

SAFEGUARDS

SGS CONSUMER TESTING SERVICES

SUPPLY CHAIN ASSESMENTS & SOLUTIONS

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MALAYSIA: MINIMUM WAGE FOR FOREIGN WORKERS DELAYED TO 31 DECEMBER 2013

In July 2012 the Malaysian government announced that workers in Malaysia would receive minimum wages of RM 900[USD291] for Peninsular Malaysia and RM800 [USD259] for Sabah and Sarawak. The announcement came into force from 1 January 2013. The minimum wage is a basic wage excluding overtime, existing allowances and other benefits. However, to avoid paying minimum wages some employers calculate other benefits as part of the minimum wage and some appealed to be exempted while others have applied for permission to defer the implementation of the Order.

In view of such, the Malaysian Government, after review and consideration of the feedback received, including a review with the National Wages Consultative Council, decided as follows:

LOCAL EMPLOYEES

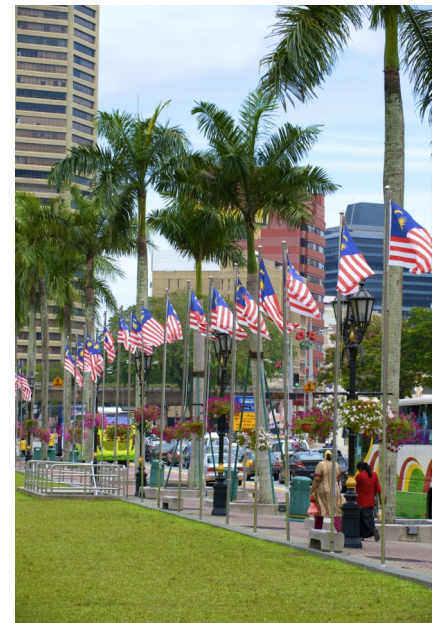
- Local employees (Malaysian citizen) shall be paid the minimum wage as per the order without any exemption / deferral.

FOREIGN WORKERS / EMPLOYEES

- Small and medium enterprises (*SME) have been given a deferral for implementing the minimum wage to 31 December 2013.
- Other employers (e.g. MNC) that have difficulties in implementing the minimum wage order may appeal through the Secretariat of the National Wages Consultative Council not later than 30 June 2013.
- Employers who have received an approval from the Secretariat of the National Wages Consultative Council per the above shall not deduct levy fees, accommodation cost/utilities and any other allowances from foreign workers' wages.

EMPLOYERS WHO HAVE IMPLEMENTED THE MINIMUM WAGE ON FOREIGN WORKERS

- These employers are allowed to deduct levy fees and accommodation costs from the minimum wage. However the levy deduction shall be prorated according to actual payments per month while accommodation cost shall not



exceed MYR50 per month for each foreign worker. The levy and accommodation cost deduction must each be notified and approved by the nearest Labor Department.

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- Nevertheless, the Labor Department, on an application by an employer, may permit any accommodation cost deduction that exceeds MYR50, subject to such conditions as he may deem fit to impose.

EFFECTIVE DATE: 19 MARCH 2013

* Definition of SME - Small and medium enterprises in the manufacturing, manufacturing related services and agro-based industries are enterprises with full-time employees not exceeding 150 OR with annual sales turnover not exceeding RM25 million

This new Order that has exempted the foreign workers from being paid at the minimum wage has raised doubts and concern among overseas buyers, non-governmental associations and the Malaysian Trades Unions Congress. Some activists and bloggers have called this a 'Double standard' and this has raised concerns on whether this should be considered as a form of discrimination by both local and global buyers i.e. categorizing wages of employees based on their origin.

The possibility of having the minimum wage order reviewed in future depends on the outcome of the next Malaysia 13th general election that is due in a month's time, with the current government set to retain this order and the new government more likely to review this latest decision.



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