



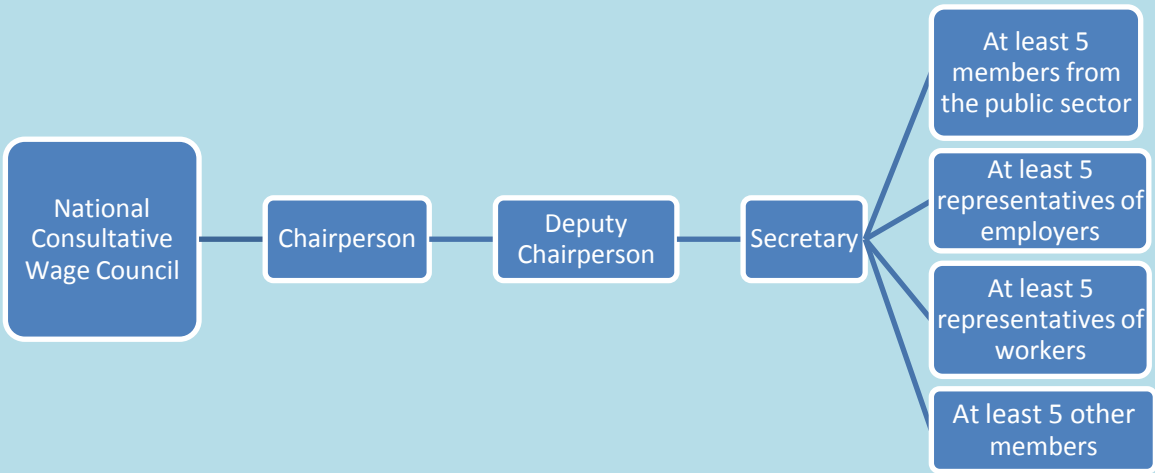
## FACTSHEET ON MINIMUM WAGE LEGISLATION AROUND THE WORLD

According to the International Labour Office in Geneva in Switzerland, about 90% of the countries in the world have legislation in favour of minimum wage. Wages vary from the lowest minimum wage rating at USD 2 per day in some countries to as high as USD 40 in others.

**MALAYSIA** had a previous legislation supporting minimum wages. However, the act – the Wage Council Act 1947 – only protects specific categories of workers: catering and hotel, cinema workers, shop assistants, security personnel, private clinic attendants in Peninsula Malaysia and Sabah, and general workers in farms in Sabah and Sarawak

The current National Wages Consultative Council (NWCC) bill was passed as an Act on July 1, 2011 with 29 Member of Parliaments (MP) in favour of the motion, while 69 MPs voted against it. The Bill proposes to replace the existing Wage Council Act 1947.

The Bill which was passed intends to set up a council to propose the minimum wage based on sectors, regions, and jobs. It will function as an independent body and be based on the tripartite principle.



**The Council will be the legal authority on minimum wages, and its responsibilities include:**

to advise the government on all matters related to minimum wage including updates on minimum wage at the international level	to make recommendations to the government on the rate and coverage of minimum wage in accordance to sector, type of employment, and region, as well as other matters which are related to minimum wage and wage
to conduct consultations with members of the public on the rate and coverage of minimum wage	to collate and analyze data and information as well as conduct research on wage and socio-economic indicators
to coordinate and supervise, as well as evaluate the impact, of implementation of minimum wage	to carry out other necessary functions that would enable NCWW to implement its tasks effectively or other matters related to implementation of its tasks.
to review the minimum wages order	to carefully deliberate on all matters in relation to minimum wage & disseminate information and analysis on minimum wage

The Bill also proposes that employers who fail to remunerate their workers will be penalized with a RM10, 000 fine for each worker whom they failed to pay. Employers will be fined not more than RM 1,000 per day for each offence for subsequent offences. Repeated offences may be served with a fine up to RM 20,000 or imprisonment not exceeding five years for each offence.

In **AUSTRALIA**, minimum wage is administrated by the Fair Work Australia. The Fair Work Australia's Minimum Wage holds an annual wage review each financial year as stipulated in the Fair Work Act 2009 to

- review modern award minimum wages and the National Minimum Wage Order,
- make the National Minimum Wage Order,
- make one or more determinations varying modern awards to set, vary or revoke modern award minimum wages

The Fair Work Ombudsman is responsible to:

- provide education, assistance and advice on relevant Commonwealth workplace laws
- promote and monitor compliance with relevant Commonwealth workplace laws
- inquire into and investigate any act or practice that may be contrary to relevant Commonwealth workplace laws, and commence proceedings to enforce workplace laws.
- represent employees or outworkers who are, or may become, a party to legal proceedings under relevant Commonwealth workplace laws.

The minimum wage in Australia was recently increased to \$19.40 from \$15.51.

**HONG KONG** introduced its minimum wage legislation in November 2010. According to the legislation, workers will now earn HK\$28 (\$3.60) per hour. The act was passed upon realization that the wealth gap has worsened over the years and this act was an initiative by the government to narrow the gap.

Since the passage of the law, from July 2010 to February 2011, the Labour Department of Hong Kong has conducted 49 briefings on the newly passed law, attended by 8,000 workers. Besides that, Hong Kong went strong on public education and used the media to disseminate information on the law. Posters and electronic advertisements were displayed and broadcasted on a variety of public transportation, newspapers and even utility bills. The advertisements also employed a rights based approach. Meaning, it is the right of a worker to receive a minimum wage.

In the **UNITED STATES**, currently the Federal Minimum Wage is set at USD 7.25 per hour. While there is a Federal Minimum Wage Act, there are four states in the United States without minimum wage; some minimum wages are above (highest is USD 8.67 per hour) and below the Federal Minimum Wage (lowest USD 4.10 per hour). The minimum wage in United States also varies based on age, disability, and opportunities of earning tips. On paper, the Federal Minimum Wage is supposed take precedence over states with lower minimum wages than the one set by the Federal government.

The Minimum Wage Act in the United States is administered by the Wage and Hours Division (WHD). At least one district office is set up in every state to assist and provide legal remedies upon complaints by workers who failed to receive appropriate remunerations from their employers. According to the United States Department of Labour, the WHD usually are contacted by 35,000 workers for assistance and 25,000 out of that are usually require assistance with their minimum wage, overtime, or family medical leave claims.

Employers in the United States can also ride on the Health Care Initiative Act to reduce their minimum wage burden and help minimum wage earners by cutting down their health care costs. Employers are entitled to credits towards their minimum wage responsibilities if they provide health care coverage to their workers.

In the United States, small business owners are given tax breaks under section 179 deduction. Under this law, business owners are permitted to deduct USD125, 000 in purchases, up from USD112, 000. However, the size of deduction will shrink for business that spends more than USD 500,000.

**The minimum wage here was raised in phases - \$5.15 per hour to \$5.85 per hour within 60 days; to \$6.55 per hour in 2008 and finally to \$7.25 per hour in 2009.** This method can be applied for small business owners who will be genuinely affected by the sudden raise in minimum wage.

The Health Care Incentive Act provides employers credit toward their minimum wage obligation if they provide health care coverage to their employees. H.R. 32 would benefit small businesses by easing their minimum wage burden and also helps minimum wage earners by reducing their health care costs.

In **VIETNAM** minimum wage is set in accordance to zones identified by the state. Vietnam is broken down to four zones.

Minimum Salary by Zone (per month) Effective as of July 1, 2011		
Zone 1	the districts of Cu Chi, Hoc Mon, Binh Chanh and Nha Be in Ho Chi Minh City; Bien Hoa City and the districts of Nhon Trach, Long Thanh, Vinh Cuu and Trang Bom in Dong Nai Province; Thu Dau Mot Town and the districts of Thuan An, Di An, Ben Cat and Tan Uyen in Binh Duong Province and Vung Tau City in Ba Ria-Vung Tau Province.	VND1.55 million
Zone 2	the districts of Dinh Quan and Xuan Loc in Dong Nai Province; the districts of Phu Giao and Dau Tieng in Binh Duong Province; Tan An City and the districts of Duc Hoa, Ben Luc, Can Duoc and Can Giuoc in Long An Province.	VNB1.19 million
Zone 3	the districts of Thu Thua, Duc Hue, Chau Thanh and Tan Tru in Long An Province.	VND1.04 million
Zone 4	All cities and districts not listed in zones 1-3	VND1.1 million

Source: Vietnam Business News, 2011

However, a worker with some level of training or specialized skill has to be paid at least 7% above the minimum wage. Foreign firms in Vietnam are obligated to contribute 2% of employee payroll to pay for union activities in its firm.

#### Minimum Wage Increases

Province	Baht	US\$
Phuket	221	7.39
Bangkok, Nakhon Phathom, Nonthaburi, Pathum Thani, Samut Sakorn and Samut Prakan	215	7.19
Chonburi	196	6.55
Chachoengsao and Saraburi	193	6.45
Phra Nakhon Si Ayutthaya	190	6.35
Rayong	189	6.32
Pang-nga	186	6.22
Ranong	185	6.19
Krabi	184	6.15
Nakhon Ratchasima and Prachinburi	183	6.12
Lopburi	182	6.09
Kanchanaburi	181	6.05
Chiang Mai and Ratchaburi	180	6.02
Chantaburi and Petchburi	179	5.99
Songkha and Singburi	176	5.89
Trang	175	5.85
Nakon Si Thammarat and Angthong	174	5.82
Chumporn, Pattalung, Loey, Satul and Srakaew	173	5.78
Prachuap Khiri Khan, Yala, Samut Songkram and Surat Thani	172	5.75
Narathiwat, Udon Thani and Ubonratchathani	171	5.72
Nakornnayok and Pattani	170	5.68
Trat, Lampun and Nongkhai	169	5.65
Kampangphet and Uthai Thani	168	5.62
Kelasin, Khonkaen, Chainat and Suphan Buri	167	5.58
Chiang Rai, Nakhon Sawan, Buriram, Petchaboon, Yasothon, Roi Et and Sakon Nakorn	166	5.55
Chaiyaphum, Mukdahan, Lampang, Sukhothai and Nongbu Lumpoo	165	5.52
Nakhon Phanom	164	5.48
Phichit, Phitsanulok, Phrae, Mahasarakham, Mee Hong Sorn, Amnatcharoen and Uttaradit	163	5.45
Tak and Surin	162	5.42
Nen	161	5.38
Sisaket	160	5.35
Payao	159	5.32

Source: [www.thai.go.th](http://www.thai.go.th) as of Dec 16, 2010.  
Note: BOT monthly average exchange rate : US\$1: Bt29.88, as of Nov 2010

**THAILAND** introduced its first minimum wage law in 1956. In February 1973, a new minimum wage legislation was enforced. The minimum wage applied to all industries except for agriculture and domestic work in Bangkok and three other provinces around Bangkok.

Subsequently, the National Wage Committee was formed. The National Wage Committee, appointed by the Ministry of Interior, consists of nine to not more than 15 members from the government sector, employers, and employees. The committee is responsible to provide policy recommendation to the government as well as to fix wages.

In 1974, the minimum wage was set based on cost of living of provinces. Minimum wage for provinces set was between 16 to 18 baht per hour. Since then, Thailand has been using the cost of living model, similar to Vietnam, to determine minimum wage and minimum wage has been increased over the years in Thailand.

In 1995, Thailand requested for technical assistance from the International Labour Organization (ILO).

Observing the situation in Thailand, David Peets of ILO proposed the “two-tier system” which comprises of “base wage” (poverty safety net) and “industrial base wage” (fair wage). The two tier system proposed by Peets was an industry based minimum wage.

The proposal was deliberated and subsequently rejected. Thailand decided to go with combination of “base wage” and “provincial wage”.

The Finance Minister of Thailand, Korn Chatikavanij has agreed in April 2011 to provide tax incentives for employers who agree to increase minimum wage to reduce costs for local business operators.

The minimum wage law also applies to foreign employers. The Thai government will not renew the employer’s visa and work permit if a foreign employer fails to remunerate his/her workers according to the minimum wage law. Upon renewal, government authorities will review wages of his/her workers from their social security and tax document.

Similar to other countries, Thailand too will be increasing minimum wage in Thailand gradually in the next two years.

In **SOUTH KOREA** the minimum wage act was implemented in South Korea in 1988. When it was first introduced in 1988, the minimum wage only covered manufacturing establishments with more than ten workers. A year later, it was expanded to mining, manufacturing and construction establishments employing more than ten workers.

Below are the new minimum rates:

<b>Minimum wage in South Korea</b>	
<b>Effective from January 1, 2011 to December 31, 2011</b>	
Hourly Wage Rate	4,320 won per hour
Daily Wage Rate	34,560 won per day (on an eight hour basis).
Monthly wage rate	902,880 won per month for workers working 40 hrs per week (209 hrs per month)
	976, 320 won for workers working 44 hrs per week (226 hrs per month).

Currently, the minimum wage covers all workers except family businesses that hire only family members, domestic workers and seamen. Keeping to the guidelines of ILO, the minimum wage only includes basic pay and fixed allowances which should be disbursed regularly. Overtime pay, annual and monthly leave allowance, housing allowance, meal allowance, and other matters are not included in the minimum wage.

While the minimum wage in South Korea is not industry or region specific, there are provisions in the minimum wage act to reduce wages of workers up to 20%. This would highly impact workers who work as security guards, janitors, facility managers and other intermittent workers.

Observing the impact on surveillance and intermittent workers, the South Korean government is planning to reinforce minimum wage policy particularly for security guards; other intermittent workers have not been discussed thus far. On average, a security guard works 16 hours per day and earns below one million won (US\$900) a month.

The wages received by security guards are below the minimum the set by the government. It is also important to note, as a result of the IMF crisis in 1977, the number of sub-contracted workers has rapidly

increased. In the report “Engaging Media: Building Support for Minimum Wage Reform”, the authors explain, in 2006 almost 70% of working women were in informal sectors.

The Minimum Wage Council (MWC) is made out of 27 councilors in total, 9 councilors each representing workers, employers and public interest , revises the minimum wage in South Korea annually. The minimum wage in South Korea is determined based on these three criteria: cost-of-living, wages of comparable workers and labour productivity.

Upon deliberation, the Council will forward their proposal to the Ministry of Labour. The Ministry has no legal authority to revise the proposal. They can only reject or accept the proposal by the Council. MWC makes its decision based on a 2/3 majority vote.

The Ministry of Labour is responsible for enforcing the Minimum Wage Act. Similar to other countries, South Korea too employs labour inspectors to monitor the implementation of minimum wage. Besides that, workers who are not paid their due wage can also contact Employment Stability Centers to voice their concerns.

Under the act “any person who fails to pay minimum wage may be punished by imprisonment for not more than three years or a fine not exceeding ten million won, or both.”

Under the act, employers are obliged to inform their workers of their right to minimum wage by displaying notices or other means.

### Payroll items not included in minimum wage

Classification	Wage range
Additional wage except regularly paid salary more than once	<ol style="list-style-type: none"> <li>1 Bonus for good attendance for more than 1 month period</li> <li>2 Bonus for continuous attendance for more than 1 month period</li> <li>3 Efficiency bonus, Incentives, other types of bonuses for more than 1 month period</li> <li>4 Irregular bonus or wage for temporary or unexpected reasons such as Marriage, Winter season, Health maintenance and other bonuses.</li> </ol>
Pay for special or additional time or period.	<ol style="list-style-type: none"> <li>1 Pay for monthly and yearly leaves, Pay for the work during the paid leave period</li> <li>2 Pay for extended or holiday working</li> <li>3 Additional pay for night time work</li> <li>4 Pay for night duty</li> <li>5 Regardless the name of allowance or bonus, allowance for abnormal working hrs or period.</li> </ol>
Other type of allowances not proper to include in minimum wage	<ul style="list-style-type: none"> <li>▶ Family, meal, housing and commuting (transportation) allowances OR actual offer such as meal, accommodation, commuting bus, etc</li> </ul>