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RECTOR'S MESSAGE



I would like to extend my gratitude for your visit to FBM Insights Volume 8, a publication brought forth by the esteemed Faculty of Business and Management, UiTM Kedah Branch. This bulletin endeavours to present a concise and beneficial collection of important insights and research findings derived from the domain of social sciences.

FBM Insights aims to simplify complex social science concepts into easily digestible bullet points, making valuable knowledge more accessible to a wider audience. In this bulletin, each article provides a glimpse into the diverse and dynamic world of social sciences, including psychology, sociology, economics, finance, and other pertinent fields. Through concise and informative summaries, the intention is to promote a deeper understanding of human behaviour, societal trends and the multifarious factors that shape our world.

My heartfelt appreciation is proffered to the dedicated researchers and scholars whose works form the foundation of this bulletin, contributing significantly to the ever-changing landscape of knowledge in social sciences. In navigating the modern era's challenges and opportunities, the intrinsic value of social science research in guiding policy decisions and fostering social cohesion cannot be overstated.

I sincerely hope that this bulletin will spark readers' curiosity and inspire them to delve deeper into the myriad facets of human society and behaviour. Irrespective of whether you are a student, educator, or policymaker, I firmly believe that this publication will serve as an invaluable resource in your quest for knowledge.

Once again, thank you for embarking on this journey of discovery with us. Together, let us explore the captivating world of social sciences and its profound impact on our lives.

Thank you.

Prof. Dr. Roshima Haji Said

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THE LIVING WAGE: UNDERSTANDING THE IMPORTANCE AND IMPACT

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INTRODUCTION

Over the past three years, the pandemic has severely impacted Malaysians from various income groups. Research conducted by the Department of Statistics Malaysia (2021) reveals that many households in the M40 category (middle-income group) have shifted to the B40 category (lower-income group), comprising 20% of the total M40 households. Similarly, within the T20 group (high-income group), 12.8% have transitioned to the B40 category. This situation can be attributed to the rising cost of living due to increasing food prices, property and housing, education fees, and health services, which has particularly adversely affected the middle-income group. Other than that, the increase in living expenses has outpaced the minimum wage rate of RM1,500 per month received by employees. Unfortunately, this new minimum wage order falls significantly short of the average monthly household expenditure reported by the Department of Statistics Malaysia in 2022, amounting to RM5,150, which increased by 3.7% per year from 2019 until 2022. The justification for introducing a living wage stems from the ongoing rise in the cost of living. This rise in living costs is not aligned with the increase in wage rates that employees are receiving. Therefore, the topic of a living wage has become a contentious issue, as the relentless rise in the cost of living exhibits no signs of abating.

Concept of a Living Wage

A living wage is defined as an income level needed for a household to afford a minimum acceptable living standard, which includes the ability to participate in society, the opportunity for personal and family development, and freedom from severe financial stress (Chong & Khong, 2018). The concept of a living wage is not just to the existence of a minimum level of remuneration but also to a minimum acceptable standard of living (International Labour Organization, 2014).

Rational of Living Wage

As Malaysia advances towards achieving high-income nation status, it becomes imperative to aspire towards ensuring that all citizens can attain a minimum acceptable living standard. Introducing a living wage can be a crucial step in this direction. Using the living wage as a benchmark to evaluate current wages and social assistance, global experiences indicate its potential to guide, challenge, and improve policies to attain a minimum acceptable living standard. Consequently, meticulous consideration is essential when determining an accurate and representative living wage level.

Furthermore, modern society acknowledges that the minimum acceptable living standard goes beyond meeting necessities. It also encompasses enabling social participation and ensuring financial security. In terms of social participation, this standard includes the ability to afford trips to

visit family and friends during festive seasons and occasional purchases of gifts for family members on special occasions like birthdays or visits. Moreover, financial pressures should not perpetually burden individuals. In addition to enabling employees to achieve a minimum acceptable standard of living, the living wage can also positively affect the overall economy. Hence, these benefits may include decreased employee turnover rates and improved employee morale and productivity.

Impact of Living Wage

A reasonable living wage is a remuneration needed for all workers to improve their quality of life (Senasi et al., 2021). Implementing a living wage can significantly improve the quality of life for workers and their families in several ways. Firstly, it can reduce poverty and fairer income distribution. A living wage provides workers with a higher income and provides a baseline standard of living for workers. Therefore, they can afford to meet their basic needs, such as food, housing, utilities, and healthcare, without relying on government assistance or facing financial hardships. Indirectly, a living wage also potentially reduces the poverty problem among the poor. Improving the income of lower-income households can significantly impact their productivity and living standards while preventing them from falling into poverty (Liu et al., 2023). Moreover, with a higher and stable income, workers are less likely to struggle to make ends meet. This can lead to a fairer distribution of wealth and reduce the wealth gap between higher and lower income.

Second, a living wage can also improve mental and physical health. As workers with higher incomes, they are not constantly worried about their financial situation and can access better healthcare. They are more likely to experience improved mental and physical health. Moreover, numerous employers have taken steps to bolster their employee wellness programs and are reevaluating their benefits packages to incorporate more extensive mental health benefits (Claxton G. et al., 2021). Hence, this allows them to spend more time with their families, pursue hobbies, and participate in community activities.

On the other hand, a living wage provides advantages to employers, including heightened job satisfaction and increased productivity. Employees earning a living wage will likely feel more valued and motivated in their roles. Additionally, higher job satisfaction often translates to increased productivity, as workers are prone to be engaged and committed to their tasks. Companies that pay a living wage are more likely to retain their employees, as workers are less inclined to seek higher-paying jobs elsewhere. Moreover, based efficiency wages theory argues that higher wage tends to increase and motivates employees to increase their productivity (Akerlof & Yellen, 1990). This reduced turnover can lead to cost savings for businesses, as hiring and training new employees can be expensive.

CONCLUSION

The living wage is not merely an economic matter but a fundamental aspect of social justice and equitable societies. Furthermore, understanding its importance and impact can pave the way for informed policy decisions, contributing to a fairer and more prosperous world. As a result, addressing economic disparities, promoting social well-being, and fostering sustainable growth, a living wage can play a pivotal role in shaping a brighter future for all members of society.

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