

Workers' Perception towards Minimum Wage Impacts on Labor Productivity in Malaysia

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ABSTRACT: Wage and fringe benefits are the highest form of rewards for workers since they are the backbone to every organization. As such, the implementation of minimum wages in Malaysia aims to ensure the workers receive 'fair' wage and avoid them from being exploited. This study examines the workers' perception minimum wage effects on low skill workers in selected electrical and electronics firms in Malaysia. Prominent effects of minimum wages could be detected through unemployment, poverty rate and workers' quality of life in developed and developing countries. However, the workers' opinion towards minimum wage effects on labor productivity in Malaysian in particular are still least explored. Thus, minimum wage effects on labor's productivity have become important research topics. As such, this study discusses the effect of minimum wages on labor productivity of employees and their respected employers. Data was gathered from semi-structured survey questionnaire with employees and interviews with employers in electrical and electronics firms in Penang and Kulim industrial zones. Triangulation method was used to verify the findings quantitatively using exploratory data analysis (EDA) and qualitative results were analyzed manually. The findings suggest that there are strong association between the income received by the employees with their productivity level. The higher wage received by an employee, the higher the productivity level of the worker. The findings have forwarded some current views on the issue of minimum wage and hence, better wage policies should be facilitated in the future. Implementing strategic plans and negotiating with interested parties on wage issues will improve the effects on minimum wage for all workers.

KEYWORDS: *Labor Productivity, Low Skill, Malaysia, Minimum Wage*

I. INTRODUCTION

Fair and equitable wages will help the workers to live a decent life. Therefore, a fair living wage is a necessary remuneration to all of those workers. Thus, minimum wage policies in many countries in the world uphold the principle to provide a basic living wage for their workers. This wage policy will ensure that workers are paid better wages, which subsequently eliminates worker exploitation.

Wages are normally setup based on the market, interest parties or government. Most countries have their own rules and adaptation in implementing the wage structure. Prior to the implementation of minimum wage, the wage was paid based on voluntary negotiations and agreements between the representatives of employers and workers in Malaysia. For example, in unionised companies, wages are determined by the management and trade union that represent the workers. Thus, wage restructuring was seen as a crucial aspect of employment for most workers in Malaysia. In addition, the wage increments identified to boost the labour productivity and lead purchasing power towards competitive economic growth. Therefore, most of the workers have positive feelings towards the implementation of a minimum wage policy.

Minimum Wages in Malaysia

Historical development of international standards on minimum wages shows the issue of minimum wage, particularly on protecting labour rights by providing regular wage debated since 1921 at International Labour Organisation (ILO, 2006). However, debates on setting the minimum wage in Malaysia starts at early 1940s. As a result, Wages Council Act 1947 creates a foundation to regulate remuneration and conditions of employment for workers in Malaysia. Besides that, since 1996 Malaysia Trade Union Congress (MTUC) continuously pressure for the introduction of minimum wage via campaigns (MTUC, 2000).

In the 1980s, the Industrial Relations Policy in Malaysia actively encourages foreign investment, while basic

wage rates for workers vary according to the location and industrial sector (Malaysian Industrial Development Authority (MIDA), 2006). In that era, the government of Malaysia favoured foreign direct investment, such as prospective investors in pioneer industries and controls over labourer's wages, working conditions, and repression of unions (Jomo, 1990). Therefore, foreign investment is seen to be one of the factors that restrict Malaysia have no minimum wages law despite recommendations and urges from many trade unions (Inagami, 1998). It is important to note, under the Malaysian Constitution, labour matters, including industrial relations and labour laws, fall within the power of the Federal Government that administrated by Ministry of Human Resources.

Later, with the introduction of the Seventh Malaysia Plan (1996-2000) focused on capital- intensive, high-technology, and knowledge intensive industries, which requires more human capital in order to realise the economy plan effectively. Moreover, the consequent labour shortages and rising pressures for wage increases threatened the competitive advantage of multinationals. Next, the Eighth Malaysian Plan describes that wages increase at an average of 6.8% per year from 1995 to 2000. However, labour productivity was reported at a higher average rate of 10.4% for the same year (New Economic Model for Malaysia, 2010). Furthermore, the average salary increment for the last 10 years was only 2.6%, while the cost of living increased by 10% to 15% during those years (World Bank, 2012). These are clearly unsatisfactory wage practices, which induces the introduction of minimum wages in Malaysia.

After decades of debates on establishing minimum wages, finally, the Minimum Wage Order was gazetted on 16 July 2012 and implemented on the 1st of January 2013 in Malaysia. The Minimum Wage Order requires employers with 6 employees and above to pay a minimum wage of RM900 (USD 278) a month or MYR 4.33 (USD 1.34) per hour for workers in Peninsular Malaysia, or RM800 a month in Sabah, Sarawak, and Federal Territory of Labuan. Last year, the minimum wage rate is set at RM1000 for workers in Peninsula, or RM920 a month for workers in Borneo, Malaysia. Minimum wages were applied in all sectors, except for domestic services.

The minimum wage was introduced into Malaysia for several reasons. First, The National Employment Returns study for 2009 by the Ministry of Human Resources revealed that 33.8% or 1.3 million private workers earn less than RM700 per month. Specifically, World Bank (2013) reported household income survey for 2010 shows 24 percent of formal and informal workers in manufacturing industry still earning below than the recently implemented minimum wage. Second, wage growth lagged behind the productivity growth due to an inefficient labour market system. For example, wages increased by 2.4% per annum over the decade while labour productivity expanded by 5.0% per year in Malaysia (The World Bank's Malaysia Economic Monitor, 2012). Third, unskilled foreign workers dampened wage growth. Therefore, the introduction of minimum wages is expected to reduce the demand for migrant workers by 0.4%-0.6% between 2012 and 2015 (National Wages Consultative Council (NWCC), 2012). Fourth, globalisation was seen as a factor that induces minimum wage. For example, low pay to higher wage depression across countries shows the 'factor price equalisation' across the national borders (Stalker, 2000). Finally, proposed minimum wages are believed to cover the basic needs of workers to survive and ensure that 'fair' wages are paid to them.

Furthermore, many parties expressed their mixed concerns on minimum wage policy. Most workers find that minimum wages would have positive effects by uplifting their quality of life. Moreover, minimum wages are seen as a bottom-up approach in terms of awareness among employees about their labour rights, which will increase the tribunal claims and their demand for higher pay to the management. In addition, the minimum wage is also seen to motivate workers to increase their work effort, thus achieving a decent life by running the economic cycle around them.

Conversely, some employers argue that an imposition of minimum wages are a top-down pressure, which can lead to job losses, increased investment in costs for training as well as new technology and more systematic labour administration, which would lead to the closure of their businesses in the long term. Similarly, conventional economists warned that minimum wage regulation can reduce the productivity of workers and restrict employment opportunities for workers out of the market (Peterson & Stewart, 1969). These claims explain that although minimum wages motivate workers in order to increase productivity, it also has the chance to reduce growth, employment and income inequality (Freeman, 1992; Altman, 2012).

Nevertheless, the minimum wage policy was welcomed by more people than not being welcomed due to its outweighed importance on the human capital development and the economic competitiveness. Foremost, the minimum wage is viewed as a political matter that involves an interaction between economic forces and public institutions, which would benefit employees the most (Lee, 2004). For example, Freeman (1992) and Rutkowski

(2003) argues that minimum wages redistribute fair wage (earnings) to low paid workers and have the potential to reduce poverty, enhance productivity, and foster growth. Second, the wage policy is believed to provide a fair and equitable sharing of benefits among employers and employees and creates attractive working environments.

Minimum Wage and Labor Productivity

In general, there are many labour market changes before the introduction of minimum wages in Malaysia. For instance, labour productivity growth in manufacturing industries slowed during 2004-06, increased by only 2.2% per annum, compared to 5.5% per annum during the 1999-2001 period. In addition, labour productivity growth in 2012 for the manufacturing sector decreased compared with labour remuneration or labour cost (Productivity Report, 2013). Thus, a rise of labour cost than labour productivity shows negative effects to the nation's competitiveness. On the same period, the majority of the manufacturing sub-sectors including electrical and electronics (E&E) recorded a decline in labour cost competitiveness as well.

In one hand, Bank Negara (2012) states that real wages show slower growth compared with real labour productivity in the manufacturing sector in Malaysia. For instance, the wages increased by 2.4% yearly over the decade, while labour productivity inflated by 5.0% per year over the same decade. Therefore, the introduction of minimum wage expected to change the labour's productivity in their firms. In another hand, the latest worker's productivity level shows great impact in the manufacturing sector. For example, Department of Statistics (2013) revealed that average sales value per employee or productivity in a month on month basis decreased by 1.8% to RM51,540 in November 2013. In addition, cumulatively the average sales value per worker dropped 1.2% to a record RM51,542 from January until November 2013 (See Table 1). This data clearly shows that there are changes in the productivity range in the manufacturing sector between the years 2012 and 2013, after the implementation of the minimum wage policy in Malaysia.

Table 1

Sales, Value, Number of Employees and Salaries and Wages Jan - Nov 2013

Period	Sales Value (RM Million)	Number of Employees (As at end of November)	Salaries & Wages (RM Million)	Productivity (RM)
Jan-Nov 2013	568,856.2	1,031,393	30,145.1	551,542
Jan-Nov 2012	570,484.1	1,021,431	27,720.2	558,515
Difference (Value/ Number)	-1,627.9	9,962	2,424.9	-6,973
% Changes (year-on- year)	-0.3	1.0	8.7	-1.2

Source: Department of Statistic (2013)

Thus, what are the impacts of the minimum wage to organisations? Does the increase in minimum wage affect the labour productivity? Often, minimum wage is expected to increase the labour productivity, which is one of the positive growth signs for any organisation (Forth, Mason, and O'Mahony, 2002). Likewise, workers' productivity and their wages are of paramount importance, since the workers use value productivity, which influences the rate of profit value and output of a firm directly (Michl, 1984; Productivity Report, 2013). Therefore, negative labour productivity growth is also possible to be achieved due to the standard basic wage practices and low motivation among the employees, which discourages them from improving their work effort.

Productivity and fringe benefits are closely related too. Many classical theorists suggest that an increase in labour cost from the implementation of the minimum wage should be followed by an increase in labour productivity. If there is no increase in labour productivity parallel with the increase in minimum wages, employers would take the necessary steps to reduce the labour costs, such as downsizing, reducing employment, working hours, etc. Since it is not easy to alter the regulated options, such as employment or working hours, employers would offset the increase in minimum wage by reducing fringe benefits. Fringe benefits are less regulated than wages, which offer employers more flexibility to adjust the non-wage benefits.

II. LITERATURE REVIEW

Bertola (1990) agrees that the effect of minimum wage remains ambiguous and controversial. Therefore, this research attempts to fill the gap by exploring minimum wage practices and its effect on participation and utilisation of labour (labour productivity). Moreover, O'Brien (2003) agrees that little research was done on both employees and employers' perspectives on individual compensation data. Therefore, the main purpose of this paper is to explore the effects of minimum wage on labour productivity, minimum wage effects on labour's

fringe benefits, and minimum wage effects on wage dispersion. In addition, this study also examines the factors that determine the income level of workers. These three criteria are of utmost important in reflecting the real-life effects of the Malaysian wage policy to the labourers and their employers.

Focusing on minimum wage rate, this study seeks to establish the effects of minimum wage on low skill workers. There is indeed a gap in the Malaysia literature here because there are only a few studies that explore the effects of the minimum wage in Malaysia. In addition, since the implementation of the minimum wage policy in Malaysia in 2013, only a few studies appear to link the effects of minimum wage in Malaysia; Teh, Sum and Michelle Lee (2014); MohdZaini, Sok-Ghee and Sallahuddin (2016), Zulkifli and MohdAzlan (2002), Balakrishnan, Bidin and Steven (2014), Ibrahim and Said (2015) are among the few to do so. Specifically, the relationship between real wages and productivity in Malaysia studied by Ho and Yap (2001) and Goh (2009) thus far. Ho and Yap (2001) study on wage formation in manufacturing sector from 1975-1997. Meanwhile, Goh (2009) re-examine the association between wages and productivity using time series technique with longer set of data. None of these studies is focused on minimum wage effects on labour productivity from the perspectives of both employers and employees in Malaysia. Therefore, this study specifically measures the labour productivity through efficiency and effectiveness of workers and their employer based on their attitude, knowledge, and work practices.

Many scholars express a positive opinion during an extensive discussion on minimum wage effects on labour productivity. Minimum wage is believed to motivate the laborer to increase work effort. Therefore, labour productivity is believed to rise from the productive effort of workers (effort intensification) based on the wages or incentives given to them (Forth, et al. 2002). For instance, 2004 reform of minimum wage in China fostered aggregate productivity growth. The reform moves more productive firms replace the least productive firms and increase the competitiveness among firms – and surviving companies becomes more efficient and later increase aggregate efficiency of the country (Mayneris, Poncet & Zhang, 2014; Kuddo, Robalino & Weber, 2015). Todorova (2012) postulates minimum wage provides better pay and greater space for workplace learning opportunities for low-skill workers as well as other employees. Therefore, positive moves from the employers that include better salary and flexible environment would encourage the morale of the individual worker, in turn motivating the worker to perform better, thus increasing productivity (Productivity Report, 2013).

Positive changes in labour policies are also believed to impact the labour productivity. Minimum wage is believed to induce labour productivity and attract productive employees (Dey & Flinn, 2005; Lazear & Oyer, 2009). For instance, once workers receive a minimum wage, they will practice productive and disciplined work. In addition, Dilts, Moghadam, and Mengestu (2005) argue that the basic concept of applying a minimum wage standard is fairness. More compensation is required for productive workers with more responsibilities and risk. In addition, high value and creative products only can be derived from the most productive workers. Therefore, better compensation would help in creating more productive and skilled workers.

A wage increases in developing countries would be reflected by an improvement in health, efficiency, and economic performance, as the workers' already low standard of living would be incrementally increased. When wages are higher, wage earners will have more incentive to keep their jobs. With greater commitment, attendance and time keeping will probably improve, and wage earners may well be prepared to work harder (International Labour Organization, 1968). Therefore, workers' productivity also will increase in tandem with a greater commitment to the firm in which they work (Ehrenberg & Smith, 2012). This will maximize the efficiency of labour usage and reduce country dependency on foreign workers (Leonard, 2003).

Many studies positively support a close connection between the wages and productivity in the developed and developing economies (Wakeford, 2004; Montuenga-Gómez et al. 2007; Narayan and Smyth, 2009). The time allocation and trade-off theories confirm that the introduction of minimum wages would motivate the workers to be productive and willing to substitute leisure time with work, although in the long run, if wages are at a higher-than-average level, workers would begin to be less productive since they have high income and can afford more leisure time. The results in Becker (1965) propose that real wages have no effects on labour productivity in the non-monotonic or higher income labour force setting. In addition, Hondroyannis and Papapetrou (1997) and Gneezy and Rustichini (2000) found that the higher wages did not always motivate and induce labour productivity. Similarly, Foon Tang (2012) argued that real wage increases did not simultaneously increase the labour productivity. Therefore, it is suggested that employers apply a dual strategy of offering better wages to increase the labour productivity as well as investing in training and development activities to improve the workers' skills. This way a talented and competitive group of workers can be generated, which will help in the long-term productivity growth in Malaysia.

Akerlof's Gift-Exchange Model on wages and productivity was one of the prominent models that recommend

that wages be offered above the necessary level in order to attract the workers and increase the group work norms (Akerlof, 1982). This model describes that increased wage resembles a gift from the employer to employees, thus employees show the employer's appreciation in the form of higher commitment, effort, and productive work (Yellen, 1984). In other words, Akerlof points the importance of rewards and recognition in order to ensure the smooth function of learning and application of skills to the job (1982). Therefore, employer recognition is considered the most important aspect in the gift exchange model.

Recent studies on productivity also suggest that the level of cooperation among team members increases parallel with generous wage offerings (Rossi and Warglien, 2001; Meidinger, Rullie`re, and Villeval, 2003). Hence, a relatively higher wage is predicted to be associated with a relatively larger effort and, consequently, with less absenteeism. These factors increase the firm's profit (Pfeifer, 2010). Furthermore, Akerlof argued that high wage workers are less likely to quite due to another high wage offer. Moreover, high wages are believed to change the workers' attitude toward loyalty, which leads to high productivity (Akerlof, 1984). Therefore, firms retain more experienced and productive workers than newly hired workers who may not be as productive as experienced workers (Nurrachmi, et al. 2012). This causal connection between the wages and productivity is important, as it increases the overall labour productivity and economic growth.

Another survey conducted by Bewley (1997) strengthens the arguments that higher wages would induce productivity. Bewley stressed that the worker's morale depends on the higher wage changes. Therefore, good morale induces less turnover rate and increases productivity, which helps in maintaining the good reputation of a company. In addition, Hannan (2005) agreed that workers who received higher pay reciprocated by increasing their efforts, while workers who received minimum wages performed with the minimum effort. Hannan's result shows mutual findings with Akerlof's gift exchange model. Another sociological study by Burawoy (1979) confirms that if the wage is sufficiently low, workers will feel unfairly treated which has the immediate effect of less willingness to work and taking longer to complete tasks. Therefore, workers who sacrificed their leisure and put forth extraordinary effort expect their employers make extraordinary financial incentives to them in return (Ehrenberg & Smith, 2012). However, other elements, such as company size and nature of production process, also influence a number of efficiency wages (Fuess and Millea, 2002).

Akerlof's model fails to discuss that wage equality among the workers could also lead to a lower effort by the workers, as illustrated in the model. In other words, although every worker received the equal higher wages, the workers have the option of increasing, decreasing or maintaining their work effort. Additionally, Hannan, Kagel, and Moser (2001) argue that workers who do not provide higher work effort or bigger sacrifice bring less effort to the low productivity firms. This result explains that workers who experienced minimum wages in their previous work show no more effort to increase the firm's productivity than the workers who have more experience in higher than minimum wage work.

III. METHODS

This study qualitative in nature, however, triangulates both quantitative and qualitative methods in conducting the study. A qualitative study explores the issues at hand more deeply and in detail. Thus, the qualitative approach in this study would provide an in-depth understanding of minimum wage impact to workers and employers in Malaysia. For instance, qualitative research applied in this research to investigate the issue or research problem in more comprehensive manner. As such, this approach suitable for this study due to the complexity of Malaysian electrical and electronics sector and labor wage issues involved in evaluating the effects of minimum wage on employers and employees in the country. For example, in depth interviews were used to cross-check and complement data from survey questionnaire to better understanding of the various dynamics involved in this study.

As this study applied methodological triangulation, both quantitative and qualitative data would collect at the different point of phase and later will triangulate at research findings to observe similarities among results. In addition, this study was chosen to clarify the thoughts and views about the effects of minimum wage in the manufacturing sector. This study briefly examines the minimum wages policy and its significant effects on the workers and employers. There is survey (on employees) and personal interviews conducted in this study. This study employed a non-random sampling technique which determines low skill workers and their employers in the manufacturing sector as the main respondents. As Punch (2003) suggests, a sample must be chosen from the variables that can be observed maximally and represent the population of interest in the research. As such, Devadason (2007) and Grimshaw (2011) found that 38.1% of low skilled workers are low paid labour in the manufacturing sector. Therefore, low skill workers and their respected employers were selected as the main sample for this study.

IV. RESULTS

Factor Analysis for Labor Productivity

An examination of the correlation matrix indicates that a considerable number of correlations exceeded. Bartlett's test of Sphericity explains if there is a relationship between the variables. If no relationship was found, then there is no point in proceeding with the factor analysis. There simply are too few participants to find the effects being looked for and therefore, there is insufficient power for a factor analysis. A p value of < 0.05 indicates that it makes sense to continue with the factor analysis. Since the value of p was < 0.001 , there is a relationship between the labour productivity variables.

Parametric assumptions require the samples to be randomly drawn from normally distributed populations and independent observations, which consists of an interval or ratio measurement scale, in which populations have equal variances and resemble a normal distribution. If any sample breaks one of these rules, it means there is a violation of the assumption of the parametric test (Corder and Foreman, 2009). This study consists of nominal and ordinal data (categorical data), which violates the assumptions above, thus a nonparametric test is used for the purpose of data analysis (Kvam and Vidakovic, 2007). Moreover, the minimum wage data in this study applied ordinal measures with unequal-appearing intervals. For example, below minimum wage (RM899 and below) as well as minimum wage and above (RM 900 and above). Therefore, these categorical data were analysed with chi-square and Spearman's rho correlation (Fink, 2006). In addition, Jamieson (2004) stresses the importance of viewing Likert scales as ordinal data.

Minimum wage effects on labor productivity (Quantitative Data Analysis)

Figure 1 below shows an agreement on minimum wage, which does affect labour productivity. A total of 63.7 percent of the majority of low skill workers out of 382 sample respondent agrees that minimum wage does change their attitude (motivation, effort and commitment), skill development, and work practices towards labour productivity. Meanwhile, 31.3 percent has a neutral opinion on the minimum wage effect on labour productivity. Five percent of the workers disagree that minimum wage affects their productivity level. Overall, the majority of the workers agree that minimum wage does make a difference in increasing the labour productivity.

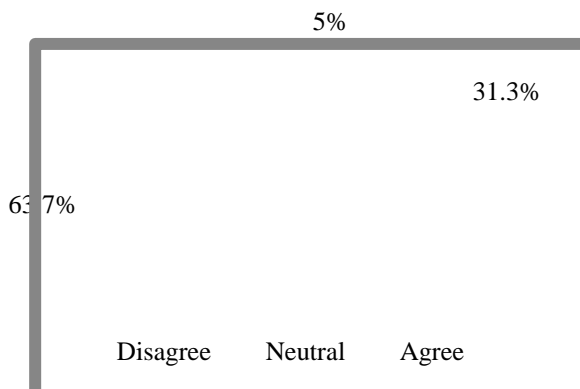


Figure 1 Minimum wage effects on labor productivity

Meanwhile, Figure 2 below displays trends in data for the agreement level of attitude, skill development, and work practices towards labour productivity. The line graph shows that most of the workers did agree that attitude and work practices towards labour productivity changed due to the implementation of minimum wage. For instance, 64 percent of workers agreed that minimum wage changed workers' attitude to be productive by increasing motivation, commitment, effort, morale, and appreciation. Meanwhile, 55.9 percent of workers accept that there are changes in work practices, such as working hours and employment. The pattern for the level of agreement for skill development shows there are small discrepancies between the level of agreement. A total of 34.5 percent of the workers disagrees that there is room for continuous learning in the workplace, while 35.2 percent of the employees agreed that minimum wage does lead to continuous learning and increased productivity. The rest at 30.3 percent of the workers had a neutral opinion on whether minimum wage does change workers' skill development in increasing labour productivity.

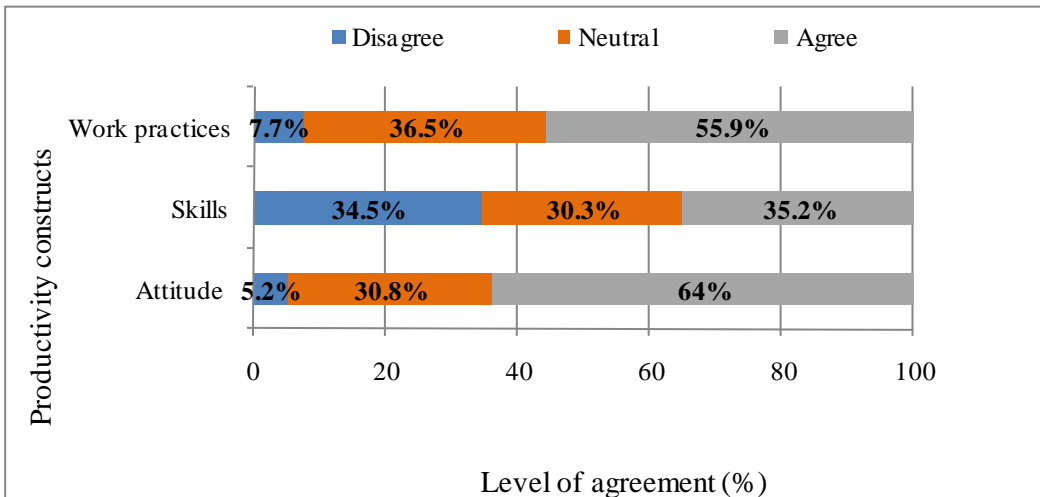


Figure 2 Workers' level of agreement by productivity factors

Table 2
Spearman Correlation Test for Labor Productivity by Income Level

Test statistic	
Labor Productivity	
rS	.115*
Sig	.021

*. Correlation is significant at the 0.05 level (2-tailed).

Table 2 above shows the Spearman's rho correlation test statistic = .115. The positive signs indicate a positive correlation. Moreover, the * illustrates that it is significant at the 0.05 level for a two-tailed prediction. The actual *p* value shows at 0.021. By observing the Spearman correlation output matrix, it can be seen that minimum wage (income level) is perfectly correlated with labour productivity. Hence, there was a Spearman's rho correlation coefficient of 1.000. Similarly, labour productivity is perfectly correlated with minimum wage, with a Spearman's rho correlation coefficient of 1.000.

The test statistic value for Spearman correlation coefficient is .115, and because the *p* value was smaller than 0.05, it can be concluded that there is a significant difference between minimum wage (income level) and labour productivity ($p < 0.05$). Alternatively stated, there is a positive relationship between minimum wage and labour productivity. The result is as follows:

$$rS = .115, N = 403, p < 0.05$$

The results indicate that as minimum wage increases, labour productivity will increase as well. There is a strong correlation between minimum wage and labour productivity. Therefore, income level is an important indicator to increase the labour productivity. Minimum wage positively correlates with labour productivity. The implementation of minimum wage changes workers' attitude, skills, and work practices to achieve higher labour productivity. Furthermore, minimum wage significantly affects labour productivity. For instance, if minimum wage increases, labour productivity also would increase. This shows that the first research question in this study was answered.

Minimum wage effects labour productivity (Qualitative data analysis)

Six in depth interviews conducted with employers from various Electrical and Electronics firms. One of the employers, Mr C found that the implementation of minimum wage increases the workers' productivity level by increasing their motivation level. Therefore, it reduces the workers 'absence rate.

The profit or revenue remains the same. In terms of labour productivity, we remain slow. However, the increase in minimum increases the motivation which reduces the

absence rate and cost on medical which eventually increase the productivity (Mr C, 2014).

Above feedback also explains the minimum wage increase cause the firms move towards capital intensive forms of production by implementing organizational changes by providing more training to the employees (Riley and Bondibene, 2015). Workers may exude more effort in return for a higher wage which might reduce employee turnover.

Use of resources (on tools, people, knowledge and energy)

To certain, yes. All the resources are being fully utilised. I believe the management would not unnecessarily spend on resources because it's a cost to the company (Mr C, 2014).

Yes, we are dealing with machines, everything must be done with certain tools and skills. We adjusting the resources based on the needs because we are deals with the customer's requirement. Some companies just do their daily routine jobs (Madam D, 2015).

From the above findings, the following conclusions can be drawn: First, minimum wage does increase the labour effort and motivates them to increase labour productivity. Minimum wage also motivates workers and decreases the absence rate. Therefore, the implementation of minimum wage does change workers' attitude, skills and work practices to achieve higher labour productivity.

Labour productivity is an indicator of workers' achievement in the competitive world. Both survey and interview results in this study show that there is significance correlation between minimum wage and labour productivity. Minimum wage is believed to increase motivation, work effort, productivity, reduce the turnover rate, and reduce medical cost in the firms (ILO, 2019). It's also reduced wage dispersion and increase labour productivity into higher wages.

The results of this study correlate with the findings of James et al. (2003), Blyton and Jenkins (2007), Narayan and Smith (2009) Zulkifly and MohdAzlan (2002) who argued that minimum wages motivated the workers to increase effort and productivity. In addition, Shanmugam (2016) from National Wages Consultative Council of Malaysia also found that minimum wage increases wage and salary of workers along with an increase in productivity growth.

V. CONCLUSION

Minimum wage works as a safety net in the beginning years. Now, minimum wage is a starting point in enhancing labour productivity and skill development. The impact on business cost will likely be small, as the increase in wages could be mitigated through improvements in productivity which is seen as a positive development of economic growth, competitiveness, and living standards for both the economy and nation.

In a nutshell, employees are the focal point for the main strategies to improve productivity. Therefore, employee motivation and involvement are necessary to achieve productivity linked performance, and these are considered as part of the overall human resource development. Thus, causal attribution for a wage is important for work performance. Therefore, employers must provide a fair minimum wage in order to increase the work effort of employees. This sense of reciprocity would encourage workers to be committed to work and increase the productivity rate (Ehrenberg & Smith, 2012). As such, there will be less absence and turnover rate, which will increase the firm's profit (Ptefeir, 2010).

Overall, minimum wages not only mean to improve the labour market competitiveness but also lies in enhancing employee capabilities and upgrade their financial background. Therefore, often an implementation of minimum wages is seen as a long-term perspective, which is needed to correct the labour market and produce requisite capacity for continuous growth in the twenty-first century. It also greatly hopes to impact the worker's life positively.

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