

COVER STORY

How the AI TIDAL WAVE is reshaping the jobs market

STORIES BY ESTHER LEE AND EMIR ZAINUL

For engineering outfit owner John, using artificial intelligence (AI) in his work has been a game changer. He “trains” the AI to write codes in the company’s style and now merely checks to ensure that the codes are written correctly.

“I use AI to write more routine codes and it has helped me cut down coding time significantly, where a few days of work can be accomplished in 20 minutes. But I still need a few employees because engineers need to be at the physical location to make sure hardware is properly installed and conduct test runs,” he says.

These days, the use of AI is prevalent in all aspects of life, in various sectors of the economy and professions, and more so among white-collar workers. Early research has shown that AI has, by some measure, improved the productivity of workers, but it still depends on the complexity of tasks and the user’s ability in AI prompting.

Even so, AI is increasingly becoming part of everyday life. As a result, companies will soon be able to achieve the same outcomes with fewer workers — or, in some roles, none at all.

The concern among white-collar workers about AI displacing jobs is real. Jobstreet’s Workplace Happiness Index found that while only around one-third of Malaysian workers feel “very” or “extremely” concerned about AI affecting their job security, the score is even higher among professional services workers, coming in at 47%.

While there is no evidence of massive job loss as a result of AI at this juncture, recruitment agencies observe that job postings for certain roles have been declining.

Jobstreet by SEEK in Malaysia managing director Nicholas Lam says AI is certainly putting pressure on some forms of white-collar work, particularly roles involving repetitive, standardised or administrative tasks, many of which are being automated.

Current data points, however, more towards roles being redesigned than entire professions being replaced.

“The clearest early signs of pressure are in selected content and administrative roles. Job ads for positions such as content writer, copywriter, secretary and graphic designer declined between 2024 and 1H2026. We see these trends as directional indicators that automation may be changing how these roles are structured, rather than proof of one-for-one job replacement,” Lam says.

This observation is consistent with a May report by the International Labour Organization (ILO), which found that studies using job postings and online labour-platform data show a significant decline in demand for skills associated with routine writing and translation, following the diffusion of generative AI (GenAI) tools, alongside increased demand for AI-related skills such as machine learning and natural language processing.

PwC Malaysia managing partner Soo Hoo Khoo Yean argues that the gradual redesign of work does not necessarily imply that workers will be displaced. Instead, he says, it points to a gradual shift in the mix of capabilities and skills required in those roles.

“There may be a growing divide between workers who are able to integrate AI into their workflows and adapt to evolving skill requirements, and those who are unable to,” Soo Hoo says.

“As AI becomes more capable, competitive advantage will increasingly come from areas where human strengths like context, judgement and accountability matter most. This includes making high-stakes decisions, solving nuanced problems, managing stakeholder relationships, and bringing together insights from different disciplines to create solutions that AI alone cannot deliver.”

Such expectations are starting to show up in the hiring landscape in Malaysia, with AI or digital tools becoming more common in the workplace. Randstad Malaysia associate director, emerging technology recruitment Dylan Long sees a clear shift in Malaysia’s hiring landscape, where employers are increasingly prioritising talent who are adept in AI and digital tools.

“This trend is no longer confined to specialised tech departments; instead, having

Top three loss of employment (LOE) occupation categories

(Jan 1 – July 21, 2026)



Managers

Number	Share of total LOE
6,284	12%



Professionals

Number	Share of total LOE
13,784	26%

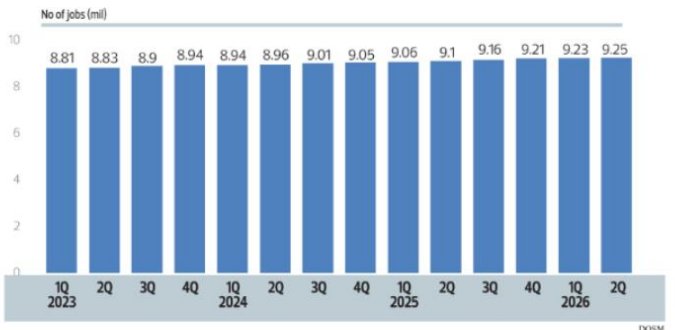


Technicians

Number	Share of total LOE
7,250	14%

EIS, SOCSO

Total jobs in the economic sector



DOSSM

basic knowledge and practical experience with AI has rapidly evolved into a fundamental, baseline requirement for almost any professional role. There is an immense demand for individuals who demonstrate high digital agility,” Long says.

He adds that a proactive willingness to embrace self-directed learning and integrate AI into one’s routine work has become a powerful, highly attractive differentiator in the current market.

Statistics from Jobstreet confirm this

change in the hiring landscape. According to Lam, the recruitment agency’s data shows that 70% of employers factor AI knowledge into hiring decisions, while one in three treat AI capability as a core hiring requirement.

At the same time, demand for dedicated AI hiring is also increasing rapidly, notes Lam. AI-labelled job ads grew by 131% year on year in 2025. In 1H2026, the number of AI-labelled job ads was already 24% higher than the total for the whole of 2025, he says.

One question that has often been raised

COVER STORY

Taking charge of our critical thinking



BIG MONEY
BY
ESTHER LEE

As workers of the 21st century, we are fortunate to enjoy the convenience that artificial intelligence (AI) brings. With just a question — even if poorly phrased or riddled with typos — ChatGPT can provide an answer within seconds. With Claude's assistance, tasks such as extracting and tabulating data and transferring it into spreadsheets have also never been easier.

Nonetheless, workers today should ask themselves whether they have become too reliant on AI, to the point of subconsciously outsourcing their thinking to machines. They should also consider whether this reliance has dulled their problem-solving skills.

An article published by the BBC in April, titled "AI chatbots could be making you stupider", reported on research by scientists at the Massachusetts Institute of Technology (MIT) examining how generative AI affects the human brain. The findings were eye-opening.

Students who were recruited to write open-ended short essays requiring minimal research were split into three groups. The first

group used ChatGPT, the second used Google Search without AI-generated summaries and the third wrote without using technology. While they worked, their brainwaves were measured.

The brainwaves of those who did not use any technology showed widespread activity across many parts of the brain. The search engine group showed strong activity in the visual parts of the brain while those using ChatGPT showed brain activity that was reduced by up to 55%.

Memory retention among those who used ChatGPT was also poorer, with students unable to quote from their own essays, according to the article.

Other researchers have also found a correlation between increased AI usage and lower critical-thinking scores. In a collaborative study by researchers from Microsoft Corp and Carnegie Mellon University, participants reported doing "much less" or putting in "less effort" across cognitive activities that involved critical thinking.

The concern is that over-reliance on AI could put a ceiling on our thought processes and critical thinking abilities, thereby limiting our problem-solving skills instead of enhancing them.

It could also create a generation of workers who may not fully understand the output of

their work because AI tools have done the legwork and heavy lifting, yet are still able to produce decent results.

Yet, the problems associated with reduced critical thinking could well be connected to how one uses AI tools.

A researcher at the Swiss Business School in Zurich tested this theory by getting 150 participants to write essays on the pros and cons of democracy under three separate conditions: without AI, using ChatGPT with no guidance or using ChatGPT with structured prompts designed to encourage deeper thinking. The American Psychological Association reported on the study in an article released in July.

"The prompts helped users reflect independently, conduct targeted research, construct and critically review an argument and revise their work as needed. Essays produced with structured prompting received the highest scores from expert reviewers," the article stated.

This is an important point, as it shows that an AI tool, if used appropriately, could help improve users' critical-thinking skills.

The responsibility then lies with the user: to resist the temptation to delegate our thinking to machines and instead use AI in a manner that enhances rather than replaces our critical thinking abilities.

(LOE) benefit applications. It is not a new phenomenon, however, and has been in line with the data from 2021 to 2025.

While some have attributed the higher retrenchment numbers partly to the increased adoption of AI or automation in companies, Maybank Investment Bank group chief economist Suhaimi Illias says it is still too early to determine the extent to which AI is driving retrenchments.

He points out that Malaysia's level of AI adoption, compared to other countries around the world, is still moderate. Citing the Microsoft AI Economy Institute's Global AI Diffusion Scoring, he highlights that Malaysia ranked 51 out of 147 countries, with AI users accounting for 21.8% of the working-age population as at 1Q2026. Countries ranked among the top 20 have AI adoption rates ranging from more than 30% to 70%.

"There are also other factors behind the higher share of skilled-worker retrenchments. Voluntary/Mutual Separation Schemes or Early Retirement Planning (VSS/MSS/ERP) have consistently ranked among the top three reasons for retrenchments and were the leading reason between 2023 and 2025. Higher-skilled employees may be more inclined to participate in such schemes, given attractive payouts," Suhaimi says.

He adds that the spike in total retrenchments may also reflect companies managing rising cost pressures through headcount reductions. This year, while the Consumer Price Index has remained moderate at 1.9% y-o-y in June, from 1.4% in February, the Producer Price Index has seen a spike to 9.2% y-o-y, from -3.4%, implying that companies have not passed down much of their higher cost to consumers so far.

Interestingly, the country's unemployment rate has held steady around 3% despite rising retrenchments. Suhaimi explains that because job placements continue to outpace layoffs, the economy is still net-positive for job creation. In 1H2026, placements reached 74,874, significantly higher than the 47,030 retrenchments.

The way forward for employees

With 620,000 jobs in Malaysia expected to be reshaped by AI, digitalisation and the green economy over the next three to five years, Jobstreet's Lam warns that early-career professionals must learn to use these technologies both practically and responsibly.

"AI literacy should increasingly be treated as a baseline capability," he adds.

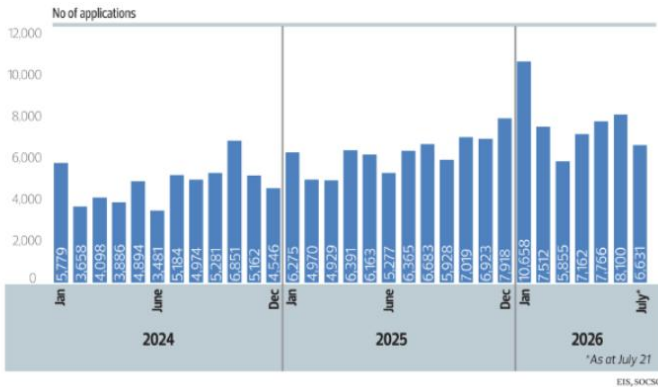
Still, being literate in digital tools alone is not enough. Randstad's Long points out the younger generation are naturally adept at using and eager to adopt new technology, but global employers still prefer "job-ready" candidates who have practical experience.

"New graduates can prepare by actively seeking out structured internships, graduate trainee programmes, and on-the-job training opportunities that offer direct exposure to complex, real-world projects," he says. "In fact, according to the Randstad 2026 Job Market Outlook and Salary Guide report, continuous learning has become such a non-negotiable for long-term career security that 56% of Gen Z talent in Malaysia would outright reject a job offer if it did not provide clear learning and development pathways to future-proof their skills."

Meanwhile, Long notes that mid- to late-career professionals must future-proof themselves by blending their vast experience with modern technological efficiency.

Ultimately, Lam concludes, today's workforce — regardless of seniority — should strive to work with AI while sharpening the human and commercial skills that technology cannot easily replicate.

Applications for loss of employment benefits



is whether junior hiring will be reduced as a result of AI proliferation. A Gartner Inc survey carried out late last year found that 22% of chief human resources officers in the US reported that at least one business leader in their organisation has stopped hiring for entry-level roles as a result of AI automation.

Some argue that removing the routine or repetitive tasks traditionally assigned to junior staff — often a training ground for developing judgement and gaining crucial experience — could ultimately hurt organisations by weakening their future talent pipeline.

According to Soo Hoo, however, PwC's global research shows that the bar is now higher for junior talent, with emotional quotient, judgement and leadership skills — qualities normally expected of senior hires — being prioritised.

"Organisations will need to rethink how early-career talent is developed, including creating new pathways through which early-career employees can learn through application and experience," he says. "Traditional

apprenticeship models built largely around repetitive tasks may need to evolve into more structured experiences that accelerate the development of these broader capabilities."

Sufficient AI talent in Malaysia?

While employers today want workers who can use AI in ways that help create value, there is also a need for AI developer roles in the country, notes Soo Hoo.

"Malaysia needs to strengthen both the depth and breadth of its AI talent base. Findings from our 2026 Global AI Jobs Barometer indicate that AI-related roles in Malaysia are currently concentrated in roles that apply AI in business functions (AI user roles) rather than roles focused on developing core AI technologies (AI developer roles)," he says.

Soo Hoo cautions that the pipeline of specialised AI talent in Malaysia may not be sustainable for the country's long-term ambitions, given the pace at which AI is evolving.

"Malaysia needs both AI user and AI de-

veloper roles in our journey towards realising our AI Nation 2030 aspirations. We need to expand the pool of highly specialised engineers, data scientists and technical experts who can develop and commercialise home-grown digital innovation. At the same time, we must equip workers across sectors with AI literacy, applied skills and judgement to use these technologies productively and responsibly," he explains.

Having said that, every paradigm change will have its drawbacks. Human resources practitioners are reporting that, because of the speed at which the AI world is moving, employees are starting to experience AI fatigue, or "AI brain fry", as they try to keep pace with the changes.

"Companies need to think about the pace at which and direction in which they are adopting AI in their systems and processes. AI fatigue is a real issue and it's not because employees are not eager to learn. This could result in a decrease, instead of an increase, in efficiency and productivity," says an HR practitioner.

A human resources director with a local company says some employees might not want to go down the AI rabbit hole.

"We have reskilling programmes where we reassign certain affected roles to other areas in the company. But some of our employees, typically those who are closer to retirement, say they would rather opt for an early retirement plan, instead of reskilling," notes the director.

State of the labour market

Minister of Economic Affairs Akmal Nasrullah Mohd Nasir said last Friday that a total of 68,177 workers lost their jobs from January to Sept 16, representing an increase of 15,196 over the same period last year.

A recent report on the Social Security Organisation's Employment Insurance Scheme (EIS) shows that professionals, managers, executives and technicians was the occupation category that saw the highest retrenchment rate, at 51% of the total loss of employment

See also 'AI may boost productivity, but what about workers' share?' next page

COVER STORY

AI may boost productivity, but what about workers' share?

Malaysia's economy grew 6% year on year in the second quarter of 2026, its second-fastest pace of growth in three years and well above the 4.4% recorded in 2019, before the Covid-19 pandemic.

The quarterly figure puts Malaysia among the fastest-growing economies in the region, outpacing Singapore (5.9%), Indonesia (5.3%), China (4.3%), South Korea (3.7%) and the Philippines (2.3%).

Beneath the headline figure, however, growth was concentrated in more capital-intensive sectors. Net exports surged 168.5% y-o-y to RM15.8 billion, accounting for almost 40% of the GDP increase, driven partly by strong electrical and electronics (E&E) and liquefied natural gas (LNG) exports.

But these sectors, together with information and communications, account for just 10.7% of employment, limiting how broadly their growth is felt across the workforce.

This helps explain why strong headline growth does not necessarily translate into workers getting a correspondingly larger slice of the economic pie.

In fact, the share of output flowing to workers through wages and other remuneration remains relatively low, in terms of compensation of employees (COE). Surprisingly, workers' share shrank compared to 10 years ago.

In 2016, COE accounted for 35.6% of gross domestic product (GDP) but the ratio fell to 33.9% in 2025, according to data by the Department of Statistics Malaysia (DOSM).

Meanwhile, gross operating surplus (GOS), which broadly represents the income accruing to businesses and owners of capital from production, increased its share of GDP to 62%, from 59.3%, in the same period (see Chart 1).

In simple terms, this means that as Malaysia's economy expanded, a larger share of the income generated flowed to businesses and capital owners than to workers through wages and other remuneration. While the economy grew bigger overall, labour's slice of the economic pie became relatively smaller.

The divergence became particularly stark during the pandemic and subsequent reopening. COE's share rose to 37.4% in 2020 as output contracted more sharply than employment and wages, before tumbling to 32.5% in 2022. GOS moved in the opposite direction, rising to 66.7%, from 59.9%.

The gap has narrowed somewhat in the following years, as employee compensation began growing faster than the broader economy. COE grew 4.8% in 2023, against nominal GDP growth of 1.7%, while GOS contracted 2.1%. COE continued to outpace both nominal GDP and GOS in 2024 and 2025, helping labour's share recover from its 2022 low (see Chart 2).

But the recent recovery has not changed the bigger picture, as workers' share of the economy remains below where it was a decade ago and low by international standards.

According to Bank Negara Malaysia's Economic and Monetary Review 2025, COE accounted for 33.6% of Malaysia's GDP in 2024, compared with 34.6% in the Philippines, 37.8% in Singapore, 47.4% in Australia, 49.8% in the UK, 51.9% in the US and 54.7% in Germany (see Chart 3).

Comparing COE with GOS offers one way of looking at how the income generated by an economy is divided between labour and capital.

Putrajaya, too, has acknowledged the need to address the relatively low share of Malaysia's economic output flowing to workers.

Chart 1
Who gained most from GDP growth?

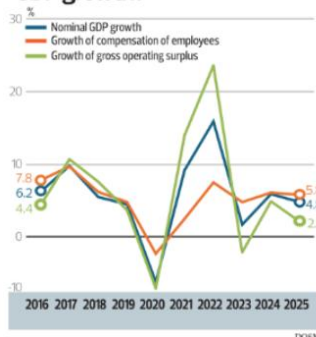
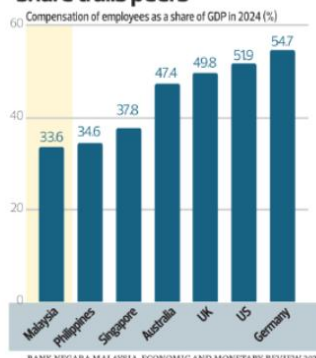


Chart 3
Malaysia's labour share trails peers



"When you look at this measure of compensation of employees in Malaysia, it's about 34% of GDP. It's relatively low compared to probably any other country, whether developed or even less developed," Treasury secretary-general Tan Sri Johan Mahmood Merican said at *The Edge-HSBC Pre-Budget 2027 Roundtable*.

"When people talk of cost-of-living challenges, part of it is the issue where our incomes are not rising fast enough. Maybe it's the education system, maybe it's also high levels of automation and mechanisation."

As Malaysia moves towards a more knowledge-intensive economy, Johan said, part of the GDP pie "must shift from just returns of capital to also providers of talent".

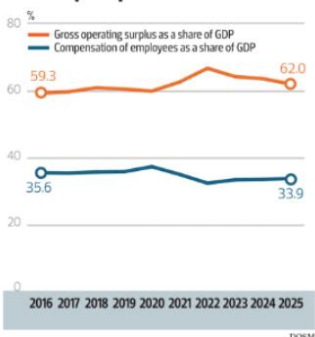
The 13th Malaysia Plan (13MP) has set a target of lifting COE to 40% of GDP by 2030, requiring a substantial increase from the current 33.9% over the next four years.

Furthermore, the growing use of artificial intelligence (AI) adds another challenge to reaching that target as companies increasingly use the technology to produce more with the same number of workers — or fewer — raising the question of whether those productivity gains will flow to employees through higher wages or accrue disproportionately to capital.

In fact, Malaysia's recent experience suggests that productivity gains do not automatically translate into higher pay.

Bank Negara found that real median wages grew at a compound annual rate of barely 0.9% between 2019 and 2024, below productivity growth of 1.1%. Wages caught up with cumulative productivity gains only in 2024.

Chart 2
Workers' share of GDP remains below pre-pandemic levels



The central bank also found that average annual COE growth moderated to 5.4% post-Covid from 8.2% before the pandemic, while private-sector wage growth slowed much more sharply to 3.4%, from 7.6%.

For workers, therefore, the AI question is not only whether jobs will be displaced, but also who ultimately captures the productivity gains it creates.

Shortage of high-paying jobs

Malaysia's unemployment rate of around 3% may indicate full employment, but it does not necessarily reflect the quality of jobs or income levels.

Associated Chinese Chambers of Commerce and Industry of Malaysia's (ACCIM) Socio-Economic Research Centre (SERC) executive director Lee Heng Guie points to the composition of Malaysia's labour market as one reason wages and workers' share of economic output remain relatively low.

According to Lee, semi-skilled workers account for 62% of employment and low-skilled workers another 12.6%, while skilled workers make up only 25.4%.

While large companies in higher-value sectors such as banking, oil and gas, high-tech manufacturing and semiconductors are generally better positioned to offer higher wages, Lee says there are not enough such firms creating high-paying jobs at sufficient scale.

"The top-performing firms are not scaling enough to absorb more skilled workers," he says. This leaves a large share of the workforce concentrated in semi- and low-skilled jobs, where workers typically have less bargaining power and limited scope for higher wages.

Similarly, Bank Negara points to structural weaknesses as a factor holding back wage growth. According to the central bank, Malaysia has not generated enough high-skilled and high-paying jobs over the past seven years, while dependence on low-cost foreign labour has reinforced low-value production models and suppressed wages, particularly for low- and semi-skilled workers.

Persistent skills mismatches and uneven access to relevant training have also prevented workers from moving into better-paying jobs.

Another factor shaping labour's relatively low share of the economy is how businesses choose to distribute the gains they generate.

"Corporate value distribution heavily prioritises shareholder returns, such as dividends and share buybacks, and executive compensation over increasing employees' base wages," Lee explains.

The widening gap between labour and capital income should not be read, however, as a straightforward measure of how profitable Malaysian companies have become.

Bank Muamalat Malaysia Bhd chief economist Dr Mohd Afzaniz Abdul Rashid cautions against interpreting Malaysia's GOS share of more than 60% as evidence that companies are necessarily earning extraordinarily high profits.

Companies still have to contend with intensifying competition, regulatory compliance, changing consumer preferences and rapid technological change, all of which affect how much of that operating surplus ultimately translates into profit, Afzaniz says.

"It does not automatically mean firms are doing extremely well. In some sense, it is like a company's revenue — what matters is the bottom line, or profitability," he says.

"Having said that, the relatively low COE share does indicate some degree of inequality, as the share of income accruing to workers remains below the desired level, particularly when measured against the 13MP target of 40% by 2030 and the Madani Economy target of 45% by 2033."

Afzaniz also sees scope to rethink employee compensation beyond basic salaries, overtime, statutory contributions, bonuses and annual increments, including greater use of mechanisms such as employee share option schemes (ESOS) that allow employees to participate more directly in corporate gains.

"The pay structure needs to be looked at again so that excess profits can be shared and reflect the contribution from employees," he says.

Lee concurs, pointing to productivity-linked wage systems, ESOS and stronger collective bargaining as possible mechanisms to better align workers' remuneration with productivity and company performance.

More than raising the wage floor

To be fair, the government has already begun pulling several levers to lift incomes.

The minimum wage has been raised several times over the past decade, while the recent Progressive Wage Policy seeks to encourage wage increases alongside improvements in skills and productivity. The current government has also implemented a major revision to civil servants' salaries.

Bank Negara notes that the introduction of the minimum wage in 2013 and subsequent increases coincided with falling wage inequality and a higher COE in the decade leading up to the pandemic.

But raising the floor alone does not necessarily mean a broad-based increase across job levels. Bank Negara found that the median wage gap between low- and semi-skilled workers narrowed to RM396 in 2024, from RM550 in 2016, reflecting what it calls wage "bunching" around the statutory minimum. In other words, increases at the bottom have not proportionately lifted wages further up the distribution.

The central bank argues that Malaysia therefore needs stronger wage-setting institutions beyond the minimum wage, including mechanisms that better link wages with productivity, competitiveness and economic conditions. It also points to industrial upgrading, better jobs and skills development, alongside efforts to move firms towards more complex and high-value activities and reduce dependence on low-cost foreign labour.

Companies have long relied on foreign workers to keep labour costs down. But as Malaysia seeks to reduce that dependence, the rise of AI and automation raises another question: Will those jobs go to better-paid local workers, or to technology?

With AI reshaping demand for labour and skills, lifting COE to 40% within four years could become an even tougher target to hit. ■