NEW STRAITS TIMES
ESTABLISHED 1845

MEF: World Bank report inaccurate

Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail speaking at the launch of the 21st Malaysia Economic Monitor report in Kuala Lumpur yesterday. -NSTP/Salhani Ibrahim

By Teoh Pei Ying
December 10, 2019 @ 12:26pm

KUALA LUMPUR: The Malaysian Employers Federation (MEF) believes the 21st edition of the World Bank's Malaysia Economic Monitor report, which says there is a growing wage divide and wage stagnation among youth, does not reflect the reality of the country's labour market.

MEF executive director Datuk Shamsuddin Bardan said although he was unsure about the criteria used to reach the findings in the report, he believed it was unfair to employers to use starting pay as one of the indicators.

He said Malaysia had a different wage system compared with developed countries.

"For example, in developed countries, a Class C journalist may be paid RM5,000. But in Malaysia, the pay may range from RM1,300 to RM5,000, depending on seniority, even though they are doing the same job, but that's a structure we strictly follow."

The report, launched yesterday, said although median incomes continued to outpace inflation, income growth rates for low-income Malaysians slowed between 2014 and 2016.

It said wage growth for younger and less-educated workers had been sluggish, persistently trailing the earnings of older and better-educated workers.

It said median employment income for younger workers aged 20 to 29 grew at an annual rate of 2.4 per cent, compared with 3.9 per cent for those aged 40 to 49 in the same period.

Datuk Shamsuddin Bardan

It said this meant the increase in the monthly absolute earnings gap between the age groups were more pronounced, more than doubling from RM529 in 2004 to RM1,197 in 2016, adding that this signified a growing wage divide and wage stagnation for youths.

Shamsuddin said while it was true that the growth in starting pay in Malaysia was not substantial, employers would generally review wages after three months or once an employee was confirmed.

"There is also the annual review based on performance. But unfortunately, that's always not reflected in such researches."

He said on average, starting pay had increased by about five per cent in the last few years.

"Those who have been in an industry for five years may see a 20 to 25 per cent increase in wages."

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

Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail said the report noted that almost 70 per cent of Malaysians' monthly income were spent on goods, housing and transport.

"In addition, the report states that the lower the people's income, the more they spend on food, while those with higher income spend more on leisure, such as travel or to visit recreational clubs and so on.

"So from here, we can see that when there is a cost price increase of goods, the low-income group is the most affected," he said after the launch of the Malaysia Economic Monitor report, titled "Making Ends Meet", here yesterday.

Saifuddin addressed the report's findings on income stagnation in relation to the rising cost of living.

He said his ministry, as the secretariat of the National Cost of Living Action Council (NACCOL), would adopt several initiatives to overcome the problem.

"I have some ideas on the shifts needed on focuses and priorities and how NACCOL can move into 2020. We cannot be content with what we have now, we must do more than this," he told Bernama.

He said NACCOL was looking into reducing the prices of food and increasing the income of food producers by eliminating middlemen in the supply chain.