

Minimum wage  
structure proposition  
by dr chua economics  
essay



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When a lower limit pay is being imposed, the local industries would take to demand for local labours instead than foreign labour due to several grounds. First, the local industries need to travel through a long procedure to obtain blessings or legal licenses from the Immigration Centre in order to import foreign labours to our state. Besides that, local employers have to pay dearly-won levy fee per caput of foreign labours to the Immigration Centre and hold duties to supply basic installations such as life topographic points, medical medical examination ( Fomema ) , transits and etc. for their foreign labours. Therefore, it is inefficient to engage foreign labours when lower limit pay is being imposed.

Labor Supply 1 ( Local )

Wage

Q4

Q3

Q2

Q1

Demand

Minimal Wage

Entire Labor Supply ( Foreign + Local )

Entire Labor Supply 2 ( Foreign + Local )

0

E1

Personal computer

Tocopherol

Pe

Quantity Demanded/ Supplied

Local Labor Shortage

Based on the above diagram, the equilibrium monetary value of pay is at PE and the measure demanded is at Q1. At this point, the economic system faces a deficit of local labour supply from Q1 to Q2. So, when the authorities wants to cut down the consumption of foreign workers through a minimal pay construction in sectors faced with worker deficits. A minimal pay has set up to work out the minimal pay construction. As a consequence, this would do the entire labour supply curve shifted to leftward due to the minimal pay policy. The new equilibrium monetary value of pay is now at Pc and the measure demanded is at Q4. The economic system at this clip no longer faces deficit of local labour supply at Q1 to Q2, but it reduces to Q3- Q4.

In theory, this action would advance more occupation chance to the community while the demand for labour market might increase. However, the employer might see that the degree of minimal pay is higher. For illustrations, unskilled worker such as house cleansing agent receives RM600

monthly, but they receive RM1200 after the minimal pay is imposed. Now, the simple labour work burden for unskilled worker is non appropriate to the degree of minimal pay, as people are paying more for nil. Therefore, house 's proprietor or the employer would be given to cut down the work force to prolong the net income degree. This causes unemployment rate addition. Furthermore, every organisation 's work load will be distributed to smaller sum of work force. The excess work load may bring forth emphasis to single, while it might do the inefficient of productiveness and public presentation. Harmonizing to Humbergh ( 2009 ) , the occupation emphasis can be reduced by supplying more clip in general pattern. General pattern is a type of caring pattern on personal and household 's wellness attention, as it could better the public presentation of single associates with occupation emphasis. However, the larger houses would see the riddance of excess work force, while the public presentation of organisation would strongly impact. The smaller houses would non being affect, as their work load are diverse into several undertaking by single.

Minimal pay construction will besides do cost push rising prices in the economic. When authorities set a minimal pay for the labour, it means labour income will increase. Increasing of labour income will increase the cost of production. Producer will seek to cut down their load by go throughing the lifting production costs to consumers ; consumers have to pay higher monetary values for the merchandise or service. Higher wage for labour does non connote higher buying power for them. Let state a labour salary addition from RM900 to RM 1100, same clip bread monetary value addition from RM1 to RM 1. 20. From this instance, we can see the wage of labour addition but

the outgo of labour besides increases due to be push rising prices. Therefore, buying power for labour does not change a bit. Furthermore, monetary value addition in the economic will do demand lessening. When demand lessening, it will do excess in the economic and the net income of manufacturer will diminish.

Workforce morale might be affected if there is establishment of minimal rewards. Harmonizing to Macleod and Malcomson ( 1998 ) , high rewards provide inducements to the workers and may acquire promoted for subjectively assessed good public presentation. For illustration, a calibrated university pupil gets a director place in a company, he will execute good to maintain himself hired if he acquire a high salary payment, which he thinks he should possess due to his cognition. Conversely, he will not set much attempt on the occupation if he is not satisfied with the wage. The status will go more awful if there were unskilled people who get the same or higher rewards than him, through the minimal rewards construction, like cleaners and drivers. Consequently, the productiveness will increase when unskilled workers get the higher paid, while it will cut down when skilled workers dissatisfied with the allotment of rewards in different sphere business. Hence, this happening could possibility drive down the fight, as cipher will analyze difficult to obtain the skilled business, which originally should be higher paid than the unskilled occupation. Besides, those unskilled occupations will not hold the empty stations, since there are high paid wages with simple occupations.

In decision, implementing a minimal pay construction would impact the economic status mostly. The policy itself will devour big allotment of revenue  
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enhancement remunerator 's money and causes fewer subsidies in countries that are of import for society such as sugar, rice and fuel. As a underdeveloped state, a minimal pay might besides cut down competitory degree of economic system in the international market as cost additions. For case, China and India is targeted by big houses because of its low pay and lower production cost.

## **Question 2**

GDP or gross domestic income is a tool to mensurate the economic system public presentation. The value of GDP besides can reflect the buying power of the people. The New Economic Model ( NEM ) will surely excite the economic system status and accomplishing higher per capita income.

However, GDP per capita income value is merely demoing the economic system 's end product public presentation but non the criterion of life due to its assorted restrictions.

GDP figures unable to demo the true life criterions because of the belowground economic system. Most of the belowground economic systems running illegal activities like gaming, robbery, smuggling and other. These people would non describe their income to authorities and caused gross lost for the authorities. Magnitudes of supply and demand create the belowground economic system. When authorities increases revenue enhancements, monetary value in the market will increases. So, black market will sell it with a lower monetary value and consumer will take to purchase from black market. Fire crackers are the popular point for belowground market during festival.

## **Commodities/year**

**2004**

**2005**

**2006**

**2007**

**2008**

Food and Beverages

3, 190. 654

1, 331. 303

4, 235. 260

1, 995

1, 760. 735

Tobacco

2, 036. 207

1, 037. 909

2, 809. 705

2, 060. 299

1, 519. 370

Non-Electrical Machinery

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297. 458

0

1, 132. 990

3, 033. 138

0

Motor Vehicles

471. 500

1, 073. 976

2, 497. 886

3, 311. 447

389. 420

Other sectors

3, 024. 819

3, 380. 735

6, 298. 856

1, 345. 589

4, 334. 770



Table1: values for chief bootleg trade goods ( RM'000 ) in Malaya from 2004 to 2008

In add-on to ground why GDP is non suited to mensurate the criterion of life is harmonizing to Kleiner ( 2010 ) , she claims that GDP does non mensurate any unpaid goods and services. It does non mensurate the value of unpaid plants such as kid attention, elder attention, voluntary work, and community service. Furthermore, accounting unpaid plants in GDP might do an addition of GDP per caput in a certain states whenever people did unpaid plant. Conversely, unpaid plants will take certain states to hold lower GDP per capita 's figures. For illustration, if housekeeping were calculated based on hourly footing, state like U. S. A. which is more advanced in its engineering will has lower GDP figure compared to other left behind states. This is because Americans can pull off to utilize improved vacuity cleaners to clean their houses in much shorter clip. Therefore, the entire sum of unpaid plants in U. S. A would be much lesser.

Besides that, Non-market economic system does non include in the GDP. This is because the concern minutess in the market that do non affect any pecuniary. Typically, non-market economic system is greater and general in the societies that lack of engineering cognition. Gift giving, face to confront swap are the chief signifier of exchange in non-market economic system ( O'Neil, n. d ) . In non-market economic system, seeable benefits merely go on in the individual side. For illustration, adolescents in the small town bring home their fish catching crop to portion with their household, so their household gained the benefit, but, no for the adolescents. Therefore, does the benefits that occur in non-market economic system calculated into both <https://assignbuster.com/minimum-wage-structure-proposition-by-dr-chua-economics-essay/>

economic system 's end product public presentation and lifting criterion of life? In fact, those benefits in non-market economic system frequently disappear in the national economic system accounting, because of its troublesome statistics. For case, cover that happened in a non-market economic system did non recorded down in accounting book, so there are no groundss to proof the truth of the GDP. Due to this job, GDP per capita income does non to the full reflects the criterion of life of the citizens in a society.

Leisure is non portion of gross domestic merchandise, as it can non be count in Numberss or figures. It enables the gross domestic merchandise of state to turn in a better rate. There are several illustrations of leisure such as, one-year leave, medical leave, insouciant leave, pregnancy, and paternity etc. Harmonizing to Nazareth ( 2007 ) , people in United States is acquiring more flexible work agenda than earlier, and people are passing more clip on leisure events. The accommodation of Gross Domestic Product is reasonable, as it merely measures the concluding goods of state, without sing the clip that workers spent on leisure along with the decrease of state end product. As stated in 'Trading Economic ' ( 2009 ) , the Gross Domestic Product per capita prohibits the value of cost-free leisure activities. However, touristry and shopping activities are still portion of the entire state goods and services. Therefore, it is critical to economic expert that non to overlook the consequences from the leisure issue on the economic system. However, this could take the economic system to accomplish better public presentation, although it exemplifies great measurement mistakes in the economic statistic.

In decision, judging the economic system end product public presentation and lifting criterion of populating entirely on the per capita income is non accurate. Economist should overlook other factors such as non-market dealing, belowground economic system, black market, voluntary work, negative outwardness and many more. Example of solution to hold a more accurate measuring of the economic system state of affairs is to utilize different indexes like Human Development Index ( HDI ) which will supply a better apprehension on the quality of life of society.