

**A STUDY ON THE MODEL FOR THE MINIMUM WAGES ACT IN
MALAYSIA AND ITS IMPLICATION TOWARDS MALAYSIA'S LABOUR
LAW**

By

Mohamed Azhar Shah bin Zainal Arif (2008744229)

Nur Ain binti Mohamad Salleh (2008360689)

Wan Arissa binti W. Rosli (2008789223)

Submitted in Partial Fulfilment of the Requirements for the Bachelor in Legal Studies
(Hons)

University Teknologi MARA

Faculty of Law

April 2011

The students/ authors confirm that the work submitted is their own and that appropriate credit has been given where reference has been made to the work of others.

ACKNOWLEDGEMENTS

All praise to Allah subhanahu wa Ta'ala whose help and guidance had given us the patience, courage, strength and grace to bring this project paper into completion within the time that was given.

We also wish to express our utmost gratitude to our project paper supervisor, Miss Ummi Hani for her significant guidance, suggestions and advice. Her generous encouragement had played an enormous role during the preparation of our work. We are profoundly grateful for her constructive comments and for kindly having much patience awaiting the final draft of our project paper.

Mr. Rusli Baharum, the senior officer from the Labour Department is also one of the people we would like to give our sincerest thank for providing us with much needed information on the labour law in Malaysia based on hands-on experiences and understanding of how the Malaysian law governs labour law. He also had imparted his immense knowledge and opinions on what worker in Malaysia are facing on a day to day basis.

Finally, a respectable appreciation goes to our family, friends, including those who have assisted us whether directly or indirectly via implied persuasion and understanding throughout the writing of this project paper.

Any shortcomings of this project paper are entirely our responsibility. Without any help of all the persons mentioned, we would not have been able to work through this project paper gracefully.

ABSTRACT

The issue of implementation of minimum wage for the worker in Malaysia has been debated for quite some time. Few campaigns have been organized to call for the government to consider this matter relating to the rights of the workers in the country. Everyone should be given the opportunity to live a balance lifestyle and free from exploitation and this can be achieved by imposing a suitable minimum wage for the workers regardless of any form of discrimination. This paper is aimed to find a suitable model or system of implementation of minimum wage to be adopted in Malaysia by comparing it to the system in few other countries like United Kingdom, Australia and also India.

This research is focusing on the adequacy of Wages Council Act 1947 and Employment Act and comparison of these Acts with another country. This project touched about laws and its components. The qualitative type of research, semi-structured interviews and library-based internet research had been used as a method in conducting this research in determining the weaknesses and practicability of the laws.

The importance of literature review is to get a better understanding of the topic to achieve the objectives of this study. In addition, it helps to get more information such as from paper cutting or articles. The proposed outcome from this research is we expect to find out solutions to handle this issue from getting worst in our country.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION	1
1.1 Introduction	2
1.2 Problem statement	5
1.3 Literature review	7
1.4 Objective of study	12
1.5 Research methodology	12
1.6 Scope and limitation	13
1.7 Significance of study	13
CHAPTER 2: VIABLE MODELS OF MINIMUM WAGES	14
2.1 Introduction	15
2.2 Minimum wages in United Kingdom	18
2.3 Minimum wages in India	21
2.4 Minimum wages in Australia	26
2.5 Conclusion	31
CHAPTER 3: IMPLEMENTATION OF MINIMUM WAGES ACT	22
3.1 Introduction	33
3.2 1996 Minimum wage campaign	34
3.3 2007 Minimum wage campaign	35
3.4 Recent development on minimum wage in Malaysia	37
3.5 Suggestion of adoption of Australian Fair Work Act	39
3.5.1 Legal Framework	40
3.5.2 Authority	43
3.5.3 Proposed amount of minimum wage	47
3.6 Conclusion	48

1.1 INTRODUCTION

Malaysia has long prided itself as a model of ethnic harmony. Up to July 2009, there are about 25 million people in Malaysia from diverse backgrounds and races.¹ It can be said that in diversity there is unity because in Malaysia all the races work and live together. Malaysia is a country of more than 20 million located at the southernmost tip of mainland Asia.² Besides being a leading exporter of commodities such as natural rubber, tin, palm oil, timber, petroleum, and natural gas, Malaysia is also one of the world's leading exporters of electronic semiconductors, room air-conditioners, and audiovisual equipment.³

Prior to July 1997, Asia was seen as region illustrates success in economic growth and development. Between 1991 to 1996, the Malaysian economy grew at an average rate of more than 8%.⁴ In 2000, Malaysia had a workforce of slightly above 9 million. About 60% of the workforce was below 35 years of age. Union members accounted for about 8.15% of the labour force.⁵ Unemployment was reported at 3% of the labor force, and there were 2.06 million foreign workers in Malaysia as until December 2008.⁶

The main labor markets in the country are located in the major industrial areas. The Klang Valley is the biggest industrial area in the country and covers Kuala Lumpur, the capital city, and the neighboring towns of Petaling Jaya, Shah Alam and the port town of Klang. These three towns are located in the state of Selangor. The industrial areas in these states have been developed mainly in the last 10-15 years. While at the southern tip of peninsula Malaysia is the Johor Bharu industrial area which borders

¹ Debrah, Yaw A., *Migrant Workers in Pacific Asia* (Portland London 1st edn 2002)

² "Malaysia", <http://www.malaysia.com.my>, retrieved on 13 February 2011.

³ Ibid.

⁴ Rohayu Abdul Ghani, "Salary and Wages in Malaysia", <http://allbusiness.com.my>, retrieved on 13 February 2011.

⁵ Ibid.

⁶ Ibid.