

CSPS POLICY BRIEF

SHOULD BRUNEI ADOPT A MINIMUM WAGE?

Diana Cheong, Giuseppe Rizzo & Kartini Rahman*

Issue No. 01
February 2014

EXECUTIVE SUMMARY

The main question to be addressed in this policy brief is whether Brunei should adopt a minimum wage policy. Our premise is that a minimum wage policy is not a universal solution as it is dependent upon considerations within the national context; the cost of living, productivity, competitiveness and employment structure. It is our view that Brunei already practises some form of minimum wage policy in that there are already minimum wage levels that are imposed on each category of public employment and for foreign workers.

Should the Government decide to in addition, apply a minimum wage policy towards other sectors of employment, in particular, the private sector, then in the current context of Brunei whereby there is a lack of labour organisations and collective bargaining capacity especially for the low wage unskilled and semi skilled sector, a significant number of unemployed (including voluntary unemployment) local youths, high number of foreign workers (skilled and unskilled), low productivity rates and a growing awareness of the existence of significant poverty levels, we would argue that there is a justifiable case to do so. This is especially so if we are to achieve Wawasan 2035 objectives which is to attain high standards of living for all and economic growth. Tackling poverty, unemployment and lack of productivity amongst low wage workers is the pertinent target, and, the main justification. As such, we would recommend for a basic policy which simply sets a blanket minimum wage level applicable to specific sectors which the Government has identified as low wage, informal and lacks bargaining power. The latter would refer more to the private sector sectors where there is a large pool of low wage workers of construction, labourer, cleaning, security, food and beverage and agriculture.

The minimum wage should not be below the lowest wage level of a foreign worker and

* Main author

therefore would be a minimum wage level applicable to both local and foreign workers. We would recommend for the minimum wage to be set using the following formula options:

- A) Slightly above the poverty threshold of approximately BND 250, at BND300
- B) Comparable to the lowest salary offered in Governments which is around BND 495 per month.
- C) Between 30 to 50 per cent of the median income of the country, as commonly practised abroad. More research is required to calculate this option.

In terms of implementation, it may not be necessary to enforce the policy by legal means, but for the relevant Government Authority to set out the guidelines for example via a Government Circular or Directive, to all private sector agencies for their due observation. This should be workable, at least in the immediate future as the sector to be considered is small and non compliance would be visible and easily monitored.

Finally, this is only a tentative and general set of recommendations. More research is required, especially in view of the lack of relevant employment data, so that a comprehensive overview of the actual situation can be obtained to guide policy formulation.