan clashes in March 2001.

**Please see NST dated 14<sup>th</sup> May 2007 (Attached).**

*To have national unity, order must come first. We need to aim for zero conflict. But to have zero conflict we must solve the problem of poverty. A strong government policy was needed to tackle poverty - Dr Mansor Mohd Noor Deputy Dean UUM.*

Majority of the Kg Medan families are wage earners working as production workers in factories in Petaling Jaya, Sungei Way, Subang and Shah Alam. 25% of Malays and 45% of Indians who participated in the survey said they had to compromise on lower quality foods, owing to high cost of food. 22% of the children said they had to go school without breakfast, 43% said they had to go into debt to pay for basic living.

**RM300 COLA FOR PRIVATE SECTOR EMPLOYEES**

Following the highest increase in price of petroleum products last year, Government paid out RM150 COLA for public sector employees from January 2006. Unfortunately majority of the employers in the private sector refused to consider any form of relief.

Since then cost of daily needs, especially food and food items has increased by more than 30%. Government can only impose limit on controlled items. Traders fix the price of vegetables, fish, food and others according to their cost and profit requirement. Government despite being aware of their limitations, continue to mislead the public, stating that action will be taken against traders who raise prices.

MTUC believes that Government must have carried out a careful and indepth study on the cost of living and its implications on wage earners before its decision to pay a cost of living allowance of RM300 to public sector employees.

There is no justification to exclude more than 8 million workers in the private sector

We therefore seek an urgent meeting with Yang Amat Berhormat to discuss this pressing issue.

Thank you,

**For and on behalf of the  
Malaysian Trades Union Congress**

**Syed Shahir bin Syed Mohamud  
Presiden**

**G. Rajasekaran  
Secretary General**

18<sup>th</sup> June 2007