

Discuss Critically If Minimum Wage In Malaysia Should Be Set According To The 'Living Wage' Concept?

Ever since Malaysia broke free from the claws and jaws of the Asian Financial Crisis, the nation shook the entire world agog, entirely redefining the concept of economy in the global sense. International Monetary Fund (IMF) was the first spectator, on the first line of seats, in the show of Malaysia breaking the existing financial paradigms. Today, employment is always on the rise as companies and businesses expand more. The minimum wage in Malaysia is standardised around RM 900 to RM 1000. A 'living wage' concept is perceived to enable households to participate in society, besides providing daily human essentials.

A minimum wage is important by law to ensure workers receive basic needs but the 'living wage' concept creates concerns. The 'living wage' definitely and indefinitely becomes a major deterrent to grant bonuses, allowances, pay rises, and dividends open-heartedly. It is simple human psychology: to a boss, there is no need to provide additional pays to his workers when they can survive with the current wage. Employers will immediately be placed in a cost-cutting mentality. Adopting the 'living wage' concept puts the employer mentally on the defensive of his considerations in determining workers' remuneration, which officially and unofficially speaking, usually ends up in the sour note. They will be salary-wise less friendly, and his workers will see the pay cheque figures climb down at the end of the month. One of the worst reaction of bosses is the decision to reduce employment to compensate for the wage rise, contributing to unemployment on a grander scale and leading to a deadweight loss. And unemployment is a matter blatantly beyond the supportive reach of the 'living wage' concept altogether. In this Information Age, when the cost of labour increases, companies find it increasingly profitable to switch

to labour-replacing technology. Robotics, high-tech machineries, artificial intelligences (AIs), these can displace the employment burden, and with less employment, the 'living wage' concept will drop down the priority list. With higher salaries, bosses will demand greater work capacity – the once acceptable workload turns from manageable to discomforting. Having the living wage concept, the remuneration does not see a fitting compensation to the workload. It is the thought, sectioned within managers, that earnings are to be equated proportionally to the workload. If the 'living wage' concept is excluded, employers will be more focused on improving productivity by boosting efficiency, which by all means, involve the conventional increase in salaries. The pay is no issue. Yes, the 'living wage' concept does provide breathing space for workers in the short term; but in the long run, employer mentality will eclipse the case.

Setting the minimum wage according to the 'living wage' concept is in contrast to the 'performance-related pay' concept. The 'living wage' concept can be, gently speaking, an unfair approach to the evaluation of employee salaries – an industrious worker earns equally to a lackadaisical one. Emotions are one side of the face, the more pressing issue is that productivity is not undergoing improvement. Basing salary value on performance is a vital key to maintain a certain standard of productivity required to keep a business or company at its most fruitful stage, not just for finance, but also the reputation factor. It is a disgrace if the office is crammed with idle clerks and dilly-dallying pen-pushers. It is never suggested that harshness to workers is beneficial but it is important to understand the need to provide reasonable momentum. Commission is a clear illustration on the importance of incentive: commissioned workers generally wield smoother public relations skills and instil greater motivation for work capacity. The more the work, the more the pay, just like in overtime jobs. Merit pay if done properly, such as not applied to senior workers who are physically less capable, will bring out the need to strive; the sales and

marketing of a company should see a satisfying change. Rewarding schemes will deliver a sense of inclusion to workers within the sharing of successful ventures – they simply get to share what they had worked for, not just receiving the standards. Seasonal bonuses are an incentive practiced in Japan. Key performance indicator (KPI) can be the yardstick to keep track the overall performance which, slowly but surely, benefits the salary of a worker in return, which is unviable in the 'living wage' concept, where even after various re-evaluations, should officially and unofficially remain stagnant . The 'living wage' concept is not promoting the will to increase one's efficiency. How will the workforce be motivated to work hard if they have knowledge that their survival is guaranteed and is suffice to continue without self-improvement?

The 'living wage' concept is only applicable to affluent countries where money is not the main concern within any project or programme. Striving countries like Malaysia, with a still-existing financial gap between the poor, middle, and rich, may not be able to assuredly transform the 'living wage' idea into a realistic approach to strengthen its indefinite economy. Even so, it is a fact that the Scandinavia do not have pressing minimum wage laws, what more of 'living wage' concept. In Norway, government economical intervention reaches to tax imposition, and the most benefited from this social policy are the poor, unemployed, elderly, young and vulnerable (e.g. students) and low-income people, without the need for a minimum wage. Switzerland, with very low tax regimes, is a major player in the global market, and to outline clearly, it has no minimum wage law. Almost 90% of Swiss workers earn more than the proposed minimum not to mention being among the internationally highest paid. These are apparent facts to demonstrate the irrelevance of the 'living wage' concept in the gross domestic product (GDP) of a country and the economic well-being of its citizens. The making of stricter policies brings unintended consequences which the foundations of Malaysia may not be

ready for. Abolishing unreasonable taxations, withdrawal of excessive levies, removal of restricting impositions: these can help people survive easier, and in a long but returning cycle, contribute more to the economy, contrary to the popular yet immature belief that these actions reduce government revenue. It is strongly believed that validation of the living wage can free an individual from survival issues to participate in society, yet the living wage is a but mere cloth to a gushing wound – it is more crucial to address indirectly (education and politics) than directly ('living wage' conceptualisation) to change a person's fortune, and wholly speaking, the nation. Give a man a fish and you feed him a day; teach a man how to fish and you feed him for life.

In the supply and demand model, the increase in salaries forces price inflation of goods and products. Instead of forking out more money grudgingly to 'maintain' the employment section (if that happens), business owners will shift the expenditure burden to the sale of products or services, and the shortcut is by jacking up prices. Although some researches show the otherwise, it is important to be realistic in the sense that, it is an instantaneously easy approach for an entrepreneur to raise the cost of goods, igniting a domino effect of inflation in the market. The effects are not isolated to only customers paying more, but other related products in the market feels the same way. From price tags in shops all the way back to expenditure in raw materials in factories, business leaders and manufacturers of all stripes will attempt to offload the inflation weight to other people, and from others to others, creating a chain effect of price rise or 'inflation-induced diseconomy of scale'. Inflation is very sensitive as a small change in sale value can turn the market around at any time. It is true that the hike in cost of living cannot be solely blamed on higher minimum wage however the 'living wage' concept is not just any increase – it is substantial and brings a dramatically different picture: every employer is responsible to ensure its workers participate meaningfully in society, coupled workers

manage family development, and workers with families free from financial stress. It is like an enormous boulder of responsibility shouldered by the boss and business out of nowhere. Employment ethics are one thing, but to extend the objective of 'caring for social needs of society' to business dealers is a grave issue and surpasses the monetary scope. Do not mix the economy with the socio-economic pressure, as this should be handled by well-defined policies by far-sighted decision-makers, which can raise the living standard without placing the economy on a roller coaster ride without the safety bar.

The uncertainty of paving way to the 'living wage' concept should not be viewed under the biased light, but it is also not wrong to say that there is a high possibility for amplification of constriction within the manpower pool. With a heightened wage floor, companies are unbelievably more selective in promotions and admissions of employees even though everyone in this day and age receives education at least until secondary schools. The unemployment statistics has not come to a heroic zero: the 'living wage' indirectly imposes a subtle insistence that every single worker is to be paid commensurate to freedom from financial stress and this conjures a sense of selectivity in employers' eyes. With the living wage as minimum, the scrutiny level is pushed so high up that those with power, connections, influence, or edge are screened from the rest even for menial jobs. An averagely educated person's work will be calculatingly reserved for a more educated person. What was once doable by the mediocre for a living, is now a competition only for the best. The 'living wage' is not so 'living' after all! He or she who could have survived with a minimum wage will have no job. A 2015 study by the Ministry of Education (MoE) Malaysia showed that only 53% of 273,373 graduates were hired within six months of graduating. Without the 'living wage', bosses are much more lenient in hiring, making jobs much less exclusive, and in turn, providing more income opportunities for many more people, and finally, much more caring along the way. A less glaring demand for personnel

capabilities goes a long way to reduce unemployment. With no 'living wage' concept, the substitution effect weighs slightly more than the income effect, the boss feels unburdened and workers earn safely, the labour supply curve becomes favourable. Disputes become unnecessary. Since employment itself has standards existentially challenging to people, the 'living wage' concept becomes a difficulty level, just like in computer games, multiplied by a great extent.

The ratification of a minimum wage is lawfully vital to prevent exploitation in the world of business and to mitigate the worker–employer power imbalance. All for human rights. However, the downsides ensue if too many magnifying glasses concentrate on it. It will bring adverse effects if the living wage is outright equated demandingly to the minimum wage. Contemplated decisions are the best approach to skin-deep sensitive issues. If an acceptable standard minimum wage exists for justice's sake, there is no prudent reason to risk the drawbacks of setting the minimum wage in Malaysia according to the 'living wage' concept.

(1860 words)

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