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Employment & Benefits

## MINIMUM WAGES IN MALAYSIA AS OF 2020

### Introduction

On 11 October 2019, during the tabling of Budget 2020, Finance Minister Lim Guan Eng had announced that,

*“In balancing the needs of employees and employers, the Government take cognisance of the higher cost of living in major urban centres, the Government proposes to increase the minimum wage rate only in major cities to RM1,200 per month effective 2020.”*

In line with the Finance Minister’s announcement, the Minimum Wages Order 2020 (“new Order”) was gazetted and will be taking effect on 1 February 2020. With the new Order, the Minimum Wages Order 2018 [P.U.(A) 265/2018] is now revoked.

### New Minimum Wage

Employers should take note that the new minimum wage only applies to the following 16 City Council and 40 Municipal Council areas:

#### City Council Areas

Johor Bahru, Iskandar Puteri, Alor Setar, Melaka Bersejarah, Pulau Pinang, Seberang Perai, Ipoh, Shah Alam, Petaling Jaya, Kuala Terengganu, Kuching Utara, Kuching Selatan, Miri, Kota Kinabalu, Kuala Lumpur, and Seremban.

#### Municipal Council Areas

Batu Pahat, Kluang, Kulai, Muar, Segamat, Pasir Gudang, Kulim, Sungai Petani, Langkawi, Kubang Pasu, Kota Bharu, Alor Gajah, Jasin, Hang Tuah Jaya, Port Dickson, Jempol, Kuantan, Temerloh, Bentong, Manjung, Kuala Kangsar, Taiping, Teluk Intan, Kangar, Ampang Jaya, Kajang, Klang, Selayang, Subang Jaya, Sepang, Kemaman, Dungun, Padawan, Sibul, Kota Samarahan, Bintulu, Sandakan, Tawau, Labuan, and Putrajaya.

Under the new Order, the payable rates for the new minimum wage for employees who work in a place of employment at the abovementioned areas are as follows:

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Minimum wages rates				
Monthly	Daily			Hourly
	Number of working days in a week			
	6	5	4	
RM1,200.00	RM46.15	RM55.38	RM69.23	RM5.77

Furthermore, employees who are not paid basic wages but are paid based on piece rate, tonnage, task, trip or commission shall be paid no less than RM1,200.00 per month.

In comparison to the previous Minimum Wages Order 2018, there has been a 9% increase in minimum wage payable to which businesses will have to adapt to.

**Non Application of New Minimum Wage**

In the areas that have not been specified above, the minimum wage will be similar to the minimum wage under the Minimum Wages Order 2018. The payable rates for an employee who works in a place of employment in any areas other than the above mentioned are as follows:

Minimum wages rates				
Monthly	Daily			Hourly
	Number of working days in a week			
	6	5	4	
RM1,100.00	RM42.31	RM50.77	RM63.46	RM5.29

Furthermore, employees who are not paid basic wages but are paid based on piece rate, tonnage, task, trip or commission shall be paid no less than RM1,100.00 per month.

**Conclusion**

Employers should take note that the Government had been increasing the minimum wage rates annually for the past 2 years. This year, the increase of 9% in the minimum wage will have significant impact to all businesses, especially to employers who have large work forces that are currently below the

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anticipated new minimum wage. Furthermore, employers should be aware that failure to pay minimum wages as specified in the new Order amounts to an offence under Section 23 of the National Wages Consultative Council Act 2011 which on conviction, the employer shall be liable to a fine of not more than RM10,000.00 for each employee.

In view of the above, employers should look into reviewing their business plans to make accommodation for the long run because as time goes on, the costs of labour in Malaysia can only continue to rise.

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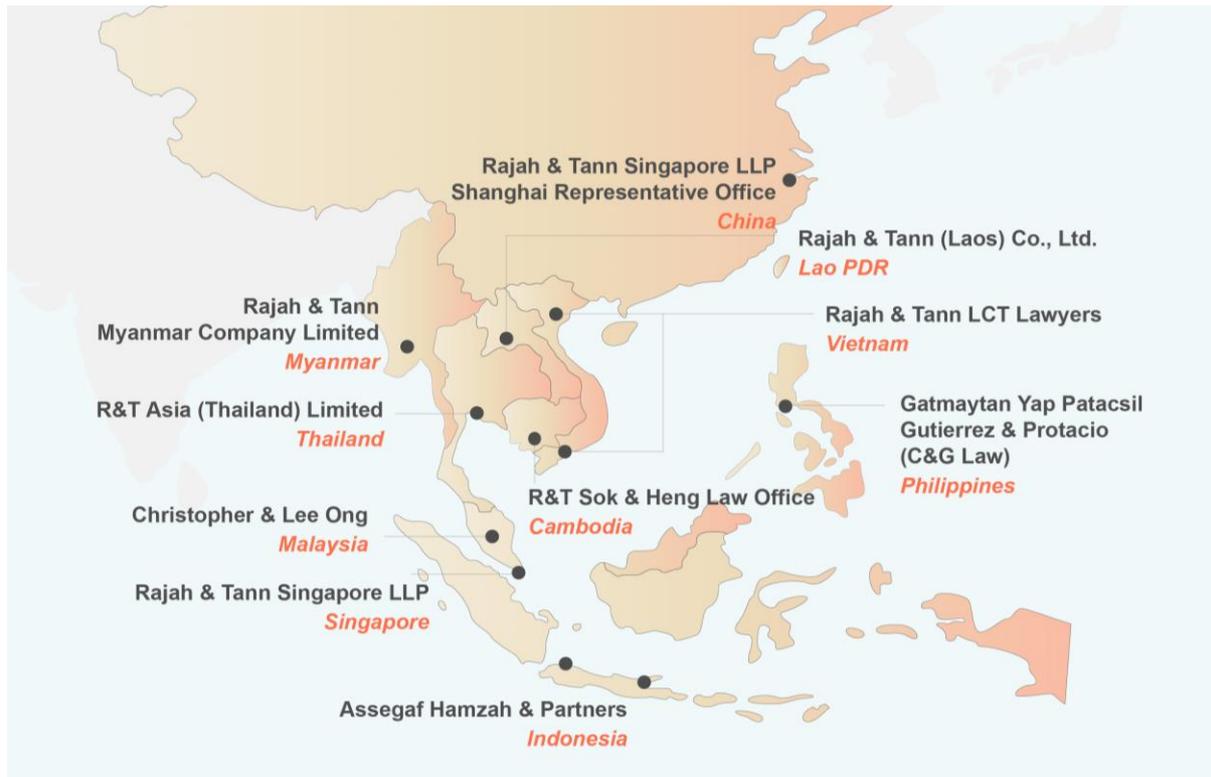
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