



MEDIA RELEASE

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MALAYSIAN SEMICONDUCTOR INDUSTRY ASSOCIATION URGES GOVERNMENT TO HELP EMPLOYERS MITIGATE THE IMPACT OF MINIMUM WAGE INCREASE

Kuala Lumpur, 28 APRIL 2022 – The Malaysian Semiconductor Industry Association (MSIA) is extremely disheartened with the Government's decision to increase the minimum wage from the current RM1,200 to RM1,500 with effect from 1 May 2022. MSIA's Media Release on 21 March 2022 had appealed to the Government to consider a more gradual increase in the minimum wage, to be spread out over the next 3 years.

With the gazetting of the *Minimum Wages Order 2022*, the Government has not taken any of the recommendations from the many industry associations.

A survey conducted by MSIA on its members revealed that

- About 40% of E&E companies' workforce will be directly impacted by the *Minimum Wage Order 2022*
 - The **Gross Monthly Salary** for workers will **increase by an additional RM450 per month** (basic wage increase of RM300 plus Statutory Contributions (EPF/SOCSSO/HRDF/EIS) and other allowances, bonus and incentives)
- Compression of salaries at different levels will have knock-on impact to a further 23% of E&E companies' workforce

By extrapolating the survey to the entire E&E industry, the impact would be

- Additional gross salary of RM111 million per month or RM1.3 billion per year for 40% of the total industry workforce of 590,000 who will be impacted by the *Minimum Wage Order 2022*
- The percentage of E&E workers impacted by salary compression is 23% (136,000 workers)

The impact to the industry is very substantial. The E&E industry will not be able immediately pass on these costs to its customers where long term agreements on pricing are in effect. MSIA members will struggle to mitigate the effect of additional wage costs, when they are already affected by cost increase in raw materials, Covid-19 SOP implementation, power, logistics and many other costs.

Malaysia Semiconductor Industry Association (MSIA) President Dato' Seri Wong Siew Hai stated that *"this increase is 'Too Much Too Soon' and E&E companies do not have sufficient time to make adjustments to the wage structure and productivity improvements in order to remain competitive."*

MSIA recommendations to the Government are:

1. Instead of only basic wage as the definition of minimum wage, consider amending the definition to include minimum gross wages at RM1,500 (including allowances & incentives)
2. Subsidy to companies:- 50:50 = RM150 from industry : RM150 per month from Government especially for SMEs for 1 year
3. Tax rebate to companies of RM150 per month for each employee impacted by minimum wage for 1 year

Dato' Seri Wong Siew Hai further urges that *"the Government to seriously consider MSIA's recommendations to mitigate the impact of minimum wage to E&E companies"*.

With the support of the Government in the implementation of MSIA recommendations, the E&E industry, especially the SMEs will not be burdened by the effects of the high Minimum Wage and allow SMEs time to gradually make adjustments to the wage structure, link productivity to wages, balancing between business survival, business competitiveness and minimum wage.

About MSIA

Malaysia Semiconductor Industry Association (MSIA) is an industry association which cover companies incorporated in Malaysia who are involved directly or related to Semiconductor Industry (Electronics and Systems), Semiconductor Industry supply chain, institutions providing significant related services to semiconductor industry such as engineering, finance, legal and those societies, associations, chambers and government - linked agencies.

For more information, please visit <http://www.msia.org.my>.

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