

The copyright © of this thesis belongs to its rightful author and/or other copyright owner. Copies can be accessed and downloaded for non-commercial or learning purposes without any charge and permission. The thesis cannot be reproduced or quoted as a whole without the permission from its rightful owner. No alteration or changes in format is allowed without permission from its rightful owner.



**THE IMPACTS OF MINIMUM WAGES IMPLEMENTATION ON SELECTED
ORGANIZATIONS IN MALAYSIA**

By

ALBERT A/L SINNAPPEN



**Dissertation Submitted to
School of Business Management,
UUM College of Business, Universiti Utara Malaysia, in Partial Fulfilment of the
Requirement for the Master of Human Resource Management**



**Othman Yeop Abdullah
Graduate School of Business**

Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PENYELIDIKAN
(Certification of Research Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)

ALBERT SINNAPPEN (MATRIX NO: 822475)

Calon untuk Ijazah Sarjana
(Candidate for the degree of)

MASTER OF HUMAN RESOURCE MANAGEMENT

Telah mengemukakan kertas penyelidikan yang bertajuk
(has presented his/her research paper of the following title)

**THE IMPACTS OF MINIMUM WAGES IMPLEMENTATION ON SELECTED ORGANIZATIONS
IN MALAYSIA**

Seperti yang tercatat di mukasurat tajuk dan kulit kertas penyelidikan
(as it appears on the title page and front cover of the research paper)

Bahawa kertas penyelidikan tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.
(that the research paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia : **NORIZAN BT. HAJI AZIZAN**
(Name of Supervisor)

Tandatangan :
(Signature)

Tarikh : **19 AUGUST 2019**
(Date)

PERMISSION TO USE

In presenting this research project in partial fulfilment of the requirements for a Master's degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this dissertation in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Dean, School of Business Management (SBM) of the College of Business (COB) where I did my dissertation. It is understood that any copying or publication or use of this dissertation or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the University Utara Malaysia (UUM) in any scholarly use which may be made of any material in my research project. Request for permission to copy or to make other use of materials in this research project in whole or in part should be addressed to:

Dean
School of Business Management
College of Business
Universiti Utara Malaysia (UUM)
06010 Sintok
Kedah, Darul Aman

ABSTRACT

National minimum wage is a government initiative to ensure fair and reasonable wages and to avoid discrimination. Implementation of the minimum wage has created significant impacts on the organization. The purpose of this study is to examine the impacts and challenges face by the organization due to the minimum wage requirement. In this study 7 companies from Kuala Lumpur were selected randomly regardless of industries to obtain relevant information as required for the study. Companies represented by the Human Resource Manager or Head of Human Resource Department since they are subject matter experts particularly in the minimum wage implementation. Due to the geographical and time constraint, the study was conducted by an interview via phone with the selected participants during the interview, semi-structured depth interview set of questions was used to get the explanation from the participant's data gathered from the interviews are analysed accordingly by using content analysis. The findings indicate that there are significant impacts incurred due to minimum wage and the increase of the operational cost become significant challenge to organization. Hope this study will support to identify useful input on minimum wage impacts and challenges. Future study should include larger number of companies.

Keywords : Minimum Wage, Human Resource, Semi-structured depth interview,

ABSTRAK

Gaji minimum negara adalah inisiatif kerajaan untuk memastikan gaji yang adil dan munasabah dan untuk mengelakkan diskriminasi. Sejak pelaksanaannya pada tahun 2012, gaji minimum telah memberi impak besar kepada organisasi. Tujuan kajian ini adalah untuk mengkaji kesan dan cabaran yang dihadapi oleh organisasi selepas pelaksanaan gaji minimum. Dalam kajian ini 7 syarikat dari Kuala Lumpur dipilih secara rawak tanpa mengira jenis industri untuk mendapatkan maklumat yang diperlukan. Syarikat-syarikat diwakili oleh Pengurus Sumber Manusia atau Ketua Jabatan Sumber Manusia berdasarkan kepakaran and pengetahuan mereka dalam pelaksanaan gaji minimum. Oleh kerana kekangan geografi dan masa, teknik temuduga melalui telefon diadakan dengan peserta terpilih. Semasa sesi temubual soalan yang berstruktur menjurus kepada pelaksanaan gaji minima digunakan untuk mendapatkan penjelasan yang terperinci daripada peserta. Data yang dikumpulkan dari temubual dianalisis dengan menggunakan analisis kandungan. Hasil kajian mendapati bahawa terdapat impak akibat gaji minimum dan peningkatan kos operasi menjadi cabaran penting kepada organisasi. Diharap kajian ini dapat memberi input yang berguna mengenai impak dan cabaran pelaksanaan gaji minimum. Di harap lebih banyak syarikat dilibatkan untuk kajian pada masa hadapan.

Kata kunci: Gaji Minimum, Sumber Manusia, Temubual mendalam yang berstruktur

ACKNOWLEDGEMENT

I wish to express my utmost gratitude to the Almighty God for His grace and mercies granted throughout this period. The successful completion of this dissertation could not have been realized without the help and support of the following individuals. To begin with, my sincere thanks go to my supervisor, Pn Norizan Hj Azizan. Your dedication and commitment as a supervisor throughout the period made my work easier as a student.

Next, I am eternally grateful to the respondents from selected companies for granting me permission to conduct this research.

I am fully thankful to my family members especially my parents, My wife Ms Kalaivani Ramadas and kids Aditya Ruben and Tulasyi. Their unconditional love in supporting my quest and love for education has been extraordinary. Special thanks to my course mates for being with me and accompany me throughout this journey. Without them this journey is not possible.

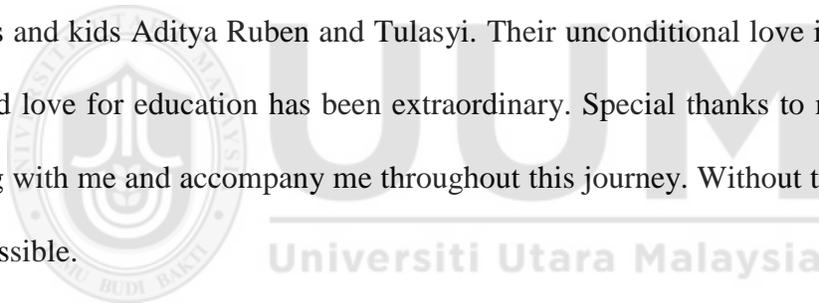


TABLE OF CONTENTS

CERTIFICATION OF THESIS WORK.....	
PERMISSION TO USE.....	i
ABSTRACT.....	ii
ABSTRAK.....	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENT.....	v
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
LIST OF ABBREVIATION.....	ix
CHAPTER ONE: INTRODUCTION	
1.0 Introduction.....	1
1.1 Background of the study.....	5
1.2 Problem Statement.....	13
1.3 Research Questions.....	14
1.4 Research Objectives.....	14
1.5 Significance of the Study.....	15
1.6 Definition of Key Terms.....	16
CHAPTER TWO: LITERATURE REVIEW	
2.0 Introduction.....	18
2.1 Review of Related Literature	19

2.1.1 Minimum Wage Impact On fringe Benefit.....	19
2.1.2 Impact on Motivation and Productivity	20
2.1.3 Impact Of Minimum Wage on Employment.....	21
2.2 Theory on Minimum Wage.....	22

CHAPTER THREE: METHODOLOGY

3.0 Introduction.....	23
3.1 Research Design.....	23
3.2 Population.....	23
3.3 Sample of Study.....	24
3.4 Instrumentation.....	24
3.5 Pre Test.....	26
3.6 Data Collection.....	28
3.7 Data Analysis.....	29
3.8 Conclusion.....	29

CHAPTER FOUR: RESULTS AND DISCUSSION

4.0 Introduction.....	30
4.1 Overview of Data Collected.....	30
4.2 Profile of participant.....	32
4.3 Impacts of the Implementation of Minimum Wage.....	34
4.4 Significant Challenges Faced By The Organization.....	40
4.5 Conclusion.....	42

CHAPTER 5: DISCUSSION AND CONCLUSION

5.0 Introduction.....	44
5.1 Impact of the Implementation Of Minimum Wage	45
5.2 Significant Challenges faced by the Organization	54
5.3 Recommendation	55
5.4 Conclusion	59
REFERENCE.....	60



LIST OF TABLES

1.1 MINIMUM WAGE CRITERIA	11
1.2 MINIMUM WAGE STAGES IN MALAYSIA, PENINSULAR MALAYSIA, SABAH, SARAWAK	12
3.1 PRE TEST SUMMARY	27
4.1 THE NUMBER OF PARTICIPANTS BASED ON SECTOR	31
4.2 THE PROFILE DETAIL OF SELECTED PARTICIPANT	33
4.3 OVERTIME RATE CALCULATION	38
4.4 SUMMARY OF THE RESULT	42

LIST OF FIGURES

1.1 WAGE INCREASES FOR WORKERS AFFECTED BY THE MINIMUM WAGE POLICY	9
1.2 SHARE OF WORKERS EARNING BELOW MINIMUM WAGE BY SECTOR (PENINSULAR MALAYSIA)	10



LIST ABBREVIATION

NMW – National Minimum Wage

NWCC – National Wage Consultative Council

ILO – International Labour Organization

DWA – Decent Work Agenda

NEM – New Economic Model

HR – Human Resource

MWSC – Minimum Wage Study Commission

BNM – Bank Negara Malaysia

LPC – Low Pay Council

DDP - Gross Domestic Product

PLI – Poverty Line Income

CPI – Consumer Price Index

P – Productivity

MEF – Malaysian Employer Federation

MNC – Multi-National Company

SME – Small Medium Enterprise



CHAPTER ONE

INTRODUCTION

1.0 Introduction

The main objective of the National Minimum Wage (NMW) in Malaysia is to ensure the employee receives fair and reasonable wages and to avoid discrimination. Besides that, the government wants to ensure better income distribution among the lower-income group and to achieved government aimed to be a high-income nation by the year 2020, can be seen as an excellent step by the government towards developing the nation (Saari, Rahman, Hassan & Habibullah, 2016), (Mahyut, 2013).

According to Saari et al. (2016), in 2005, basic wage in Malaysia that are below than RM800.00 monthly was considered salary below the poverty rate. The purpose of the minimum wage Consultative Council (NWCC) was to propose a minimum salary rate to the policymakers and after that to present the recommendation at parliament. Upon the approval from the respective Minister of Human Resources, the Minimum Wages Orders are implemented.

The International Labour Organisation [ILO] (1970) has defined that minimum wage as the lowest wage guaranteed by law. Referring to ILO (1970) convention No 131 and recommendation given in No 135 in the year 1970 which explained that, the minimum wage should not be fixed below than the poverty rate to ensure reasonable welfare for labour and dependents. Malaysia has ratified in the above convention in the year 2012

after implementing the minimum wage act in the year 2012 (National Wage Consultative Counsel [NWCC], 2012). For Malaysia, the minimum wage can be a new issue, however worldwide more than 150 countries had successfully implemented the minimum wage policy.

In the global wage report year 2012/13, by International Labour Organisation (ILO) recommends that all countries are encouraged to introduce minimum wage as “Decent Work Agenda” (DWA). DWA is to ensure social security and at the same time to eradicate poverty. Before the year 2012, in Malaysia, it was estimated 2.8 million employees from the total labour force was being paid below the poverty rate (Saari et al., 2016). Thus, the minimum wage is seen as an essential instrument to ensure the income inequalities and redistribution of wealth (NWCC, 2012). However, there is a significant impact faced by the organisation when absorbing the additional cost due to increasing wage. The labour cost is an operational cost of which will affect the profit margin of the company and increase the business cost. Thus, to manage the increased cost, the company may impose a specific mechanism to sustain its profitability.

The first NMW for Malaysia announced in October 2010 and the minimum wage order made in the year 2012. Effective from January 2013 the national minimum wage act was implemented in all the private sectors in Malaysia, as one of the Government’s policy instruments vide New Economic Model (NEM) to ensure inclusiveness by transforming the economy from a middle-income to a high-income economy by the year 2020. Based on the “Minimum Wage Order” requirements, all employers with minimum six

employees and above are required to pay a minimum wage of RM900.00 a month in Peninsular Malaysia and RM800.00 a month in Sabah, Sarawak and the Federal Territory of Labuan (NWCC, 2012).

Before NMW implementation in Malaysia, three different mechanisms were used to decide the minimum wage in Malaysia. Wages and Council Act 1947, Collective Agreement if under the union-based environment and the third mechanism was based on market forces (Saari et al.,2016). Government intervention was required to impose the new legislation since there was an ineffectiveness of existing tools to ensure equal minimum wage and income distribution (Osman, Rashid & Hamid, 2012).

The main weaknesses identified in previous mechanism initially failed to create fair wages against the income below the poverty rate. Secondly, no proper monitoring tools were designed to observe, updates and to control on the impact. Finally, the previous mechanism did not cover macro business industries but paid more attention to micro business owners instead which does not give much impact on economic growth or better income distribution (Osman et al.,2012). Osman et al. (2012) added that many industries were free and were without proper guidelines, and therefore, the government had to intervene with appropriate legislation to address the gaps.

Government has decided to draw up a standard mechanism and guideline to govern the macro industry and to address the previous ineffectiveness (NWCC, 2012). Thus, the National Wages Consultative Council was formed under Act 2011 (Act 732). This standard act was in-forced and applied to all formal private sectors covered both east and west Malaysia. Based on Act 732, a tripartite body known as the National Wages Consultative Council (NWCC) has formed. The NWCC comprises of three parties of

which are from a government body, Employer representatives and trade union are to represent the employees (NWCC, 2012).

The minimum wage reviewed every two years, and if changes need to be addressed shall be announced by NWCC before being agreed by the ministry. The first implementation of the minimum wage was in the year 2013. The first review was done in the year 2016 and the latest revision in 2019. The minimum wage has been an issue between employee representatives and employer representatives due to the expectation from employees and the increasing labour cost for employers. The most recent review on the minimum wage was announced during the budget in the year 2019 for the sum of RM1,100.00 for Peninsular Malaysia and Sabah and Sarawak to further review by NWCC.

The implementation of NMW in Malaysia took effect since 2013 and has a significant impact on the increase in operating cost and has affected the profit margin. The domino effect on the manpower cost has been significantly affected the operating hours such as overtime, fringe benefits and employment of local or foreign labours. According to NWCC (2012), the negative impact of the minimum wage has increased the cost of doing business in Malaysia. The studies conducted by NWCC from 2012 - 2016 indicates that employers have transferred the increased labour cost by revising the goods price (NWCC).

Previous studies stated that fringe benefits were reduced or modified after increased wage (Vally & Samihah, 2015). Employment rate can be affected if the NMW rate set on the optimal level (Mahyut, 2013). It was generally agreeable based on the previous studies indicated that the minimum wage and its gradual increase could affect the companies

margin profitability. The purpose of this study was to understand the impact of the NMW on the organisation.

1.1 Background of the study

The minimum wage has always been a topic-focused for many years in developed countries like in the United States and Europe. However, under developing countries in the Asian region are more concerned about the impact of initiating and increasing minimum wages. The group which was against the minimum wage always emphasises on the adverse effects that can be caused by the implementation while the pro group are supportive of the goodness and benefit from the implementation (Marginean & Chenic, 2013).

Referring to the empirical research conducted in recent years, revealed that, there is a minimum impact of increasing the minimum wage on employment and unemployment in the labour sector (Marginean & Chenic, 2013). More than thirty years ago, in 1977, the Minimum Wage Study Commission (MWSC) from the United States undertook a review of the existing research on United States of America and Canada minimum wage. MWSC has released a 250-page summary report and six additional volumes of related research saying that no unemployment or no job opportunity effect due to the minimum wage (Marginean & Chenic, 2013).

The US is practising minimum wage practice by state (Charles et al., 2015). In the year 2016 total, 13 major cities in the United States have implemented the minimum wages. On February 12, 2014, Barack Obama president United State discussed the raising of the

federal minimum wage with the aim that it will significantly boost the economy of the country (Atkinson, R. (2018, February 12). Democracy A Journal of Ideas, Summer 2018, No 49). Based on the supportive view according to Robert Atkinson, his article on the progressive case for a minimum wage referring Barack Obama's move to increase the minimum wage to \$10.10 per hour, or for an even higher increase to a "living wage" of around \$15 is made almost exclusively on the premise of promoting greater fairness. Based on the study tens of millions of U.S. workers live in or near poverty and, if we could raise the minimum wage, their lives would improve in significant ways (Atkinson, R. 2018, February 12. Democracy A Journal of Ideas, Summer 2018, No 49).

In Britain National Minimum wage (NMW) was introduced in the year 1999. Low Pay Counsel (LPC) was set up to introduce the minimum wage represented by employee and employer and government representative with the main aim was to have a minimum wage that helps as many low paid workers as possible without any significant adverse impacts on inflation or employment (Metcalf, 2007). According to Metcalf (2007), no significant effect was caused in employment in Britain after the implementation of the minimum wage in the year 1999.

Before implementing the minimum wage in Malaysia, there were many research and comparisons were made with other countries; this was for a smooth transition and implementation of NMW. It was a milestone for us to learn from other people's mistakes during, the implementation process. In Chile, there was a lack of analytic data in implementing the minimum wage. Thus it was a significant deficiency in enforcing the

NMW (Ibrahim & Said, 2015). It took Chile only recently to rectify the implementation issues.

However, Hong Kong had a smooth transition of the NMW; they were well planned with two years preparation ahead. The labour market was assessed thoroughly, and Hong Kong has predicted the impact of implementing the minimum wage. The early development of information and analysis used to frame their NMW (Ibrahim & Said, 2015). In Thailand, there were challenges, even more as there were difficulties in obtaining the data due to lack of technical capacity. Thailand made its decision with limited information, and it became biased towards the employer. Thus it becomes unpopular.

Besides that, other considerable elements from different countries took into the account during the implementation process such as Balance in the bargaining power involving the negotiating parties in NMW committee. For example, in Thailand, there was lack of technical knowledge which caused the difficulties in implementing the NMW, while in Korea there was low capacity workers representative that participated in discussion between the NGO and academicians who have less interest in NMW (Ibrahim & Said, 2015).

The number of workers affected through the NMW also was used as a reference. In countries like Thailand, almost 60% of their workforces are in the informal sector, so its advantage for the employer to implement the NMW, but it created minimal impact on the country. Many employers have decided to subcontract their low skill staff to avoid the

cost. It has been addressed through the law implementation to enable the employee to take legal action on employer failed to pay minimum wage (Ibrahim & Said, 2015).

Malaysia also has referred to policies from other countries while drafting the NMW policy. As such, in Hong Kong, younger workers are not paid with minimum pay rate since they are entitled to a subsidy, and they are to allow the employer to hire them. In Thailand, those workers under categories of “informal workers” are entitled to social protection benefits (Ibrahim & Said, 2015). In Malaysia, disable people receiving a monthly allowance of RM300 as a government initiative to support the affected group regardless of their wage level (Ibrahim & Said, 2015).

Besides that, primary references made on minimum wage computation and formula calculation. Some loopholes have been found in Chile’s minimum wage calculation and taken advantage by the employer to manipulate minimum wage payout. In Hong Kong, minimum wage rules include meal break and rest day, which was unwelcomed by the workers and later demand for paid leave and break. Thailand, in their policy, failed to include an hourly rate. (Ibrahim & Said, 2015).

In Malaysia Ministry of Human Resources through the National Employment Studies in 2009 found that 33.8% of private-sector workers were paid below RM700 per month, relative to the income below poverty line RM800.00 (NWCC, 2012). Besides, a study by the World Bank found that for the past ten years, wages in Malaysia was only a flattening of 2.6% per year while productivity increased on average by 6.7% in the same period.

Salary increment, as described above, is not in line with productivity gains and the cost of living was rising. It shows that there is distortion in the labour market where wages determined by market forces fails to increase salaries in line with the rising cost of living. The government has decided to take intervention measures by introducing a national minimum wage (Bank Negara Malaysia[BNM], 2012).

Implementation of minimum wage based on few objectives as identified by the government beside to improve the minimum wages to reduce poverty below the poverty line threshold the government also intended to reduce the dependencies on foreign workers especially the unskilled group. (BNM, 2012).

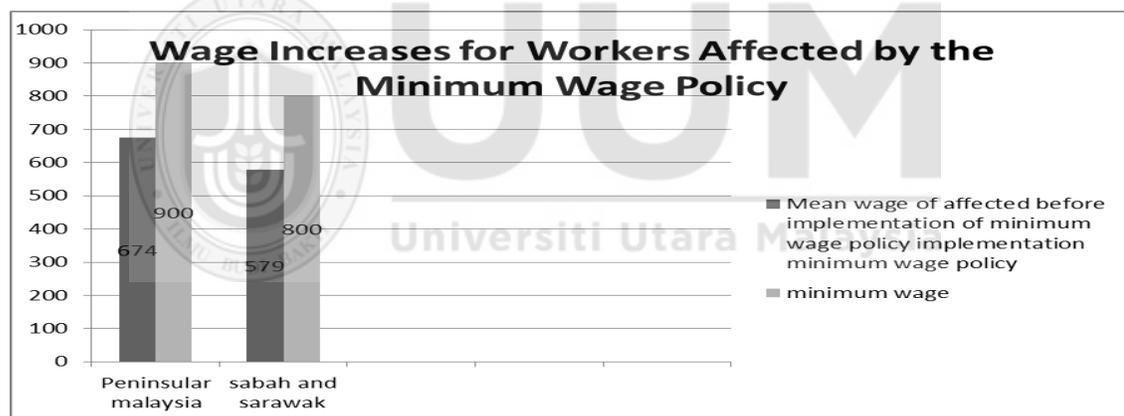


Figure 1.1

Wage increases for workers affected by the minimum wage policy.

Sources: Annual Report Bank Negara Malaysia 2012.

Bank Negara Malaysia has conducted minimum wage survey in May 2012. The result indicates that, the minimum wage policy is estimated to benefit about 27% of workers nationally. As stated by BNM (2012), on average, the affected workers in Peninsular Malaysia are expected to receive a 33% increase in wages, while those in East Malaysia

given a 38% increment. By economic sector, the agriculture industry to be the most affected, as 43% of workers in the sector received wages that were below the minimum wage before the implementation of the policy (BNM, 2012).

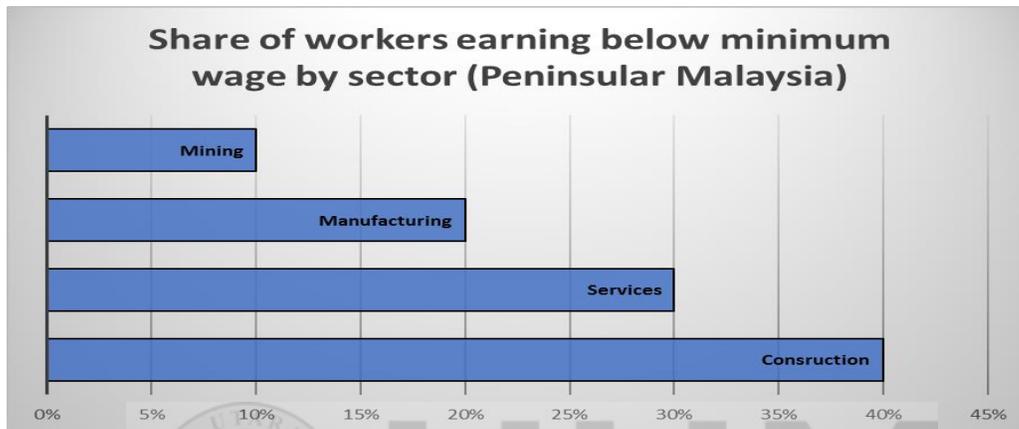


Figure 1.2

Share of workers earning below minimum wage by sector (Peninsular Malaysia).

Sources: Annual Report Bank Negara Malaysia 2012.

1.1.1 Minimum wage Criteria

Before the implementation of NMW Malaysia has studied samples from countries implemented NMW successfully (NWCC, 2012). According to NWCC (2012), the standard criteria are used to decide the appropriate minimum wage for the country. After proper studies conducted by the government on the relevant criteria, it was discussed with NWCC before implementation. The requirements are to ensure justification and to help in decision making. The formula to propose the minimum wage should consider important variables that justify the need for a minimum wage. The common criteria's used by many

countries consider in implementing their minimum wages are labour productivity, Competitiveness, unemployment rate, Gross Domestic Product (GDP) growth, and consumer price index, cost of living and wages level as explained in the table below.

Table 1.1

Minimum Wage Criteria

	Criteria	Justification
Base Criteria	Poverty Line Income (PLI)	Determine the basic needs of the workers and his / her family
	Median Wage	A point of reference for employers ability to pay
Adjustment Criteria	Changes in Consumer Price Index (CPI)	An indicator to reflect changes in the cost of living
	Productivity Growth (P)	Realigning productivity growth with wage increase
	Real Unemployment Rate (UE)	To ensure wage increase do not hamper the marketability to create and retain employment

Source : National Wage Consultative Counsel (NWCC).

In Malaysia National minimum wage (NMW) were announced on 30 April 2012. The implementation made at all the formal private sectors. The grace period is given to the sector having a financial constraint in implementing the minimum wage to ensure smooth take-off. According to NWCC (2012), total 4,113 application received for deferments. The deferment was given for three months, six months and a maximum of nine months from the effective date of implementation. 632 appeals were granted which involving

three associations Persatuan Hotel Malaysia, Persatuan Majikan-Majikan Hotel and Persatuan Pemilik Hotel Malaysia and Persatuan Perkhidmatan Kawalan Keselamatan Malaysia. The table below showing implementation by stages;

Table 1.2

Minimum wage by stages in Peninsular Malaysia, Sarawak and Sabah

Region	2012 /13 Monthly rate	2016/17 Monthly Rate	2018/19 Monthly Rate
Peninsular Malaysia	RM900.00	RM1000.00	RM1100.00
Sarawak	RM800.00	RM920.00	RM1100.00
Sabah	RM800.00	RM920.00	RM1100.00

Sources: National Wage Consultative Council (NWCC, 2019)

According to the NWCC (2012), the objectives of minimum wages are;

1. To ensure the basic needs of workers and their families are met
2. To ensure sufficient protection to the workers
3. To encourage the industry to move up the value chain by investing in higher technology and increase labour productivity.
4. To reduce nation dependence on unskilled foreign labour

1.2 Problem Statement.

The main objective of the minimum wage policy is to ensure the basic needs of low wage workers are adequately met and to provide sufficient social protection to them which subsequently can lead to a better quality of life (Nurhani & Rusmawati, 2013). However, the minimum wage policy has had adverse impacts on the margin of profitability of Companies in the private sector. After the minimum wage policy came into effect, employers have to bear additional costs due to the increase in the basic wages of the workers. Employers might take the easy way out by cutting the non-wage benefits to cater to this additional financial burden and sustain their profit margin. Thus, the question of whether the minimum wage is a boon or ban to the workers needs to be addressed.

In a recent issue, the government through the budget 2019 has overruled the minimum wage council recommendation by changing the wages from RM1050.00 as a basic wage to RM1100.00. According to Datuk Hj Samsudin Bardan from Malaysia Employer Federation (MEF), Minimum wages implementation and the latest hike made until to RM1,100.00 from January 2019 giving the adverse impact on government initiative to implement industrial revolution 4.0 and impacting the labor market by increasing production cost which lead to inflation further benefiting the foreign employees rather than Malaysian (Shamsudin, 2018).

Employer representatives had put greater concern since after the implementation of the minimum wage. The main concern is regarding the increase in the cost of doing business in Malaysia, as it will affect the competitiveness of the country and if the minimum wage decided above than the market rate it will lead to unemployment, higher consumer price,

inflation, reduced the profit and productivity finally overall inefficiency economy. Karim, Sok , Hassan (2016). According to Mincer (1976), the minimum wage in the context of the competitive market shall be considered as a socially harmful and bad idea to be implemented.

Given the above statement by MEF and Karim et al. (2016) this study is timely and to justify a need to further examine the impacts from the employer's perspective.

1.3 Research Question

This research is aimed to examine the impact caused by the minimum wage implementation on the organisation through the following questions;

1. What are the impacts of the implementation of minimum wage on the organisation?
2. What are the significant challenges does your organisation face in the implementation of the minimum Wage?

1.4 Research Objective

The objectives in this study are;

1. To examine the impacts of the implementation of Minimum Wage on the organisation.

2. To examine the significant challenges faced by the organisation in the implementation of the Minimum Wage.

1.5 Significance of the Study

The study is important to understand the overall impact of minimum wage implementation on the organisation. The impacts of the minimum wage suppose derive competitiveness of the organisation otherwise will lead to the adverse employment effect. The minimum wage in Malaysia gradually increased since the year 2013.

The implementation of the minimum wage in Malaysia has proven that it has reduced the poverty rate of low-income workers from 30% to 40%. (Mahyut, 2013). However we hardly see the impact of the minimum wage on the organisation in term of employment, salary, benefits or employee motivation and satisfaction or local employment increase or decrease in the organisation after the implementation. The standard economy emphasis that, if the minimum wage increases beyond the market-clearing level it will create the unemployment issues (Karim et al. 2016). However there is positive outcome seen after implementation of minimum wage policy. Based on the study at New Jersey in 1992, the researcher indicates that the minimum wage has increased the employment rate at food and beverage restaurants (Card & Krueger, 1994).

According to Ibrahim & said (2015), In Malaysia, concern has been highlighted by the employer regarding the impact on minimum wage on unemployment rate since despite that, the labour productivity of Malaysia grew at 6.7% between the year 2000 and 2008 the salary increase made is only 2.6%. Thus, it's advisable that, through this study is to understand why the concerns highlighted by the employers in implementing of the

minimum wage despite the reasonable labour productivity. In previous studies, a mixed review has been given regarding employment after minimum wage implementation. Classic studies indicating an increase in wage can affect the employment rate but recent studies dispute on that (Card and Krueger, 1993). In Malaysia, there is data showing the increase or decrease workers some selected sectors such as Manufacturing and service sector after NMW. (Ibrahim & Said, 2015)

1.6 Definition of the key term

Minimum wage

International Labor Organisation (ILO) defines “minimum wage” “as the minimum sum payable to a worker for work performed or services rendered, within a given period, whether calculated on the basis of time or output which may not be reduced either by the individual or collective agreement; which is guaranteed by the law; and which may be fixed in such a way as to cover the minimum needs of the worker and his family, in the light of national economic and social condition”.(ILO, 2014)

Minimum wage order

A standard minimum wage required by law shall be paid by the employer as a minimum requirement for remuneration under a contract of service (NWCC, 2012).

Employer

International Labor Organisation (ILO) defines “ employer” “as Employers are those workers who, working on their own account or with one or a few partners, hold the type of job defined as a self-employed job, and in this capacity, on a continuous basis (including the reference period) have engaged one or more persons to work for them in their business as employees”. (ILO, 1993).

Employee

International Labor Organisation (ILO) defines “employee” as “Employees are all those workers who hold the type of job defined as paid employment jobs. Employees with stable contracts are those employees who have had, and continue to have, an explicit (written or oral) or implicit contract of employment, or a succession of such contracts, with the same employer on a continuous basis implies a period of employment which is longer than a specified minimum determined according to national circumstances. Regular employees are those employees with stable contracts for whom the employing organisation is responsible for payment of taxes and social security contributions and where the contractual relationship is subject to national labour legislation”. (ILO, 1993).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The objective of the national minimum wage policy in Malaysia is to ensure the workers receive ‘*fair wages*’ and employees are not exploited (Vally & Samihah, 2015). Minimum wage highly debated on economic perspective and socio science perspective around the world on the impact created after the implementation through the government intervention rather than market forces. The debate traditionally focused on two views those people are opposing the implementation of minimum wage and another group of who are advocating the minimum wage as a tool to break the poverty line threshold and redistributive focus on social welfare (Karim et al., 2016). By increasing wage, it gives more money power and increases the buying capacity of people, which will enhance the overall business growth (Ghani, 2016).

The International Labor Organization has defined minimum wages as the lowest basic wage guaranteed by the law as an attempt to put a floor under the wages of a particular subgroup of the working population, that is, the working poor. In Article 7 of the ILO Convention no 131 on minimum wage fixing (1970) and its accompanying recommendation no 135, specify that the minimum wage should not be fixed at a lower rate than one which would ensure the subsistence of the worker and his or her family. Before the implementation of the national minimum wage, Malaysia did not ratify to this convention. To support the study regarding the minimum-wage impact on the

organisation, I have reviewed numbers of literature to enhance my understanding and to gained relevant information to justify my study.

2.1 Review of related literature

2.1.1 Minimum wage impact on fringe benefits

According to study conducted by (Vally & Samihah, 2015), though majority of employers had complied with the requirement under the law to implement the minimum wages and pay the workers the basic wages, they have the method to modify other fringe benefits enjoyed by the workers to reduce the wage cost impact and remain the profit. National Wage Consultative Council (NWCC) has urged employers at private sectors not to cut or deduct levy payment, or accommodation allowances from foreign workers salaries due to the minimum wage implementation (NWCC, 2013). However, there is no any restriction made by the government regarding fringe benefits paid to the workers, and it has become company discretion to manage the employee's benefits.

This can allow employers may reduce the non-wage benefits to substitute for the higher cost of real wages. The adjustment in fringe benefits can be deemed to be a discrimination or adverse impact after implementation of minimum (Butcher, 2012). The reduction of fringe benefits seems to contradict the primary purpose of providing minimum wages, which is set at a level intended to prevent exploitation and give protection to the workers (Butcher, 2012).

The implementation of the minimum wage policy seems to have lead to another kind of exploitation of workers, whereby the fringe benefits enjoyed by the workers previously are reduced. This might create dissatisfaction among the workers and reduce total

productivity rate in the long term. According to Herzberg's motivation-hygiene theory lists salary and company policies as among the factors which lead to dissatisfaction among the employees (Herzberg, 1968).

2.1.2 Impact on motivation and productivity

Mostly all there is two type views highlighted by researchers regarding the study about the minimum wage. Traditional view which considered minimum wage has a direct impact on organisation and employment. According to a study conducted by Karim et al. (2016) regarding the relationship between the minimum wage impact on productivity and performance efficiency to indicate whether if the minimum wage is higher affect the technical efficiency of economies revealing that no any difference between countries with the minimum wage or without minimum wage policy.

Based on the study the conclusion is made that the is no any adverse effect created by the minimum wage since the increase of wage on a certain level can give positive impact to the economy without going to an optimal level. Increase of wage above the poverty rate is ensuring employee receiving fair wages from exploitation can increase the employee motivation towards better productivity (Ghani, 2016). According to Akerlof & Yellen (1990), based on efficiency wage theory, when wage increased, employee's interest to perform will be better and increase productivity.

2.1.3 Impact of minimum wage on employment

Unemployment is one of the major concerns shared by the many kinds of literature as a post-impact after the implementation of minimum wage on the organisation. Many classical theories have explained the effect of the wage increase on employment; however, there is no general conclusion reached to the confirmed effect of minimum wage on employment (Simon & Kaesner,2004).

The United States is practising minimum wage by state level. When minimum wage introduced in New Jersey and research has been conducted to check the significant impact of minimum wage whether it can potentially reduce the employment in the fast-food restaurant and beverage industries at New Jersey or not. The findings revealed that not confirmed any adverse impact however its shows positive indication on increasing of employment rate in the restaurant (Card & Krueger, 1994).

However, the disadvantage due to national minimum wage implementation doesn't happen in Malaysia since the unemployment rate in Malaysia lowers since past 20 years and no any evidence to confirm the impact of minimum wage towards unemployment in Malaysia (Mahyut, 2013). Based on the survey conducted by the Bank Negara Malaysia on May 2012 regarding the effects of minimum wage on organisation its indicate that over 90% of firms that affected by the minimum wage policy not intended to do any retrenchment except the 25% indicate on reduction in taking new employees (Mahyut, 2013).

According to Addison, Blackburn and Cotti (2009), regarding the minimum wage effect on employment in the retail trade sector at US study showing very positive result where

the minimum wage didn't give any adverse effect to the employment or manpower reduction and working hours but had increased the employment positively at the same time without any working hours reduction.

The UK implemented minimum wage policy in the year 1999; study doesn't show any adverse impact on employment (Charles.S et al.,2015). Studies which conducted in China after implementation in minimum wage shows uncertainty in employment (Charles.S et al.,2015). At Thailand, the minimum wage has given a positive impact where older people benefited in term of employment opportunity (Del.Carpio et al.,2014).

2.2 Theory on Minimum Wage

The Neoclassical Theory of Minimum-Wage Effects

This theory was commonly used when studying the impact of minimum wages on the market or organization. The minimum wages have decided through the government mandate referred to like any other *price floor*. Price floor means the rate decided by the government intervention it can be higher or lower than the market force wages. Based on this theory if the *price floor* is higher than the market forces can lead to a negative impact on the labour demand or organisation can reduce the manpower or retrenched employee or cost reduction. The impact depends on the percentage of increment the magnitude or severity of the reduction depends upon the wage increase above the market force and the wage elasticity of labour demand, but the direction of change is definite. *Wage elasticity* is referring to the labour demand and supply and wage received by the employee subsequently. Some workers will receive a higher wage and are a better package (Leonard,1999).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The study is focusing on the minimum wage impact on the organisation. The study is looking at the minimum wage impact after the national minimum wage order year 2012 in Malaysia in private sectors. Implications for the organisation is referring to the Manpower cost and management, operation cost, fringe benefits or other elements which related to the employment which are significantly affected after the minimum wage implementation. The study doesn't focus specifically positive or negative impact but an overall on impact.



3.1 Research Design

This explanatory study utilizes the qualitative research method to examine the minimum-wage impact on the organisation at private sectors in Malaysia after the first National minimum wage implementation in January 2013. A qualitative Thus qualitative approach is deemed to be suitable for this type of study, to give more specific information and data regarding the implementation of minimum wage and impacts on the organisation.

3.2 Population

The population for this study is the organisation in the private sector, which is required by the National Minimum Wage Act 2012. Based on the Act, all the companies in the

private sectors need to revise the salary in accordance to the requirement. The organisation's selected for this study has been chosen randomly regardless of industries to get relevant information as required for the research. However, the companies which are identified as the population in this study are those which have been involved in the implementation of the minimum wage since it was first implemented in year 2012. For this study, from the organizations represented by the Human Resource Manager or Head of Human Resource Department since they are subject matter experts particularly in the minimum wage implementation.

3.3 Sample of the study

This study to utilizes purposive sampling (Creswell, 2013). Samples in this study are selected organisations within researchers networking and professional circle. The participants must have sufficient knowledge about the subject and experience in dealing or managing the implementation of the minimum wage in their organisation and should able to identify the impacts and challenges. The researcher had called Ten (10) HR practitioners from different organisations to take part in this study. However, only Seven has agreed to participate. Johnson & Christensen (2008) stated that a minimum of Six samples are sufficient for a qualitative study.

3.4 Instrumentation

Due to the geographical and time constraint, the study was conducted by an interview via phone with the selected participants. The interview question has been emailed to the participants after obtained consent before the interview was conducted. Interview

question was developed based on the research question. The interview protocol is developed based on the research questions as follows;

3.4.1 Research Question 1: What are the impacts of the implementation of minimum wage on the organisation?

A. Interview protocol

- I. Did minimum wage affect employment in your organisation?
- II. Did minimum wage increase the labour cost at your organisation?
- III. Did minimum wage reduce the employee fringe benefits ? If yes, please explain.
- IV. Did minimum wage reduce the working hours?
- V. Did minimum wage create better motivation and productivity in your organisation?

3.4.2 Research Question 2: What are the significant challenges does your organization face in the implementation of the minimum Wage?

B. Interview protocol:

- I. How many employees are affected by the minimum wage implementation in your organisation?
- II. Please explain significant challenges faced by your organisation in implementing minimum wage?

3.5 Pre-Test

To test the validity and reliability of the interview protocol questions, a pre-test was conducted. Two companies were identified and selected for the pre test. Both companies had experience in implementing the minimum wage from 2013 until the latest review 2019. Head of the Human Resource Department has agreed to share the information about the minimum wage impact in both selected companies.

The selected companies were located in Kuala Lumpur. During the interview, semi-structured depth interview set of questions was used to get the explanation from the participants. The interview questions are mainly focused on the challenges faced by the company and the impacts caused by the minimum wage.

Before the interview by phone, the interview question was emailed to the respective participants to allow them to prepare the relevant information. Based on the participants responses, from both companies agreed that there were significant impacts of the minimum wage in their organisation.

Table 3.1

Pre test summary

Detail /Company	Manufacturing Japanese MNC	Manufacturing / Engineering tool – Local company
Company Required to revise basic Under Minimum wage Requirement	Yes	Yes
Total Headcount	800	450
Total employee falls under the requirement	Total number not sure. All the Machine Operators.	6
Major issue / Challenges in implementation	Financial constraint	Not significant
Profit margin affected	Yes	No
Reduction in working hours / Overtime	Overtime has been controlled / Reduced	Overtime has been controlled / Reduced
Affected employee benefit or allowances or bonus	Has affected allowances and incentive and Bonus	Has affected allowances and incentive and Bonus
Affected salary yearly increment	No	No
Increase employee motivation / Productivity	Not Significant	Not Significant
Employee Satisfaction	Better employee satisfaction since salary adjusted – Only Affected group	Better employee satisfaction since salary adjusted – Only Affected group
Increase the labour cost	Yes	Not Significant. Very minimal
Reduce Hiring Local or foreign workers	No	No
The overall impact on the organization	Negative impact – profit margin reduced but productivity remains the same.	Not significant

Based on the pre test, the participants have indicated that there is a significant impact happened due to the minimum wage requirement. Both companies have paid basic salary below RM900.00 before the minimum wage order made by the government. The salary has been gradually increased by each revision until the year 2019. Both companies have taken some measures to reduce the cost impact caused by salary hike.

The interview outcome shows that production cost had increased after the basic wage raised and the company has taken some measures to minimise the increased labour cost. There is a similarity in term of approaches taken by both companies to reduce cost. Both companies had controlled or reduced their overtime hours. Overtime is a cash benefit and attractive tool for employees to increase their monthly income. Based on Employment Act 1955, an employee allowed performing overtime not more than 104 hours per month. Reducing the overtime hours may reduce the total salary payout for the company at the same time can reduce the salary cost.

Further, both companies have reduced or adjusted their fringe benefits or allowances, including the percentage of yearly bonus. Even though there is a significant impact on profit margin, but both companies minimise the impact by reducing the cost and to maintain the profit. Previous studies had indicated that employer adjusting the fringe benefit to maintain the profit margin (Vally & Samihah, 2015). According to the low pay commission (2001), the employees at the UK has reduced or readjusted the overtime rate and fringe benefit to substitute the increased labour cost.

Pre test outcomes have indicates that the interview questions are relevant to be used in this study to measure the impact of minimum wage on the organisation.

3.6 Data Collection

Similar to the pre test, the real data in this study was collected using phone interviews with the participants who agreed to take part.

3.7 Data Analysis

Data gathered from the interviews are analysed accordingly by using content analysis. The researcher has gathered data from every participants to find any common responses as reported in the following chapter.

3.8 Conclusion

The standard economic theory explained that the minimum wage through the government intervention has a negative impact on the employment, but other studies such empirical literature does not confirm it, or it has become very vague or uncertain (Karim et al., 2016).

Studies indicate that implementation of minimum wage significantly can give positive impact to the productivity and economy unless if reach to the optimal level (Karim et al., 2016). Based on the study the implementation of the minimum wage has impacted the labour cost however as common view it does not impact much on the profit of the organisation but the cost largely has been shifted to other fringe benefits (Vally & Samihah, 2015).

CHAPTER FOUR

RESULTS

4.0 Introductory Statement

The research conducted based on the qualitative approach focusing on the impact of minimum wage on the organisation at the private sector. Organisation impact covers the manpower, cost, benefits or other elements which related to the employment which significantly affected after the minimum wage implementation since the year 2012 and the latest amendment in January 2019.

4.1 Overview of Data Collected

Response Rate

The minimum sample size for interview data collection shall be a minimum of six participants (Johnson & Christensen (2008)). As per the standard requirement, this study has fulfilled the interview requirement. The interview was conducted with a total of seven participants and relevant data collected for the study. Total of ten participants are from varieties of sectors have agreed to participate in this study.

However, data or information from seven (7) companies was used in this study since relevant to the study requirement, and two companies are excluded. The information gathered from one participant has been excluded from the study since the company does not impact the minimum wage implementation and not significant for this study. Two (2) participants from the manufacturing sector did not answer and refuse participation in the interview process after the early consent given.

All the participants who participated in the interview are from the Human Resource field. The participants are working as a Human Resource Managers or Head of Human Resource Department. They have good knowledge of the minimum wage or had involved in implementation process before in their respective company. Standard interview question was used with all the selected participants, and additional questions were asked based on needs to get clarifications based on the received answer.

Table 4.1

The number of participants based on the sector.

Sector	Total Participants / Company	Total Headcount
Manufacturing MNC	3	150-2800
Manufacturing Local	2	100-400
Retail	2	1400 - 3300
Total	7	

Total of five participants are from manufacturing companies. Out of the five, three manufacturing companies are multinational companies (MNC) with a total headcount from 150 to 2800 employees. Two (2) participants are local companies with the total number of headcounts between 100 to 400 employees. The other two (2) participants are retail companies with a total headcount from 1400 to 3300 employees. The purpose of this study is to understand the impacts of minimum wage on their respective organisations.

The interview question was used before in a pre-test to understand the reliability and validity of the question to cater to the objective of this study. Since the reliability is proven, the same interview question was used without any significant amendment to get

the answer as required in the research question. Besides that, there is an additional question asked during the phone interview to the participants to get further clarification from their answers.

4.2 Profile of Participants

- a) 7 participants from the manufacturing, and retail sectors had participated in this study. Using persuasive screening, participants were selected for this study. This is to ensure the suitability of the participants as required in this study;i.e.
 - i. Subject matter expertise in minimum wage.
 - ii. To ensure the company's fall under the minimum wage requirement.

In this study in this study, Human Resource managers or head of human resource department has been chosen as participants from companies to obtain the relevant information. Participated participants had provided answers as required in the interview form. After received answered via email, an interview was made by phone to get clarification, and additional questions ask before conclude the interview session. Participants s able to answer and justifies their answer based on their knowledge and experience in implementing minimum wage in their organisation.

Table 4.2
The profile details of the selected participants

Participant	Type of industry	Position	Experience
Participant 1 (P1)	Manufacturing - MNC	Manager Human Resource	15 – 20 Years
Participant 2 (P2)	Manufacturing - Local	Assistant General Manager of Human Resource	>20 Years
Participant 3 (P3)	Retail - MNC	General Manager Human Resource	> 20 Years
Participant 4 (P4)	Manufacturing - MNC	Manager – Human Resource Department	>5-10 years
Participant 5 (P5)	Manufacturing - MNC	Manager Human Resource & Administration	>5-10 years
Participant 6 (P6)	Manufacturing - SME	Human Resource Executive (Head of HR)	>5-10 Years
Participant 7 (P7)	Retail - MNC	Regional Human Resource Manager	>5-10 Years

Participants responded to the interview questions with accurate data provided by the company. Besides that, answers are given by them based on their observation and feedback received from their employees. All findings are summarised accordingly.

4.3 Impacts of the implementation of Minimum Wage

All the selected companies in this study fall under the minimum wage requirement Act 2012. All the participants had done their first salary review in the year 2013 and until the latest salary review made in January 2019. Currently, all the participants are paying a minimum of RM1,100.00 per month as their lowest salary.

Impacts on Employment

Based on the study, from out of total 7 participants three participants are using 100% local employees. During the interview with participant 1 (P1) informed that at earlier, they using entirely local talent and management do not encourage foreign employees. After the year 2017, they started to hire local employees due to difficulties faced by the company to hire and retain local employees. Besides participant 1, participant 2, participant 3 and 5 is not depending on foreign workers. The rest of the participants are depending to both foreign and local workers. Most of the participants are labour-intensive by nature. Thus, a huge impact has been faced by the company immediately after the NMW implementation.

The above situation acknowledged by participant 1. Answer from participant 1 (P1) as follows;

“ We are multi national company based in Japan, the main reason for the production shifted to Malaysia is due to reasonable labour cost. Previously the business has been expanded here and made Kuala Lumpur become our main plant for our total production.

We faced great challenges to implement the minimum wage in year 2012 due to huge differences in basic salary. It's impacting our labour cost. We didn't reduce the employment of local or foreigners since continues manpower needed to support operation demand. (Participant 1, personal interview, January 5, 2019).

According to participant 2 their employment cost is manageable even though there is a concern after the minimum wage as stated below.

“ We are not convinced with the minimum wage practice but the total employee affected under minimum wage requirement is only six employees from our total headcount. We still can see there is a minimal increase in labour cost”. (Participant 2, personal interview, January 7, 2019)

In line with the above statement participants 6 (P6) responded they unable to manage the increased labour cost since they are SME with highly depending on low skill labours mostly from foreign country's.

“We faced a tough situation to manage our operation cost due to the government decision to increase both local and foreign employee's salary. Of course we keen to hire more to foreign employees due to cheapest labour cost and can create more profit margin. The foreign workers cost become more expensive after the levy imposed on the employer together with increased basic wage. Tough time for us, we slowly replaced the foreign workers with local employees to reduce the cost impact”. (Participants 6, personal interview March 20, 2019).

Supporting the above statement participant 7 (P7) stated that, they have restructured company's employment strategy to control the labour cost as below;

“ We not reduce or retrench any employee after the minimum wage implementation. Minimum Wage certainly increased the operational cost. The management decided to maximize the utilization of the skill by introducing “multi-skill” approach. By adding new skill we manage to control the labour utilization without increasing the total headcount. (Participants 7, personal interview March 20, 2019)

Impacts on Fringe Benefits

A finding indicates that companies had modified or restructured their Bonus, incentive or allowances pay-out after minimum wage implementation. This decision has been made after the implementation of the minimum wage.

Responding to the above concern participant 3 (P3) explained that they have to restructure the sales intensive structure to minimise the cost impact as below.

“ We are a retail industry with focus on sales and profit margin. Due to minimum wage we need to revise the salesperson basic salary which affecting our profit margin. To reduce the impact we have decided to restructure the sales incentive”. (Participants 3, personal interview, January 20, 2019).

Supporting the above statement participant 5 (P5) explain that the bonus payout rate re-adjusted after wage increased.

“ Our company previously paying two months bonus before. We have adjusted the bonus structure by adding performance criteria”. (Participants 5, personal interview, January 20, 2019).

Impacts on Salary Increment

Many participants state they are continuing with yearly salary increment without clarifying much on the percentage of the increment. However, salary increment is focused on non-affected employees not covered by the requirement of earning more than the minimum wage rate.

Mostly all the participants have indicated that salary revises due to minimum wage requirement does not influence the employer to revise salaries of the employee's who earning above minimum wage.

According to Participant 4, they have decided to continue with the standard increment based on performance criteria. Besides that they have adjusted salary for technicians together when the company revising the minimum wage. Participant 4 stated that,

“ Even though the cost increase after minimum wage, management has decided to give increment since within the forecast budget. We also have adjusted technicians salary together with minimum wage revision. This group of employees are earning very close with minimum wage group. So, management has decided to increase their salary to avoid dissatisfaction ”.

Impacts Working Hours

Majority of the participants indicated that they reduced the overtime hours or has controlled the overtime hours after the implementation of the minimum wage. Base on

the overtime rate calculation as required under employment act 1955 if employee earned salary below RM2,000 or manual workers shall be entitled to overtime as follows.

Table 4.3

Overtime rate calculation

Working Hours	Payment Rate
Normal working days after excess 8 hours of standard working hours.	1.5 rate x hourly rate of pay
Rest day but working normal working hours	If work is not exceeded half his normal hours of work: ½ the ordinary rate of pay for work done on that day. Or If work is more than half but not exceeded normal hours of work: 1 full day's wages at the ordinary rate of pay. Or 1.5 days wages at an ordinary rate if work full normal working hours.
Rest day but excess normal working hours	2.0 rate x hourly rate of pay
Public Holiday, but working normal workings hours	2 days of wages at an ordinary rate of pay
Public holiday – Excess of normal working hours	3x hourly rate of pay

Source: Employment Act 1955

Companies have taken cost control measure by control the overtime hours. This highly supported by the participants 1 (P1).

“Before the implementation of minimum wage we are flexible in managing the overtime hours. Some employees using maximum entitlement of 104 hours per month to perform over time based on production needs. Yes, obviously when basic high overtime payout is much higher, for employees will be good however, it is not healthy situation for employer. (Participant 1, personal interview, January 5, 2019).

Supporting the above statement participant 6 (P6) agreed that;

“Yes, we have decided to control the overtime as immediate measure to control the operation cost. It very crucial for our company after cost impact created by minimum wage. For management is compulsory measure to control the labour cost at the same time we ensure it is not affecting our output. However, most employees are not happy when we control OT since it affected their total income”. (Participants 6, personal interview March 20, 2019).

Employee motivation and Productivity

Mostly all the participants are agreed that minimum wage has created better job satisfaction and motivation to employees. Mainly the affected group within the minimum wage enjoying the salary revise but the non-affected group did not get the same impact. However, the study indicates that participants 4, 5 and 6 in their company has adjusted other categories employees' salaries together with minimum wage revision. The study is showing that demand for salary increase involving non-effected group which lead employer adjusting their salaries. This showing mostly the company does not face many difficulties in implementing minimum wage or adjusting employees' salaries overall.

Participant 4 (P4) agreed that employee motivation getting better after the salary revision made and had created a positive vibe at the working place.

“ I am observing the salary revision has given a positive impact on employees. Most are happy with the changes. It motivating them and create better productivity”. (Participants 4, personal interview, January 21, 2019).

Supporting the above statement, almost same feedback has given by participants 5 as follows. “ *They are certainly happy when salary increased. It has created positive impact to overall company*”. (Participants 5, personal interview, January 20, 2019)

4.4 Significant challenges faced by the organization

Generally, all the participants had indicated that the minimum wage had given a negative impact on their business. The main reason is due to the manpower cost significantly increased and affecting the overall operation cost, and finally, it has affected their profit margin due to high operation cost.

Operational Cost

Referring to the study summary, except the participant 2 (P2) all other participants have indicated that facing financial constraints in implementing the minimum wage requirement in their company. P2 does not face much impact since a total employee who falls under the minimum wage requirement is only six employees from their total of headcount 450 employees. Thus, P2 does not face any financial constraint that even though the manpower cost has increased.

According to Participant 1 their manpower budget affected due to government intervention to decide the salary. Participant 1 stated that,

“ *We did not budget the huge differences in salary increment. We are facing difficulties to implement within a short period which affecting profit margin of company. Other*

employees who earning above than minimum wage started to complain by comparing percentage of increment decided by company and by law. Its great challenge for us to convince and satisfied the employee's demand". (Participant 1, personal interview, January 5, 2019).

Participant 6 are from SME. They faced a tough time to manage the increasing labour cost after the minimum wage implementation. Participant 6 stated that,

" My company unable to manage the increased cost. We are almost to close down our business since we are unable to cope up with the requirements. We discontinue foreign workers and slowly replaced with local. Our profit margin highly affected" (Participants 6, personal interview March 20, 2019)

Supporting the above statement participants 7 has stated that,

"We are facing financial constraint in recruiting new employee since headcount budget restricted by the management. We are also facing a tough time to justify the non affected group of employees and their demands for equal percentage of salary increment as minimum wage. The salary gap between lowest earner and middle-range become less after the changes. This created difficulties to us especially to manage the senior employees".

4.5 Conclusion

Table 4.4

Summary of the result

Detail /Participants	P1	P2	P3	P4	P5	P6	P7
The company falls under the Minimum wage Requirement	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total Headcount	800	400	1400	2800	170	140	3300
Total employee falls under requirement	200	6	260	2417	77	98	1415
Financial Constraint in the implementation of minimum wage	Yes	No	Yes	Yes	Yes	Yes	No
Profit margin affected	Yes	No	No	Yes	No	Yes	Yes
Reduction in normal working hours	No	No	No	No	No	No	No
Reduction in Overtime	Yes	No	No	No	Yes	Yes	Yes
Affected employees benefit or allowances or bonus	Yes	Yes	No	No	Yes	Yes	No
Affected yearly increment	No	No	Yes	No	No	Yes	Yes
Increase employee's motivation	Not Sure	Not Sure	No	Yes	Yes	Yes	Yes
Caused company to adjust non-affected category employee's salary	No	No	No	Yes	Yes	Yes	No
Increase Productivity	No	No	No	Yes	Yes	Yes	Yes
Increase of the labour cost	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reduce Hiring Local Employees	No	No	Yes	No	Yes	No	No
Reduce Hiring Foreign Employees	No	-	-	No	-	Yes	Yes
Closure subsidiary company / Branch	No	No	Yes	No	No	No	No
Other Step to reduce the Cost impact	No	No	No	Yes	Yes	Yes	Yes
Overall impact to organization	Negative	Not significant	Negative	Positive	Negative	Negative	Positive

Overall, based on findings can conclude that companies faced minimal challenges to implementing a minimum wage due to the increase of manpower cost. The main challenges are to minimise the cost to maintain their profit margin is not affected. However, SME had faced a tough time to manage the increased cost since their financial capabilities and high labour-intensive. SME's unable to replace the labour-intensive immediately with limited technology and cost factor.

Findings show that the domino effect of manpower cost affected other parts of the organisational function. Even though companies are not retrenched their employees after the minimum wage implementation but has taken measure to control or restructure job. Companies maintain the manpower to ensure continues productivity. Some participants have taken steps to monitor or controlled foreign labours hiring. But MNC maintained their total headcount including foreign workers. Control measure on foreign labour can be seen positive in SME it could be due to restriction made by government stop employer from deducting levy after minimum wage implementation.

Study indicates in terms of the compensation and benefits specific control measure were taken by participants when the companies started to substitute the increased labour cost by modifying benefits and control overtime hours, bonus payout or salary increment.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.0 Introduction

The study is reconfirmed back Yusof (2016), wherein Malaysia before the implementation of the minimum wage act in the year 2012, and the lowest salary is below than RM800.00 or below the poverty rate. According to a study conducted by the ministry of human resource in the year 2009, about 30%-40% of workers are paid below RM700.00 (Mahyut, 2013). Thus, the objective of NWCC to reduce the poverty rate through government intervention can be seen as appropriate.

Further, Referring to the ILO convention No. 131 on minimum wage (1970), specify that the minimum wage should not be lower than the poverty rate of the country. The minimum wage Act of 2012 covered both local and foreign employees. This has given advantages to foreign employees to gain the same benefits as local employees and protected from any exploitation by the employer. However, NWCC intends to reduce the dependency of foreign workers and encouraged full utilisation of local skills to avoid cheap foreign labour practice at the same time to a fulfilled requirement set by ILO to ensure fair wages to all. ILO Convention No. 100 is required equal remuneration for all and Malaysia rectify through NMW policy.

Before the implementation of NMW, the employers have authority and flexibility and decide remuneration according to their budget to ensure high-profit margin (Mahyut, 2013). In this study, there is a mixed review given by participants regarding the impact created after the NMW in their organisation. The findings collected from a total of seven

participants. Total 4 participants have indicates that NMW has created a negative impact on their organisation due to the incurred cost after salary revised.

From study total of two participants had indicated that the minimum wage had given a positive impact on their organisation. The participant stated that, employee motivation has to lead to better productivity can be seen as a positive outcome here. Besides that, strong financial capacity and high demand, which lead to more productivity is the main reason for them to view minimum wage as positive.

5.1 Impacts of the implementation of the Minimum Wage

The minimum wage has increased the cost of the operation and many domino effects caused by the increased cost. Based on the statistics by NWCC (2016), there is no report on retrenchment or business closure; however, the organization has indicated that control measure has been taken on manpower. The Manpower restricting is very obvious at SME, where new hiring for the foreign employee was stopped and replaced with local. Some organization has implemented job restructuring or multi-skill control the manpower or to maximize the usage of resources.

Its agreeable compensation package has contributed high cost for the employer. This can be substituted by the technology but not possible for an immediate change. The study indicates modification made in the compensation package after NMW. Majority of the participants has modified their compensation package after the NMW implementation. Company has to try to maintain the working hours and productivity; however, mostly has controlled the overtime hours. Even though the is significant impact due to cost

increased, but the organization had modified the structure on compensation and benefit to reduce the total operation cost.

Based on the study, it is confirmed that all the participants have agreed that minimum wage has increased their manpower cost and operational cost. The employer shall absorb the increased cost after the implementation of the minimum wage (Theh, Sum, & Michelle Lee, 2014). However, mostly, the participants have taken measures and step to overcome the significant cost increase. According to MAH (2013), the study conducted in hotel industries indicates that the labour cost has increased between 29% - 30% after implementation of NMW.

The study outcome shows that the company has taken action by reducing benefits such as bonus, allowances, reducing the overtime hours, reducing the headcount and closing their subsidiaries or branches. Referring to Vally & Samihah (2015), even though the employer fulfilled the minimum wage requirement set by the government but the companies using a specific method to modify the incurred cost by reducing the employee benefit. According to Butcher (2012), modifying or reducing the benefit is contradicts with the actual purpose of the minimum wage.

Employment

Based on the neoclassical theories indicates that government intervention by increasing salary by minimum wage tool can contribute to employment issues. This happened when government intervention affecting the market force which based on supply and demand. However, there no any general conclusion to confirmed the Neoclassical labour market

theories (Simon & Kaestner,2004). During the interview with all seven participants interview was conducted to understand the impact on employment after the implementation of the minimum wage in their companies. Referring to the similar study on UK and china indicates that minimum wage in the UK does not give any impact on employment, however, referring to study conducted at China showing employment uncertainty (Charles.S et al.,2015). However, a minimal level impact on employment has been in hotel industries in Langkawi (Ahmad.R et al.,2016).

In this study, participant 6 are manufacturing under category SME. SME contribution is vital for the economic development of developed or developing countries (Hamid et al., 2006). Force factor by implementing minimum wage at SME's can give pressure for manpower reduction (Fang & Lin, 2013). From the study, participant 6 (P6) has indicated that the foreign employee hiring was reduced or stopped after the implementation of the minimum wage. According to information by participant 6, the company is small & medium industry (SME) with total employees about 140. They had decided to reduce the foreign employees due to financial impact after the requirement of the minimum wage, and they failed to get an exclusion from government. Due to cost factor, P6 has decided to stop hiring foreign employees and replaced with local employees. The outcome of the studies shows a similar result, as indicated by (Fang & Lin, 2013).

Besides P6 others continue with foreign employees hiring or remain with the same headcount. Same feedback has given by Participant 7 (P7) where they had decided to restructure the total manpower for each store and department as the wages spending need to be aligned with budgeted costing and not overspending the given budget. R7 has reduced foreign employee at the same time restructure specific job scope and introduce

multi-tasking. According to P7, they are encouraging the employment of local employee rather than foreign and sustain the foreign labour dependency at a minimal level only from 15% - 20% in their overall organization.

Based on the answer from participant 3 (P3) they have decided to close down stores which failed to give profit after manpower cost increased. At P3 headcount reduction and redundancy made after the selected store closed since manpower cost increased affected the profit. According to a survey conducted by Bank Negara (2012), from total 232 firms who participated in the survey almost 90% of the participants has indicated that the minimum wage will not lead to retrenchment, but balance 25% of the companies have indicated will lead to the manpower reduction (BNM, 2012).

However According to study conducted by Card & Krueger (1994), Based on the study conducted in New Jersey after the implementation of minimum wage focusing in to fast food sector shows that the employment opportunity at fast food restaurant around the area has been increased. Bank Negara study covered all the sectors without restricting any location; however study by Card & Krueger (1994), focus to fast food industries at the specific location had shown positive indicator towards employment.

In this study, the feedback shows that the employment of foreign workers moving down meanwhile local does not impact much. This is a good trend towards utilisation of local employees and reducing foreign dependency as aimed by the government.

Some participants had indicated they had taken a different approach in managing the increased cost after minimum wage without affecting employee's benefits. Participant 7 (P7) explained that they had restructured the total manpower for each store and had

introduced the multi-skill approaches and restructure the existing job scope according to the multi-skill requirement. By doing this, they able to reduce the headcount at the same time maximize the manpower utilization. Mainly all the staffs including at headquarters were given training in customer service and cashiering.

For example, the storekeepers trained to do cashier or customer service job. Thus, whenever shortage in cashier happens due to resignation, absence or during the peak hours, the storekeeper able to replace the task and support the cashier team. Multi skill or multi-tasking is one of the excellent remedies in labour-intensive industry to reduce headcount without affecting productivity. Beside advantage of employer multi-skill approach can help equipped employee with more skill and competency and provide the opportunity to explore new different skills.

Operation Cost

Participant 4 (P4) indicates that, implementations of minimum wage do not give high financial impact to them even though there is an impact to profit margin. To address the issue, they have decided to revise their sales target. The target for sales has been increased in order to achieve a high-profit margin.

Participant 6 (P6) have indicated that, they focused more or strictly on quality aspect after the implementation of the minimum wage. For them, the quality defect will create a more high cost to the company. P6 has taken strict measure, including punishment to employee proven negligence causing the quality defect by deducting the incurred cost from employee's salaries. This deduction can be unlawful if done without getting approval

from the director-general labour department. All the deductions need to be done as required by Employment Act 1955 and if any additional deduction rather than specified in section 24, the employer must obtain approval.

Fringe benefit

Most of the participants have modified or restructured their Bonus, incentive or allowances pay-out after minimum wage implementation. It looks like the burden of the cost diverted back to the employee, defeating the actual purpose of the minimum wage implementation (Vally & Samihah, 2015). When controlling cost due to minimum wage, many participants answered that their company has revised the bonus payout, incentive or allowances due to the minimum wage. Based on previous studies stated that benefits lost after minimum wage significantly high than increase wage (McKenzie, 2014).

Majority of the participants has revised their bonus payout to reduce the manpower cost. According to participant 6 (P6), before the implementation of the minimum wage, their company paid two months annual bonus regardless of the performance rate. However, the bonus structure has been changed at P6 to performance-based bonus payout after the implementation of the minimum wage.

Participant 3 (P3), is the retail company their bonus payout is based on performance-based there is no any reduction made. However, they had adjusted their sales incentive to adjust the operational cost. The percentage of the sales incentive revised lower than

actual to substitute the manpower cost. Before the implementation of minimum wage in Malaysia, mostly sales-based job offered salary below the poverty rate but with attractive sales incentive rate. This agreed by the P3 and as their sales strategy before the minimum wage. Attractive sales incentive is used to motivate the salesperson to make better sales and earn a high salary. However, the consistency of the high salary at a sales job depends on marketing strategy and product demand besides the sales skills.

Salary Increment

Many participants stated that, they are continuing giving yearly salary increment without clarifying much on the percentage of the increment. However, salary increment is focused on non-affected employees not covered by the requirement of earning more than the minimum wage rate.

Mostly all the participants has indicated that salary revises due to minimum wage requirement does not influence the employer to revise salaries of the employee's who earning above minimum wage (Ripple-effect demand). Referring to the study conducted by Malaysian hotel association (MAH, 2013), Many senior employees has raised the concern as unfair treatment by the employer since junior employee more benefiting by the policy since the salary gap between two groups become very close or same.

Based on the interview, few participants stated the unaffected employee's salaries had been adjusted through the yearly increment not immediately with minimum wage due to budget constraint. However, participant 4 (P4) informed that beside adjusting minimum wage as required by Act at the same time, they had adjusted their technician salaries who

earned above the minimum wage. The adjustment has been done without any demand from the employee but to ensure the salary gap is maintained and to motivate the employees. Further P4 has continued their yearly increment practice without any financial constraint during the implementation of NMW.

According to participant 3(P3) and participant 7 (P7) has indicated that their yearly budget for increment has affected after the minimum wage implementation. Thus, P3 and P7 had controlled the increment or modified it based on performance base. It's standard practice that, the salary increment in private sectors sole the discretion of the company based on profit and manpower budget and business demand. Thus, no fixed ruling available to decide salary increment the salary in the private sector except the NMW policy has intervened to improve the salary structure.

Working Hours

Majority of the participants indicated that they reduced the overtime hours or has controlled the overtime hours after the implementation of the minimum wage. Base on the overtime rate calculation as required under employment act 1955 if employee earned salary below RM2,000 or manual workers shall be entitled to overtime.

Mostly low-income employees depend on overtime to earn a better monthly salary. According to Act, an employee can work 8 hours as normal working hours and a maximum of 12 hours per day. Meaning and employee can do extra working hours maximum of 4 hours per day. Based on the requirement, an employee can perform overtime not more than 104 hours per month. The increment of wages can give a

significant impact on total employee income after overtime. The calculation of overtime rate as per the table below;

Based on the table above, the overtime rate calculation is based on the ordinary rate of wages. If minimum wage increased, it is benefiting the employee to earn more, but it is increasing the production cost. It is showing the cost of overtime is much higher compared to minimum wage cost and it is creating more salary cost after the minimum wage implementation. However, referring to participant 4 (P4) is a manufacturing company, and 2,417 employees salary has been revised due to minimum wage requirement, but they did not reduce their overtime hours due to production demand is high. However, the rest of the participants controlled or reduce the overtime as a measure to minimise the cost impact. However, usually for companies, the requirement of the overtime is based on production needs rather than other factors. According to Addison, Blackburn & Cotti (2009), based on their study at retail sectors, found that there is a significant impact in the reduction of working hours after the implementation of the minimum wage.

Motivation and Productivity

Employee motivation is crucial to ensure better productivity. According to Herzberg's motivation-hygiene theory, salary and company policy can affect the employee motivation level and productivity (Herzberg, 1968). Minimum wage certainly a good instrument and an advantage to employee towards better job satisfaction and motivation. NMW has reduced the burden of the employee to search alternate employment increase

their earning due to their fundamental needs, and it will create the better strength and focus on motivating an employee more towards productivity (Mahyut, 2013).

Mostly all the participants are agreed that minimum wage has created better job satisfaction and motivation to employees. Mainly the affected group within the minimum wage enjoying the salary revise but the non-affected group did not get the same impact. However, the study indicates that participants 4, 5 and 6 in their company has adjusted other categories employees' salaries together with minimum wage revision. The study is showing that demand for salary increase involving non-effected group which lead employer adjusting their salaries. This showing mostly the company does not face much difficulties in implementing minimum wage or adjusting employees' salaries overall.

Most of them agreed that it has helped increase the productivity of the company. Based on the study conducted by Bank Negara (2012), the minimum wage can increase employee welfare of this country since the growth of real wage before 2013 is below than productivity level and lower the labour participation in economic. Labour productivity in Malaysia in the year 2000 to 2008 is 6.8% compare to the real wages growth is 2.6% (Ibrahim & Said 2015). This is indicating that employee's motivation and job satisfaction significantly positive if real wages increased and contributed towards better productivity.

5.2 Significant challenges faced by the organization

For the employer, the more significant challenge in implementation NMW is cost. In the beginning, many organization has raised concern regarding business closure or retrenchment. However, after implementation of NMW, measures taken by the employers

to minimize the impact. Based on the study by NWCC, the increased cost has been shifted by adjusting their product price but does not lead to any extreme issues such as bankruptcy or business closure.

Based on study within organizational level indicate that minimal cost increase existed after the implementation of the minimum wage. However, the modification made to reduce the impact. Most of the company has made minimal adjustment in compensation and benefits structure and shifting the cost burden by reducing the benefit.

However, NWCC has agreed that some difficulties faced by the “*Micro employers*” in implementing NMW since most of the small business does not generate high income. However, the government does not exclude the micro workers from NMW since they are vulnerable group and their welfare need to be protected.

5.3 Recommendation

Studies have indicated employer modifying compensation structure to ensure labour cost within their budget (Vally & Samihah, 2015). However, it indicated as minimal does not impact much on the net income. Referring to a study conducted by NWCC, majority of the employer does not experience changes in hours of work or overtime after NMW implementation. However, in this study, we can observe most of the participants are mostly agreed that they have control the overtime after NMW.

Even though overtime is based on production needs and manpower availability but due to the increase of minimum wage it can create higher cost than before. In the sales industry, the income is depending on the sales incentive rather than basic wages. In this study, a

participant from retail industries stated that sales incentive percentage modified after NMW.

Net Income

The study needs to be conducted to understand the employee's net income before and after the implementation of the minimum wage. It is agreeable that minimum wage has increased the basic wages, but there is adjustment done by the majority of employers in term of overtime in manufacturing or sales incentive in the retail sector.

Majority of participants during the interview explained that their company has reduced the overtime or control it. Generally agreeable that, when the basic wage is increased overtime rate will increase too. However, when overtime controlled or reduced, it will affect the net pay of the employee. Overtime is crucial for low income or unskilled workers. Most of them are depending on overtime to gain better monthly income.

The findings indicate that additional income gained from overtime has been affected after the implementation of the minimum wage. For employer controlling overtime can be the right measure to reduce the cost. However, again, it also depends on the demand for production. When production demand is high, it will indeed require additional working hours or manpower to fulfil the volume. However, most of the employer has seen controlling over time as an essential tool to control the increased cost.

Controlling or reducing overtime hours can give a direct impact on the net income of the employee. If the net income is reduced, it means it has defeated the purpose of the minimum wage. According to McKenzie (2014) explained that many employees do not aware of the benefits lessen after implementation minimum wage is higher than before.

In the retail sector during the interview, the participants answered that before the implementation of the minimum wage, basic salary is lowest as RM600.00. However, the employee was given an attractive sales incentive structure to encourage and motivate their employee to make better sales and earn a high income. Herzberg's motivation-hygiene theory explained that, high salary and company policies as among the factors which lead to dissatisfaction among the employees (Herzberg, 1968). In sales-oriented industries, the incentive becomes carrot to encourage the employee to perform better sales in order to earn a high salary.

As explain by Participant 3 from the retail industry, after 2012, the company has decided to restructure the sales incentive scheme in order to absorb cost after basic wages increased. By doing this, the employee will earn less incentive compare to previous structure with an increased basic salary. Its need to be aware that, in sales industries, the motivation factor is not depending on basic salary but incentives gained from sales.

As a conclusion, we can confirm that minimum wage has increased the basic wages. However, the modification made by the employer in pay structure has reduced the income gained by the employee from overtime or sales incentive. The pay structure is under the employer authority to decide in according to production needs and profit margin. However, it has hidden affect the total income receives by the employee. However, it is uncertain whether it has reduced the net income of the employee or not. Further study needs to conduct to justify the positive changes in net salary.

Small and Medium Industries (SME)

Small and medium industries are playing a vital role in developing countries economic. The minimum wage has a minimal adverse impact on SME than bigger companies. SMEs Dependency on low skill or unskilled workers is high. Most of the SME's are labour-intensive and the employers enjoyed the flexible payout before the national minimum wage implementation. Labour-intensive industries had affected more in term of cost increases due to the nature of industry and dependency on foreign employees (Mahyut, 2013). A study by NWCC stated that Micro employers are facing difficulties since they are a small business with low income.

Referring to the study findings, participants 6 (P6) are SME manufacturing company. The minimum wage has highly impacted them and has given financial constraint. Based on the interview, the participants informed that the company had reduced or controlled the new hiring to reduce the increased labour cost. Due to the high basic salary and foreign workers, levy made R6 to reduced dependency on foreign labour. P6 has decided to control their manpower budget and replaced the foreign workers hiring to the local employee since profit margin highly affected. Studies impact minimum wage on SME's indicates that there is a significant impact (Charles.S et al.,2015), (Arrowsmith.J et al.,2003), (Ahmad.R et al.,2016).

Since most of the SME's are labour-intensive based, Government needs to use different mechanism's to support SME to ensure sustainability and new growth. The minimum wage has given an adverse impact on the growth of SME than will discourage employment in SME or productivity. SME cannot change labour-intensive to technology

immediately or reduce workers replaced with existing workers by enhancing skill (Arrowsmith.J et al.,2003). SME's with the limited manpower need to modify their wage structure for future sustainability.

5.4 Conclusion

The study indicates that there is minimal adverse impact created after the implementation of NMW. The adverse impact may be for short term not much long term impact. According to NWCC, they do not have any data regarding the retrenchment or business closure after the implementation of the minimum wage. There is mitigation action has been taken by each organization to reduce the cost beside modifying benefits for long term many companies taken the initiative to maximise their output and increase their sales target. This has been stated in this study how the organization has taken action to moderate the cost impact. But not any organization indicates to close the business in future.

The NMW policy has controlled the power of the employer to decide the wages based on the market forces. Previously employer has authority and freedom to decide wage based on sector or location. Before NMW rural area salary it is much lower compared to the same job in urban area. This done with the assumption rural area cost of living less than urban without considering fair salary practice. This can be seen in salary fringe study by private sectors which will be based on location. In Malaysia, the major cities like Kuala Lumpur, Penang, and Johor Bahru will be given salary higher than rural states such as

Sabah or Sarawak. Further, the beginning of NMW implementation minimum wage set in east Malaysia and west Malaysia not same.

Differences in wages based on location for the job, which required the same job skill and burden is against the fair salary practice. Implementation of NMW has ensured the fair wage practice to reduce the exploitation, which previously decides by location or citizenship. For the company, these indirectly reduce the intervention of union. At the same time has created a better structure to modify the salary to improve the competitive level within the same industry and encourage staff retention and motivation towards better productivity.

The study also indicates that Employers started to use multi-skill / task to maximize the resources by maintaining the existing headcount. It is a good move towards skill development; however, the employer shall give a reasonable burden to the employee since the high volume of multitasking at a busy environment can make employee dehydrate lead to work stress. Employee shall need to have the right manpower planning to avoid the maximum exploitation of manpower.

Study indicates that many labour-intensive sectors intake of foreign workers had significantly reduced. Participants participated in this study confirmed that the organization had taken the initiative to reduce the foreign workers and replaced with local. It is a good signal for the government since NMW encouraging employment opportunity for locals instead of foreign workers.

Besides that through the NMW employee's basic salary has increased above the poverty line, which enhances the wealth redistribution. Overall the study shows mixed review

from each participant, and there are similarities too. Since the study focus impact on the organization, besides employer, we also observed reaction by the employee. For employee has created positive vibes by increasing their motivation towards better productivity. Study conducted by Tang (2018), confirming that labour productivity in manufacturing interrelated with real wage.

The study has a limitation since the data collected from 7 participants cannot be generalized as a macro-level outcome. More specific studies are required regarding NMW with more significant samples involving nationwide to get an accurate result.



REFERENCES

- Addison J.T, Black M.L & Cotti C.D. (2009). Do minimum wage raise employment? Evidence from US retail sectors, *JEL Classification*, 1-31.
- Akerlof & Yellen (1990). The Fair Wage-Effort Hypothesis and Unemployment. *In Quarterly Journal of Economics*, 105(2).
- Arrowsmith, J., Gilman, M.W., Edwards, P. & Ram, M. (2003). The impact of the national minimum wage in small firms. *British journal of industrial relation*, 435-456.
- Ahmad, R., Zainol, N.A., Omar, H (2016). The impact of minimum wage order on employment in Langkawi Hotels, *The social science 11, Special issue (6)*, 7172-7177.
- Atkinson, R. (2018, February 12). Democracy A Journal of Ideas, Summer 2018, No 49. Retrieved from <https://democracyjournal.org/magazine/49/the-pro-growth-minimum-wage/>
- A. Walters (1998) 'Why the minimum wage is no picnic', *Chartered Banker*, April, 17-21.
- Bank Negara Malaysia (2013), Annual Report 2012. Bank Negara Malaysia Kuala Lumpur.
- Butcher, T. (2012). Self evidence based? The role of policy evaluation in recession and beyond: The case of the national minimum wage. *National institute economic review*, 219.

- Card, D., Krueger, A.B. (1994). Minimum Wages and Employment : A case study in fast food industry in New Jersey and Pennsylvania. *The American Economic Review*, Vol 84 (4), 772-793.
- Charles, S., Parasuraman, B., Kilfi, B.C. (2015, February 20-21). *Effect of minimum wage : the Malaysian Perspective*. Paper presented at the conference The 1st SOSEIC 2015 Palembang-Indonesia.
- Creswell, John W. (2013). *Qualitative inquiry and research design: Choosing among five Approaches*. 3rd edition. Thousand Oaks, CA: Sage.
- Department of Statistics Malaysia (2006), House Hold Income Survey 2005. Malaysia, PutraJaya.
- Del Carpio, X., Messina, J., & Sanz-de-Galdeano, A. (2014). *Minimum Wage: Does It Improve Welfare in Thailand?*. IZA Discussion Paper.
- Employment Act 1955
- Fariza Hanim Rusly, Yurita Yakimin Abdul Talib, Danilah Salleh. (2017). *The impact of minimum pay implementation on small businesses operating cost and sustainability: A case of service business*. SHS Web of Conferences 34.
- Fang, T., & Lin, C. (2013). *Minimum wages and employment in China*: IZA Discussion Paper.
- Ghani, N. (2016). The impact of minimum wages on small business , workers and employment in the United States. *The social science*, Vol(6). 10
- Hamid, A., Bakar, A., Baharun, R., & Hashim, N. H. (2006). Comparative analysis of managerial practices in small medium enterprises in Malaysia. *Jurnal kemanusiaan*, Vol (8), 34-45.

Herzberg, F. (1968). One more time : How do you motivate Employees ? Harvard business School.

Harvard Business Review.

Hameresh, D.S. (1995). Labour Demand and the Source of Adjustment Costs. *The*

Economic Journal, Volume (105), Issue 430, 620-634. Retrieve from <https://doi.org/10.2307/2235021>

Ibrahim, N.A, & Said, R. (2015). The Implementation of the National Minimum wage in

Malaysia. *Journal of economics, Business and Management*, Volume (3), No.1.

International Labour Organization (ILO) Resolutions Concerning International

Classification of Status in Employment Adopted by the 15th International Conference of Labour Statisticians, January 1993, para 8.

Johnson, R. B., & Christensen, L. (2008). Educational research : *Quantitative and*

qualitative, and mixed approaches. 3rd edition. Thousand Oaks, CA:Sage.

Low pay commission (2001). The National minimum wage. Making difference.

Low pay commission, 3(1). Retrieved from

<http://webarchive.nationalarchives.gov.uk/>

Leonard, T.C. (1999). The Very Idea of Applying Economics: The Modern Minimum

-Wage Controversy and Its Antecedents. 118-140.

MacKenzie, R.B.(2014). Why are there so few job losses from minimum-wage hikes?

Retrieved from <http://www.ncpa.org/pub/st354>

Mahyut, S.M. (2013). Minimum wage in Malaysia: The challenge on the implementation

of the law. *International Journal of Business, Economic and Law*, Vol (3), Issue 3, 30-37.

Marginean, S., & Chenic, S. A. (2013). *Effects of raising minimum wage : Theory, Evidence and Future Challenges*. *Procedia Economics and Finance* 6. 96-102. Paper presented at International Economic Conference of Sibu 2013 Post Crisis Economy : Challenges and Opportunities, IECS 2013. Retrieve from www.elsevier.com/locate/procedia

Metcalf, D. (2007). *Why has The British National Minimum Wage Had Little Or No impact On Employment?*. CEP Discussion paper No 781.

Mohd Zaini Abd Karim, Sok, G. C, & Sallahuddin Hassan. (2016). Minimum Wage Policy and Country's Technical Efficiency. *International Journal of Economics and Financial Issues*, 6(4), 1729-1735.

M. Yosuf Saari, M. Affan Abdul Rahman, Azman Hassan, Muzafar Shah Habibullah. (2016). Estimating the impact of minimum wages on poverty across ethnic groups in Malaysia, *Economic Modeling*, (54), 490-502.

National Minimum Wage Consultative Council (2016). Implementation of Minimum Wages. Secretariat National Wages Consultative Council, PutraJaya. Retrieved from <http://www.mohr.gov.my>.

Nurhani, A. B., & Rusmawati, S. (2013, Jun 7-9). *Public policy in an era of economic transformation: challenges and prospects*. Paper presented at the 8th National Conference of the Malaysian Economy (PERKEM), Johor Bahru, Malaysia.

Riley, R. & Bondibene, R. (2015). *The impact of the national minimum wage on UK business*. National Institute of Economic and Social Research and Centre for Macroeconomics.

- Shamsudin, B. (2018, November 15). Tie wage increase to skill. *The STAR online*.
Retrieved from <https://www.thestar.com.my/opinion/letters/2018/11/15/tie-wage-increase-to-skill/>
- Simon, K. L., & Kaestner, R. (2004). Do minimum wages affect non-wage job attributes? Evidence on fringe benefits. *Industrial and labor relations review*, 58(1), 52-70.
- Tang, F. C. (2018). The non-monotonic effect of real wages on labour productivity New evidence from the manufacturing sector in Malaysia.
- Teh, C. G. Sum, K. M., & Lee, M. S. (2014). *An initial review of the implementation of The Malaysian Minimum Wage Order. A case for the win-win intention , Implementation and enforcement*. Paper presented at the conference of Australian Academy of business and social sciences, Kuala Lumpur, Malaysia.
- Vally Senasi, & Samihah Khalil. (2015). Implementation of minimum wage policy in Malaysia : Manufacturing Employers perceptions of training provision and fringe benefit. *Internation Journal of Himanities & social Science*, Vol (5), No.12, Dec 2015.
- Zulkifly Osman, Zakariah Abdul Rashid & Khalid Abdul Hamid. (2012). Minimum wage policy with special reference to Malaysia. Retrieved from <http://www.mier.org.my/presentations/archievepdfrestore/presentations/archives/pdf/Drzul.pdf>.