



MEDIA RELEASE

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MALAYSIAN SEMICONDUCTOR INDUSTRY ASSOCIATION STRONGLY URGES GOVERNMENT TO CONSIDER GRADUAL MINIMUM WAGE INCREASE OVER THE NEXT 3 YEARS

Kuala Lumpur, 21 March 2022 – The Malaysian Semiconductor Industry Association is deeply concerned with the Government's decision to increase the minimum wage from the current RM1,200 to RM1,500 with effect from 1 May 2022. This is a 25% increase on the basic salary which will have a knock-on effect to the overall payroll costs.

The Malaysia Semiconductor Industry Association (MSIA) strongly urges the Government to consider a more gradual increase in the minimum wage, to be spread out over the next 3 years. This will allow businesses time to gradually make adjustments to the wage structure, and to link productivity to wages, balancing between business survival, business competitiveness and minimum wage.

Businesses has and continue to be greatly affected by the cost of doing business due to the Covid-19 pandemic, increases in direct materials costs, electricity costs, logistics and freight cost. As such, companies will have to work on productivity improvements in order to remain competitive. Companies will need time to implement these improvements programmes.

Malaysia Semiconductor Industry Association (MSIA) President Dato' Seri Wong Siew Hai stated that *"the RM300 increase from RM1,200 to RM1,500 starting from 1 May 2022 is a substantial increase of 25% in basic pay. This increase is 'Too Much Too Soon'" and E&E companies do not have sufficient time to make adjustments to the wage structure and productivity improvements in order to remain competitive.*"

The global semiconductor market is projected to continue to grow strongly in the next few years. IC Insights is forecasting an 11% growth in 2022 (from US\$ 510 billion in 2021 to US\$565 billion in 2022) in global semiconductor sales and a Compounded Annual Growth Rate (CAGR) of 7.1% per annum from 2023 to 2026.

To meet this demand, many E&E companies in Malaysia are currently in the midst of expanding and constructing new facilities. Malaysia attracted RM148.0 billion of new

investments from the E&E sector in 2021 (48% of Malaysia's total investments) that will create more than 28,000 new job opportunities.

Therefore, the tight labour market is going to get worse. The natural market forces of demand and supply will invariably push wages and salaries higher. Notwithstanding the fact that each E&E company has its own strategy of compensating employees, the gross monthly income of most employees would have exceeded RM1,500, once you include the various allowances, such as meal and shift allowances and incentives such as attendance bonuses, retention bonuses and 13th month contractual bonuses. The Government's decision to increase the minimum wage to RM1,500 may potentially drive some companies to include these allowances and incentives into the basic pay.

The increase in the minimum wage will therefore compel increases at higher wage levels. There will be a corresponding knock-on ramifications across the entire wage and salary structure of all E&E companies, thereby increasing the cost of doing business and reducing the competitiveness of businesses. Any increases in the minimum wage and various wages levels should also be linked to increases in productivity. The most impacted and vulnerable companies are the Small & Medium Malaysian E&E Companies.

The Malaysia Semiconductor Industry Association (MSIA) strongly appeal to the Government to consider a more gradual increase in the minimum wage, to be spread out over the next 3 years.

By making a more gradual transition, the E&E industry will have an opportunity to be competitive, grow and prosper.

About MSIA

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

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

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