

## - PRESS STATEMENT -

### *Adopting the Progressive Wage Model through a voluntary and pilot-based approach offers flexibility in implementation and the opportunity to refine the model for practicality and effectiveness.*

**Kuala Lumpur, December 2, 2023** – The Malaysian Industrial Commercial and Service Employers Association (MICSEA) expresses its gratitude to the Government for heeding the employers' request to introduce the Progressive Wage Model (PWM) on a voluntary basis. This approach allows for flexible implementation, taking into consideration factors such as affordability, profitability, and industry competitiveness. The pilot implementation phase will enable the testing of the model's effectiveness and the refinement of any identified shortcomings or challenges, ensuring its acceptability and practicality.

MICSEA appreciates the Government's adoption of an incentive-based approach, which promises to provide additional support for small and medium-sized enterprises (SMEs) interested in implementing the PWM (Progressive Wage Model). These SMEs often face resource constraints that hinder their ability to embrace the PWM fully. Although the white paper has outlined some details about the incentives, the adequacy and effectiveness of these incentives remain uncertain, as the precise quantum of salary increments has not been finalized.

As a collective of employers, we believe that the current 12-month duration for incentive payments may be insufficient for companies to smoothly adjust to the wage increases and realize the desired productivity improvements under the PWM implementation. We earnestly hope that the government considers reevaluating this proposed 12-month period. In Singapore, the government initially co-funded the implementation for a more extended 4-year period, offering a point of comparison. MICSEA emphasizes the importance of thoroughly assessing this aspect during the pilot program, as the attractiveness and comprehensiveness of the incentives are key drivers for encouraging companies to initiate and maintain their commitment to PWM implementation.

We acknowledge the implementation's emphasis on SMEs, which we believe is the correct strategy to enhance the competitiveness of our SMEs when compared to larger firms, which inherently possess the capacity to offer more competitive wages. However, it's essential to recognize that exempted MNCs and GLCs have SMEs within their supply chains that may opt to adopt the PWM. These SMEs may need to transfer a portion of their increased labor costs, which could subsequently create a ripple effect on the operational costs of these exempted industries and the broader economy.

The central focus should indeed be on boosting productivity, serving as a driving force for SMEs to embrace the PWM. This, in turn, would be acknowledged and valued by MNCs, LLCs, and GLCs, as they would also ultimately benefit from increased productivity levels among their SME suppliers. Ideally, the government should consider a phased rollout of the PWM, tailored to specific sectors and skill categories, particularly those with a significant reliance on skilled labor. An across-the-board implementation could impose a substantial cost burden on all MSEs, given the cascading effects of salary adjustments across the organization. This sector-specific approach would enable the PWM to

achieve its intended goals, reshaping the labor market landscape to create a mutually beneficial situation for employers, employees, and the nation as a whole.

Acknowledging the necessity for successful PWM implementation through cross-ministerial collaboration, the establishment of the Special Cabinet Committee, Progressive Wage Policy Implementation Executive Committee, and four working committees has been recognized. However, it is of utmost importance to ensure adequate private sector input by incorporating private sector representation into all these committees, as the proposed structure in the white paper currently lacks such representation. This representation should also extend to the key economic sectors emphasized in the New Industrial Master Plan. Importantly, the private sector's involvement in shaping the salary guidelines, a critical element of PWM implementation, should be prioritized.



**YK Lai, MHRM | TTT**

**President, Malaysian Industrial Commercial & Service Employers Association**

### **About MICSEA**

The Malaysian Industrial Commercial & Service Employers Association (MICSEA) dedicated to the promotion and protection of employer's rights and interests across all sectors. Our association serves as a platform for members to engage in consultations and discussions pertaining to common interests, exemplary human resource practices, and industrial relations. Through our extensive range of services, including information dissemination, advice provision, research initiative, training programs and other activities, we facilitate the exchange of knowledge and support the growth of our members. Become a member today to join our community.

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