

Report: Wage growth sluggish for Msian youths, low-income households



(File pic) "The challenge for policymakers is that different solutions are needed to cater to different groups with different needs," said Domestic Trade and Consumer Affairs Datuk Seri Saifuddin Nasution Ismail. (NSTP/MOHD YUSNI ARIFFIN)

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KUALA LUMPUR: Slowing income growth among lower-income households and younger workers has contributed to perceptions of Malaysians being "left behind", reported the 1st edition of the World Bank's Malaysia Economic Monitor.

Although median incomes continue to outpace inflation, income growth rates for low-income Malaysians slowed between 2014 and 2016. Moreover, wage growth for younger and less-educated workers has been sluggish, persistently trailing the earnings of older and better-educated workers, stated the report.

It added that the median employment income for younger workers aged between 20 and 29 grew at an annual rate of 2.4 per cent, compared to 3.9 per cent for those 40 to 49-years-old over the same period.

The increase in the monthly absolute earnings gap between these two age groups has been more pronounced, more than doubling from RM529 in 2004 to RM1,197 in 2016 (all amounts adjusted for inflation). This signifies a growing wage divide and wage stagnation for the youths, added the report.

The report also highlighted varying purchasing power in different parts of the country, poor financial planning, household indebtedness, and unaffordable housing as other key factors affecting living costs.

"The cost of living is a concern which extends beyond prices. Those on lower wages spend their income to pay for essentials – rent, transportation, food – and in the end, they find not much is left for the month.

"The challenge for policymakers is that different solutions are needed to cater to different groups with different needs," said Domestic Trade and Consumer Affairs Datuk Seri Saifuddin Nasution Ismail.

He added that the National Action Council on Cost of Living was established so that efforts by different ministries and government agencies can be formulated, consolidated and discussed under one roof.

Saifuddin said the timely report by the World Bank also serves to inform efforts to better serve the people.

Amidst global uncertainty, the report notes that Malaysia's growth continues to be sustained, with GDP projected to expand by 4.5 per cent in 2020, largely driven by the expected expansion of private consumption of 6.5 per cent and despite weaker-than-anticipated investment and export growth in recent months.

It added that given the outlook, preserving fiscal space will be vital to mitigate the impact of any shocks.

The report said more can be done to raise government revenue, forecasted to be at 15.2 per cent of GDP in 2020, without affecting low-income households, in key areas such as making personal income taxes more progressive and broadening consumption taxes.

This will help create fiscal space for development and social spending to boost shared prosperity, it added.

"More than ever, we need to scale up investments in people to encourage sustainable, inclusive economic growth. Malaysia can make policy decisions to combat inequality and improve the lives and opportunities of the poorest," said World Bank Country Director for Brunei, Malaysia, the Philippines and Thailand, Mara Warwick.

She said the report draws on strong evidence to identify high-impact policies with a proven record of building shared prosperity and improving people's access to services and long-term development opportunities.

Alleviating cost of living pressures demands a mix of short-term measures and long-term policies, according to the report.

It said that the short-term measures should strengthen social safety nets, while over the long run, greater coordination across agencies and implementation of structural reforms to foster greater market competition and accelerate productivity would help lift real incomes for all.