

MINIMUM WAGES POLICY TOWARDS THE EMPLOYERS IN SME INDUSTRY

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Abstract-The minimum wages policy in Malaysia was announced by the Prime Minister in his Budget Speech on 15 October 2010 and it is expected to be implemented in all stages by the year 2013. There are three purposes of this case study: (1) To identify factors influencing employers on the implementation of minimum wages policy. (2) To find the impacts towards the implementation of minimum wages policy to the employers. (3) To explore the readiness among employers regarding the implementation of minimum wages policy gazette by government. A qualitative method was used in this study and the data was collected by using the purposive sampling. The study participants consist of the SMEs entrepreneurs that make business in Kota Bharu area. The results of this study reveal that the implementation of minimum wages policy give the positive impacts to the employees and at the same time most of the employers still not complied this policy because of financial problems. Therefore, this study concludes that diversified incentives should be undertaken by government with special focus on provide adequate trainings and educations, provide subsidies to the entrepreneurs, reduce the SMEs burden by giving exemption of tax and exclude the GST implementation on them. In addition, the government should review and re-organize the existing policy in order to increase the number of employers that implement this policy in their business and firms and at the same time increase the employees' satisfaction and happiness.

Keywords: minimum wage, employers, employees, entrepreneurs

1. Introduction

The minimum wages permitted by law regulation had been created in New Zealand (1896) trailed by Australia (1899) and later by Britain (1909). At that point, others nations took action accordingly in ensuing years, France (1915), Norway (1918), Austria (1918), Czechoslovakia (1919), Germany (1923), Spain (1923) and Belgium (1934) (Malaysian Trades Union Congress, 2010). The meaning of least wages in ILO in the Article 7 of the ILO Convention No. 131 on Minimum Wages Fixing (1970) and its going with Recommendation No. 135. The most minimal essential compensation ensured by law as an endeavor to put a floor under the wages of a specific subgroup of the working population ('working poor'). The lowest pay permitted by law ought not be altered at a lower rate than one which would guarantee the subsistence of the specialist and his or her group.

According to the National Wages Consultative Council Act 2011 in section 2, minimum wages can be definite as “*Minimum wages means basic wages*”.

Actually, the fixing value of minimum wages in Malaysia is based on some consideration. Firstly, the minimum salary of RM900 per month for Peninsular Malaysia is 49.9% of the national mean salary of RM1,804.43 in 2010. Before implementing and forcing the minimum wages policy, the government has looking into some parts of the considerations include the account social and economic conditions that can give big impacts and influences on cost of living, company productivity, employees competitiveness and staff employment (Kaviyarasu, 2011).

Secondly, in our country there are almost 33.8% of 1.3m private sector employees still paid below than RM700 per month in 2009, and less than RM800 per month is considered under the poverty line standard. Salary increment have been lagging in slow motion under productivity growth, increasing 2.6% p.a. compare to the productivity growth of 6.7% p.a. over the previous decade (MTUC, 2014).

Thirdly, the new salary rate will have a greater effect in Sabah where the employees will be paid the new wages RM800 compared to the present average wages of RM577 per month, and it same in Sarawak where the new wages that will be implemented force RM800 per month compare the current average salary payment of RM758 per month. In Peninsular Malaysia, the new rate of RM900 implemented is 20.4% below the present average salary of RM1, 131 (MTUC, 2013).

1.1 Problem Statement

The minimum wages that permitted by law is again the hot issue discussed. As the people unemployment increased and young employees are very hard to get the job and have denied to have a right on unemployment benefit, some people have argued that the minimum wages policy should be blamed.

One of the main reason why minimum wages policy is needed because it is one of the main strategies of reduce the inequality in communities (Organisation for Economic Cooperation and Development , 2012). Actually, income inequality in any societies is a big issue. The minimum wages implementation is an effort to make sure those employees at the bottom end of the scheme have an enough income for the expenses in the daily life. The results of inequality will be well known and archived so it appears sensible for any society that can manage the cost of to do so to have a minimum wage.

In addition, the employees should not be allowed to work or hired for very low wages by the employers. Usually, the employers will exploit the skillful workers with the low payment and a society that has any sense of justice should not allowed this things happened (Aaron James,2011). The minimum wages policy is planned to make sure the basic requirements of employees and their families are fulfilled, to give incentives and prevent them from exploitation issues, and to encourage the firms to build up the value chain by investing in technology and at the same time increase the company productivity (Ministry of Human Resource, 2014). The

National Minimum Wages (NMW) is a statutory basic salary that sets the minimum wages standards in our country. This implementation will provide the law protection to low paid employees by preventing them from potential exploitation, prevents businesses from being able to undercut by paying exploitatively low wages, and provides incentives to work (Ricardo Bowman, 2013).

Besides that, wages should be set at a level that the people do not need the Government's subsidies. Subsidies can be defined as payments done by a government to a firm or organization that provides or consumes services or products (Paul A Samuelson and William D Nordhaus, 1989). In most developed nations, the governments will help the nations by offering financial supports to employees or workers in order to reduce their life burden but it is limited and focus on the target groups. Without a minimum wages it would open the chances to the employers to take advantage on the Government initiatives that intended to help the target groups. A fair days pay for a fair days work should be the starting point for wages policy.

Furthermore, the workers that undervalued in terms on what they can do and the skills that they have by the employers often paid in low wages. Usually, the young workers are paid less than the senior workers because they are young even they do the same works and sometimes their contribution better than older workers. Care workers will be frequently paid low salaries even however they will be ordinarily called as "holy people" making a works that few people want to do. The suspicion will be that they have few abilities commendable of higher pay. These circumstances are frequently basically unreasonable and ought not to permit.

Moreover, paying low salary is a bad economic strategy. When in a good economic condition, paying low salaries will lead to high turnover where the employees will try to get the better job than before and the staffs will show the weak commitment in training. It also will stimulate the growth that what we called "race to the bottom" strategy. In other words, the success of employers are evaluated based on who can pay the very low wages to their workers without any turnover happened and not base on producing the qualities, productivities, improve the value added, develop the staffs talent and the other elements that can improve and increase the economy growth.

So that, from the above explanation, there are three problems statement has been identified. Firstly, the trend of slow increasing of wages compare to the labour productivity. For example, the comparison has been made where the aggregate wages rising about 2.6% than the annual increment of productivity rate of 6.7%. It shows that the employers pay very low wages, especially for the workers that have very weak skilled and then it will affect an inefficiencies in the labour market (Zulkifly Osman, 2011). Secondly, in year 2010, there were still 30.6% of the employees earn on basic salaries below than RM720 per month and there are underpaid that which below the poverty line standard of RM 720. Thirdly, when the employers paid the workers with the low salary, the employees fell unhappy during the working period and it will affect the employee's performance and productivity (The Star, 2010).

2. Literature Review

The determination of minimum wages in Malaysia is based on some factors include the market forces condition. Actually, this condition easily can be influenced by the some elements like the stabilities of market prices, the subsidies that provided by government and the untalented foreign employees. The increment of salaries can be affected by all the elements that stated above. Minimum wages is a policy that should be implemented in worldwide as a tool to provide the fairness to the exploited employees and create the win win situation between employees and employers. (Malaysia Human Development Report, 2013).

In 1970, the government had launched the New Economic Policy program that the main intention is to reduce the poverties and at the same time can totally eradicate the poverties. In addition, the aim of NEP implementation also is to stabilize the instabilities economic condition and at the last can reduce the inequality among the different race in our country (Second Malaysian Plan 1971-1975).So, the Minimum Wages Policy is continuity from the NEP program that introduced since 1970.Both have the same intention in order to reduce the poverties and prevent the exploitation and at the same time decrease the inequality in the nations.

There are some factors that lead to the implementation of minimum wages. According to the research that lead by MoHR in 2009, there are 33.8% of employees still paid below than RM700 for every month by employers, that's mean not achieve the PLI standard of RM800 per month (Ministry of Human Resource, 2013).The main priority of this policy is to provide the greater life especially for the employees that get low salaries and to eradicate the poverties issues. For those employees that have salaries greater than RM900 in Peninsular Malaysia and RM800 in Sabah, Sarawak and Labuan will happy with the better salaries. Furthermore, it will contribute the positives impact where the power of purchase will be increased and the employers have money to buy something and at the same time the inflation situation can be avoided. Some of the employers just pay at RM700 for a wage in the rural areas. Actually, the extra RM200 can reduce the hardship of living that face by labourers. Actually, one of the main objectives of the Minimum Wages Policy is to guarantee that all workers in Malaysia gain more than the PLI standard as the nation aims to change the country into a high income country. The launching of the Minimum Wages Policy is a tool to fulfil the Malaysia's aim to transform the country into a high income country by establishing floor salaries for all employees in Malaysia and the government hope this programme will increase the gross national salaries. The effect of this implementation also will help the firms and employers to improve the value chains and use latest technologies and innovations to boost the productivities. Setting for a basic wages policy by a government will make sure all the workers in any positions level will enjoy the better salaries and stimulate the growth of the country (Ministry of Human Resource, 2013).

The transformative plan by changing the inexpert workers to the expertise is parts of the factors in launching the basic wages policy (Joyce Leu, 2013). The simple flow of this approach is, when the government force the employers to increase the salaries, the employees can have the better life and at the same time, the employers can have benefit by the productivities are increased. The higher income that paid to the employees can be spent for kid's education and their healthy. Asia cannot always depend on cheap employees by exploiting them, said United

Nation officer (Deutsche Welle, 2013). Actually, this policy makes the employees that paid very low salaries quite happy especially the foreign employees.

The geographical factors also can affect the minimum wages implementation. Sometimes, the cost of living in different province slightly different. Usually, the geography factors also will affect the technologies used and the level of productivities. Maybe in the rural areas, the technologies will be used quite limited compared to the countryside. According to the research conducted in 2013, employees in Sarawak get the salaries approximately 20% below than the employees in Peninsular Malaysia and the employees in Sabah and Labuan get the basic pay 26% below than the employees in Peninsular Malaysia. So, when the government look back the policy and scrutinize the factors that can affect the basic wages include, average salaries, PLI standard, productivity expansion, consumer price index and joblessness rate, the result has shown that the basic salaries in West Malaysia is RM900 while in Sabah is RM770 and in Sarawak is RM780 which mean, the Peninsular rate is higher than East Malaysia rate (Nurhani Aba Ibrahim & Rusmawati Said, 2013).

MoHR that represent the government obligate to all employers and firms to implement this policy by December 2013. The time between the launching times by 2010 and the fully enforcement time by 2013 give much space to the employers and firms for get ready at the early time in order to make new planning to setup the business with the new policy. The foreign employees take this chance to force their employers in order to improve the salaries at the time the employers still not ready for this implementation and need further discussion with the government. There are few demonstrations organised since February 2013 in order to force the employers and firms to give the higher basic salaries. Most of them are involved by the foreign workers that have jobs in furniture industries. This unstable situation just makes the firms and employers under pressure and affects the productivities of industries. The priorities of basic wages implementation are to avoid the employees abused by employers, to exist the wages fairness in any position of job level, to give higher basic wages especially to the bottom level of workers where they are always paid very low wages and at the same time can eradicate the poverties of the employees (ILO, 1992).

The basic wages establishment will give motivation to the jobless people to find the new jobs because this policy will avoid the exploitation and the job seekers will know the minimum salaries that they will get. The job seekers can make the comparison in term of salaries whether better have jobs as public support or work in firms or companies that pay base on basic income (George Root, 2011). So, with the paying, the employees can have the standard life according to the current situation that make people to have a lot of expenses. The dependency between low income jobs and poverties issues is one of the factors that lead to this implementation (Jan Rutkowski, 2003). Absolutely, the basic wages can contribute big impacts in order to eradicate the poverties issues.

The wages improvement by government will contribute the high impacts especially to the low income labourers. Affected from this, most of them will get higher pay that will expand their family's wages but some of them that have very low skills and do not have good talent doing the jobs given will be eliminated from the tasks and positions (Congressional Budget Office, 2014). Some people said the increasing of basic salaries will cause the joblessness especially to

the unskilled workers. The flow is, when the employees are paid with high income so, the firms must spend high cost for the production parts. So, when the production cost become high, this situation will lead to the higher products cost. When the products or services become expensive, the demand from the customers become limited and this will situation will encourage the employers to lay off the employees because of unutilized and to reduce the production costs ([George Reisman, 2014](#)). The expert workers will replace the unskilled workers because the unskilled workers will be dismissed. So, this will result on mass joblessness among the employees ([George Reisman, 2014](#)).

The employers can save the turnover costs by raising the floor wages. It is because, the employers will remain in the same firms and companies because the satisfactory of salaries. Besides that, the employers that stay longer become very expert on jobs and they will increase the productivities of firms (Dube, 2012).The implication when the employers pay with the high salaries, they can happy without any worried because no more competitive advantages among the firms, so the employers can prevent the employees from turnover. When the employees have enough money for the daily expenses, it will increase the request for goods and services. So, the purchase power will be increased.

This policy establishment becomes a big issue among the SMEs industries because most of the employees that they hired are foreign employees. So, the employers use SMEs union as a platform to fight and have their rights on this issue. The main reasons why they are not agree of this policy because it will increase the production costs and labor costs.

In January 2015, the executive director of Malaysian Institute of Economic Research (MIER), Dr Zakariah Abdul Rashid made a statement in *The Star*, as follow “based on the minimum wages policy, we need to do the review every two years.”Due to the increment of cost of living, in October 2014, the Congress of Unions of Employees in the Public and Civil Services (Cuepacs) had attended the meeting to look back and review the basic wages of public servants in order the improve the current basic wages to RM1, 200 (Malaysiandigest , 2015).

The study from Small & Medium Institute of Employers (SMI) state that if this policy will be implemented, there are 80% of the SMEs industries could be closed (The Star, 2012). This is because, most of the SME firms still not ready yet to apply this policy and most of them still rely on intensives that organised by government(Joyce Leu, 2013). They cannot be independent yet. SMES has organised programme by giving training to approximately 59% of the employees. They will be paid RM650 per month as the margins around 3% to 5% (The Edge, 2012). NWCC should propose the best ideas in order to facilitate the employers to follow the rules as the results shown, there are many employers still not implement this policy because of some reasons said the Malaysian Employers Federation (MEF) in the earlier (Malaysiandigest, 2015). The readinesses of the smaller firms are lesser than larger firms. Raising the wages will increase the operation costs. It will slightly effect especially on the small firms (The Edge, 2012).

3. Research Method

This research will apply the qualitative method. Qualitative research is collecting, analyzing, and interpreting data by observing what people do and say. One advantage of qualitative methods in exploratory research is that use of open-ended questions and probing gives participants the opportunity to respond in their own words, rather than forcing them to choose from fixed responses, as quantitative methods do (John D. Anderson, 2006). Open-ended questions have the ability to evoke responses that are: (1) Meaningful and culturally salient to the participant. (2) Unanticipated by the researcher. (3) Rich and explanatory in nature. The research will be conducted focus in Kota Bharu, Kelantan area. Kelantan is the northernmost state in the East Peninsular Malaysia. The participants are among the SME's employers. Five informers will be selected for the interviews session in this research. For this research conducted will use the purposeful sampling. Purposive sampling techniques are primarily used in qualitative studies and may be defined as selecting units for examples individuals, groups of individuals and institutions based on specific purposes associated with answering a research study's questions. This research applied the thematic analysis where the findings will be based on the theme in order to get the significant results for every theme.

4. Findings

Theme 1: The factors that lead to the implementation of minimum wages policy among employers.

The first issue in the interview conducted, participants were asked about the factors that lead to the implementation of minimum wages policy among employers. Differences people will give the differences factors that lead them to implement of minimum wages policy. There are many factors and all the feedbacks that got from the informers are analyzed. Informer A and informer E said:

“The group of lower wages especially that stay at the country live in poverties. It is because, the high cost of living that increase day by day give effect on the daily life expenses. ”At least, the implement of minimum wages policy can reduce their burden and they can spend the salary to fulfil the daily life expenses.”

Some participants said that, the factors of implementation of minimum wages are because the increasing of cost of living. A study conducted in 2009 showed that 33.8% of workers in the private sector earned the salaries less than RM700 per month, relative to the country's Poverty Line Income (PLI) level of RM800 (Ministry of Human Resource, 2013). Informer C agreed with the implementation of minimum wages because of the current cost of living quite high. In addition, the workers that have low salary unaffordable for the expenses in the daily life.

“.. from my observations, the salaries for the employees in Malaysia still in low level for the average but they have to bear the big expenses in the daily life. I'm agreed if the basic wages can be increased as the cost of living is increased day by day..”

Actually, the main objectives of the implementation of minimum wages policy is to have the better living standard for those people that still in the poorest paid jobs and to overcome poverty. Besides that, it also intended to overcome the workers abusing by the employers where there are underpaid although they have good skills. With the implementation of minimum wages, workers that earn less than RM900 in West Malaysia (and RM800 in East Malaysia) will have the increasing of wages. In addition, their purchasing power will be enhanced where the people are affording for purchasing and they are able to overcome the rise in inflation rate. In the rural areas, most jobs are only paid below RM700. This will be tough for workers especially that have family and need expenses for their family and children. The additional RM200 will definitely ease the burden of these workers. Actually, one of the key goals of the Minimum Wages Policy is to ensure that all employees in Malaysia earn more than the PLI level as the country transforms into a high income nation.

Informer B and informer E said:

“..Geography also is one of the factors in determining the minimum wages. The geography condition and situation can affect the price of things or the cost of living of places. For example, the people that stay in country spend much money than people that stay in village..”

The geographical factors also can affect the fixing of the minimum wages. Although, the purchasing value look same whether in rural and city area, but relatively the cost of living in city in city quite high compare in a rural area. The minimum wages should be implemented in different levels depending on the area and the nature of the job. There must be a different rate between rural and urban areas given the fact that the cost of living in different geographical areas varies significantly (Malaysian Employers Federation, 2015).

“..the laws enforcement by government is one of the factors that force the employers to implement the minimum wages policy. It is because, the government will sue and take the law actions to any employers that not follow the rules..”

In Malaysia, employers which do not comply with the minimum wages policy risk a maximum fine of RM10,000 per worker. For continuous offenders, they will be fined RM1,000 per day and repeat offenders would face a RM20,000 fine or five years' jail or both (CIMB, 2012). All employers are urged to embrace this policy as part of the nation's transformation agenda and implement it accordingly as the penalty for non-compliance is hefty and it includes custodial sentence for repeated offences. The court can also order the employer to pay each employee the difference between minimum wages rate and the employee's basic wages (The Star, 2014).

Theme 2: The impacts of the implementation minimum wages policy to the employers.

The second issue in the interview conducted, participants were asked about the impacts of the implementation minimum wages policy to the employers.

Informer A and informer B stated that:

“..some people opined the setting of basic wages will contribute the negative implications because it can affect the market power. This implementation will cause on employees will lose the jobs because the employers cannot afford to pay the high

salaries especially at the rural areas. In addition, most of the employers still bear on the financial debt to run the business. The low profit margin make the employers need to pay the debt first. So that, this situation will increase the unemployability in our country.. ”

Some people think the fixing of minimum wages will give the negative effect on marketing power. It will close up some business at the starting level where the employers do not afford to give the high salary to the employees. So, from this it will exist the unemployment chances among the workers where the employers will reduce and cut off some job and the employees jobless. If employers are unable to absorb the cost of increasing minimum wages, they might be forced to consider job cuts or reducing work hours which impact negatively on employees' wages and employment rates (MEF, 2015).

Informer E added that:

“..it is better to have minimum wages, at least it can help the lower wages employees have an enough income to manage the daily expenses, get the better health care and better education for their kids ..”

According to the implementation of minimum wages, it can help the low wages family's workers to boost their income. They can spend the salaries to improve their qualities of life. Besides that, they can increase the family expenses to fulfil all the necessities needed especially for health and the children's education.

Informer D also added that:

“..now, the employers more strict choosing the employees by the criteria. They opined, the employees that will be hired should have skills and talent. At the same time, the employees can do the jobs given very well and can help the company to boost the productivities..”

The employers quite strict in choosing and interviewing the workers to be hired. So, there are competitions between the workers to get the job. At the same time, the quantities of workers to be hired reduce because the employers think, they should expenses a lot money to pay the salaries. That why, some informers said, when the competition happened between the job seekers, sure the employers will select the qualities and the expert workers to get the jobs. Informer A said:

“..when the competition happened between job seekers to get the jobs, so the employers will choose the quality one and very expert to do the jobs..”

In addition, informer C, informer D and informer E stated that:

“..the implication from the implementing of minimum wages, the employees will do the jobs given with more effective, productive and work very hard without the unsatisfaction issues..”

With the implementation of minimum wages, the employers can reduce the cost of employee's turnover and increases productivity. When the minimum wages goes up, employers can enjoy these benefits of paying higher wages without being placed at a competitive disadvantage, since all companies in their field are required to do the same. At the same time, the employees can work within the satisfaction without feeling unhappy with the salary paying. With the higher pay to the employees will lead to the lower employee turnover, and at the same time can increase the productivity and boost customer satisfaction. They can enjoy their works.

Informer A stated that:

"..the companies productivities will be increased with the implementation of basic wages policy because the employees will work very hard with happiness and satisfied with the payment.."

The implementation of minimum wages is important as it helps to increase workplace productivity, prevent labour exploitation and lower the poverty levels.

Theme 3: The readinesses's of employers on the minimum wages policy gazette in by the government.

The third issue in the interview conducted, participants were asked about the readinesses's of employers on the minimum wages policy gazette by the government. All the informers include informer A, informer B, informer C, informer D and informer E stated that:

"..Most of the SMEs employers still not ready for this policy. They are not afford to pay the higher payment to the employees due to the some factors that they cannot avoid.."

The readiness of smaller firms and organizations are less compare to the larger firms where the smaller firms generate less profit that the larger firms. So that, they are not afford to pay high salaries. Paying high salaries will give the bad effect on the operation costs where they must expenses a lot of money for paying salaries and cut the other operation budgets. The readiness of smaller firms is less compare to larger firms. The increasing in salaries will have a tremendous effect on the operation costs. Other associations highlight that a blanket minimum wages would put 4 million jobs at risk (The Edge, 2012).

Informer C said that:

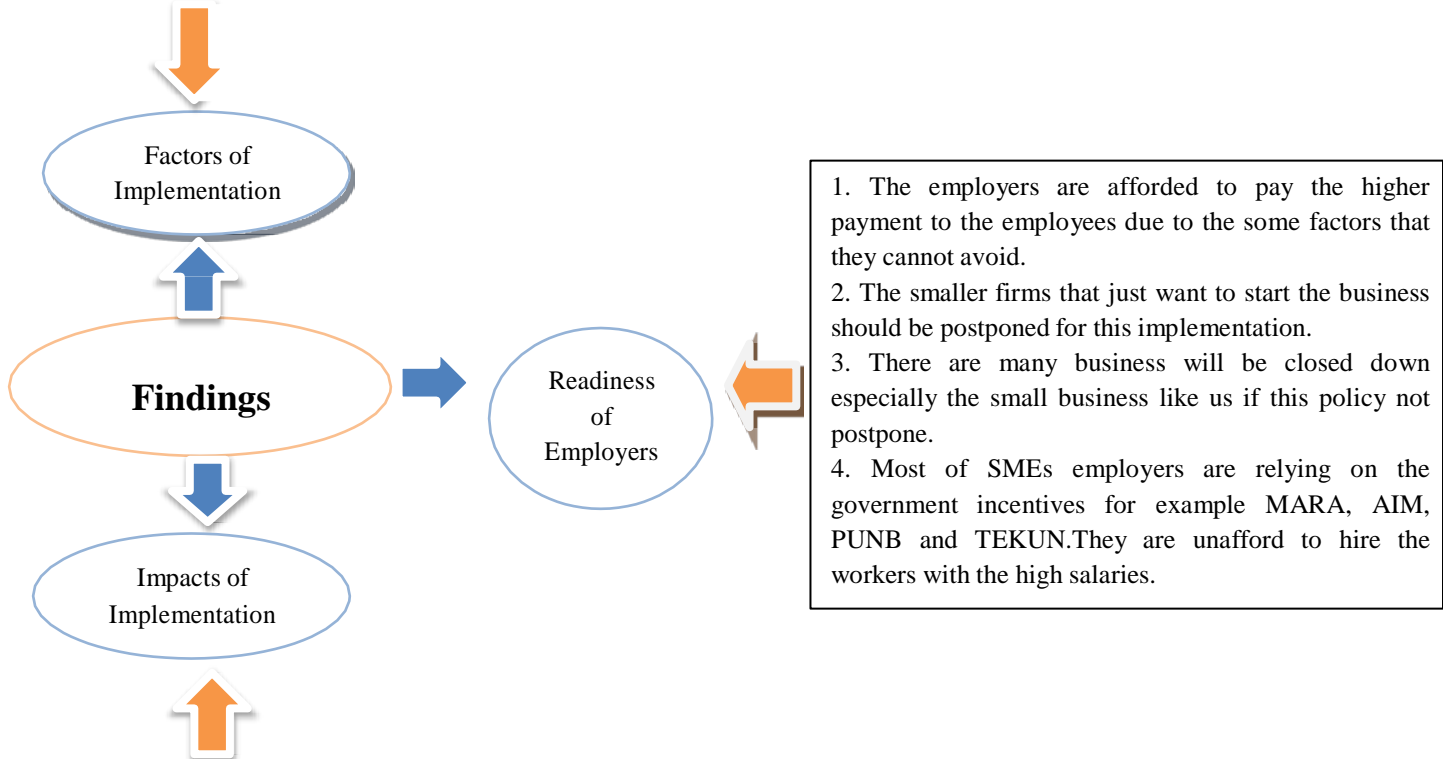
"..the government should scrutinize and look back on the implementation of minimum wages. There are many factors that can affect in determining the minimum wages for example, the geographical factors, the jobs environment and the type of jobs. The smaller firms that just want to start the business should be postponed for this implementation.."

The government must look and fix the realistic minimum wages based on the nature of the job, sector, and geographical factors. For example, the RM900 minimum wages implemented in peninsular Malaysia is acceptable in certain areas but certainly not in the bigger cities. Therefore, employers in the rural areas should be allowed to pay less to their workers. This is because some

employers of micro businesses are unwilling to absorb the cost of higher minimum wages when they are unable to will pass it onto consumers.
 Informer A added that:

“..there are many business will be closed down especially the small business like us if this policy not postpone.. ”

1. The high cost of living that increases day by day gives effect on the daily life expenses.
2. People have to bear the big expenses in the daily life.
3. The geography condition and situation can affect the price of things or the cost of living of places.
4. The laws enforcement by government is one of the factors that force the employers to implement the minimum wages policy.



1. The employers are afforded to pay the higher payment to the employees due to the some factors that they cannot avoid.
2. The smaller firms that just want to start the business should be postponed for this implementation.
3. There are many business will be closed down especially the small business like us if this policy not postpone.
4. Most of SMEs employers are relying on the government incentives for example MARA, AIM, PUNB and TEKUN.They are unafford to hire the workers with the high salaries.

1. This implementation will cause on employees will lose the jobs because the employers cannot afford to pay the high salaries especially at the rural areas.
2. It can help the lower wages employees have an enough income to manage the daily expenses, get the better health care and better education for their kids.
3. The employers more strict choosing the employees by the criteria. They opined, the employees that will be hired should have skills and talent.
4. When the competition happened between job seekers to get the jobs, so the employers will choose the quality one.
5. The employees will do the jobs given with more effective, productive and work very hard without the unsatisfaction issues.
6. The companies' productivities will be increase.

One participant said there are many businesses will close down affected from the implementation of this policy. The Small & Medium Institute of Employers (SMI) highlights that 80% of the SMEs could be shut down if this minimum wages is implemented nationwide (The Star, 2012). Informer A added that:

“..most of us are relying on the government incentives for example MARA, AIM, PUNB and TEKUN. We are unafford to hire the workers with the high salaries..”

Their argument is the readiness of SMEs is low as they heavily rely on labour intensive industries. The government aims to bring SME, including micro enterprises into the economic mainstream to become an important engine in Malaysia’s economic growth. The government allocates a lot of funds such as Economic Stimulus Package, Economic Planning Unit (EPU) funds and SME development scheme. The government channels the funds through Micro Finance Institutions namely Amanah Ikhtiar Malaysia, TEKUN Nasional, MARA, PUNB and selected banks that offer microfinancing for SME industries. Here, most of the SME industries are relying on the intensive and assisting from the government.

5. Recommendations

There are some recommendations in order to improve the implementation of this policy. Government should review the implementation of this policy base on nature of the job, sector, and geographical factors. The policy makers should review minimum wages that have been implemented in South Africa and China where in both countries, their minimum wages are been categorized into few sectoral and are reviewed based on the cost of living of the urban and economic developmental of the country. Hence, Malaysia’s minimum wages policy makers should consider their approach by reviewing cost of living for each state in Malaysia, and implement the minimum wages policy according to the particular sectors and skills level of every single different industry instead of ‘one covered all’ policy. Besides that, geographical location also should be considered as a factor to determine the minimum wages.

Besides that, the government also should enforce the employers to increase the minimum wages rate because of the implementation of Government and Service Tax (GST). The government increase the minimum wages before implementing the Goods and Services Tax (GST). The purpose to increase the minimum wages in order to relieve the burden of ordinary working people where GST make most of the price at the market increase. This situation makes the people to spend a lot of money for the daily expenses. The implementation of GST is going to create massive hardships for Malaysian workers, such as increasing the price of goods, increasing the income gap between the rich and poor and reducing purchasing power.

In addition, the government should provide training and education to the unskilled workers. Government should organised training and give educations to the unskilled workers or the people that still do not have any job or unemployment people. Training is about gaining the skills needed for a job. These may be learned at the place of work that we called on the job or away from work that we called off the job. On the job training tends to be more cost effective and relevant. With the knowledge and skills they can be more competent a knowledgeable to do work.

Furthermore, the government can provide subsidy or discount to the SME’s entrepreneurs.

The government should come up with the subsidies and plans to give benefits to the young entrepreneurs and owners of the small and medium enterprises (SMEs). The government should decide to give financial and other incentives to the first time entrepreneurs who are beginning their medium or small scale industry. Earlier, small and new entrepreneurs were not able to allocate much money for the operation cost. Giving subsidies and discount will help them to reduce the operation cost and at the same time can increase the net profit of the business.

Moreover, the government can give tax exemption to the SME's entrepreneur. The new law must be enforced for exemption minimum wages earners in the private and public sector from payment of income tax. Paying tax also should be exempted to the SME's entrepreneurs. It is because, the high tax paying will increase the operation costs. The high operation cost will give bad effect to the business and will make the business close down because lack of capital. Usually, the entrepreneurs in small and medium enterprises (SMEs) industries do not have big capital and still depend on government agencies especially for financial support. So that, with this exemption, the employers can use that money to expands the business.

6. Conclusion

While all workers want trust, hope, worth and competency, firms need to keep in mind that they are ranked differently by workers. Younger workers probably have a higher need for hope and career growth whereas older workers may be more concerned about health care benefits. Hence, effective management together with attractive compensation packages are predetermined factors of a firm's effectiveness and efficiency in achieving its goals. All the parties include government and employers should sit together to make sure this policy can implement successfully. It not just can increase the wage of employees but at the same time can enhance the government income and productivities. The National Minimum Wage will be reviewed every two years for improvements. It will be much better if further research for new minimum wages policy on SMEs' workers to be carried out in order to strengthen the evidence found through this study.

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