

# Pursuing the next chapter in Malaysia's wage journey

Conversations around economic development typically focus on how to grow the economy, often at a macro level. Equally important is how that growth translates into the everyday lives of workers and households sustainably. Looking at countries such as Australia, the Netherlands or Denmark, it is apparent that the wage goes beyond the number on the payslip. Salaries are not simply higher. For these countries, a reasonable income provides something more valuable: the reassurance that life is financially manageable with enough for essentials, some discretionary spending, a holiday, savings and meaningful social protection.

With the upcoming Budget 2027, this is a key perspective that deserves attention. Malaysia's wage debate has rightly focused on minimum wages, productivity, skills development and moving talent up the value chain. The conversation needs to be broadened to what a developed country wage should ultimately provide: a pathway to financial security, the potential for career progression, upward mobility and a more sustainable future.

## Recognising what income really delivers

Malaysia's aspiration to become a high-income, developed economy should ultimately benefit people's everyday lives. A salary can look adequate on paper and still feel inadequate once housing, transport, food and childcare are taken into account.

One often overlooked factor is time. For many Malaysians, particularly those liv-

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ing farther away from major employment centres, long commutes effectively reduce the value of income. Two workers earning the same salary can have a very different quality of life, depending on the time and cost required to access their jobs. Income is therefore not about what people earn, but also what they must sacrifice to earn it.

This is why the wage agenda cannot sit solely within labour policy. Affordable housing, efficient public transport systems, urban mobility and thoughtful city planning need to be prioritised, as these factors collectively influence how far an income goes and how much time people have for family, learning and personal well-being.

## From minimum wage to outcome-linked wage progression

The current Dasar Gaji Progresif has made important progress in lifting the wage floor. The minimum wage remains essential protection against hardship, but it serves a different purpose from a developed country wage. While the former protects workers from falling below a minimum standard of living, the latter enables them to build better lives through continuous progression — this is the real measure of success.

Can someone move from RM2,000 to RM3,000, RM6,000 and eventually RM10,000

by acquiring new skills, taking on higher-value responsibilities, and transitioning into better jobs? Whether it is a technician aspiring to become a specialist, a worker seeking opportunities in emerging industries, or a digital freelancer building specialised expertise, the pathway to higher wages should be visible and achievable.

The objective should go beyond just raising the first rung of the ladder, to making the entire wage ladder climbable. This extends the scope beyond the wage ladder. A truly progressive wage system should also comprise a skills ladder, a job ladder and a productivity ladder. It is about linking capability progression to career progression, and career progression to wage progression. This requires sustained investment in education, reskilling and lifelong learning, supported by stronger collaboration between employers, universities and technical and vocational education and training (TVET) institutions to equip Malaysians with skills that remain relevant in an increasingly technology-driven economy.

## Moving to higher-value jobs

The rise of artificial intelligence (AI) further reinforces the need to rethink how the country approaches wage progression. As highlighted in PwC's 2026 Global AI Jobs

Barometer, AI is not necessarily displacing workers on a large scale, but it is reshaping the mix of skills and capabilities required in many occupations. The foundations for this must be built early, through an education system that nurtures critical thinking, adaptability and lifelong learning. In an AI-enabled environment, wage progression can no longer be based primarily on tenure or years of service. It must increasingly reflect an individual's ability to acquire new skills, adapt to changing job requirements, and create value alongside emerging technologies. Future wage policies need to incentivise this.

National talent frameworks such as Bakat Madani can help create pathways to higher value roles and better opportunities by connecting employers, education institutions, TVET providers and individuals through an integrated ecosystem that supports lifelong learning and career progression. Spurring technological disruption into greater economic mobility and social mobility, Budget 2027 can support this transition by linking selected training, automation and investment incentives to clear commitments on job quality, capability development and sustainable wage progression.

## Evolving with the rise of the alternative workforce

We also need to recognise the evolving definition of work, with the growing trend of Malaysians participating in the alternative workforce through freelance work, project-based engagements, digital platforms and other flexible work arrangements. While the flexibility, autonomy and income

opportunities offered by these models are attractive, they may not always offer paid leave, employer-funded retirement contributions, healthcare protection, or income security during periods when work is unavailable.

This presents an important policy consideration. As workforce participation models become more diverse, the traditional view of capability development, career mobility and social protection must evolve accordingly. Workers should be able to build skills, gain recognised credentials and progress into higher-value opportunities regardless of the nature of their employment.

**Making tomorrow's jobs work harder**

Wage adequacy should be measured not only by what workers can afford today, but by their ability to build long-term financial security through sustainable retirement savings and resilience against income shocks, regardless of whether they are permanently employed, or participating in the alternative workforce. This is key in an environment where retirement adequacy is an ongoing concern, particularly for workers with variable incomes despite regular savings and Employees Provident Fund (EPF) contributions.

A truly progressive wage system should be viewed as an interconnected ecosystem. With skills, jobs, productivity and wages ripe for transformation, the objective is not merely to ensure workers earn more for performing the same tasks, but to enable them to acquire new capabilities, assume higher-value responsibilities and progress into better jobs throughout their working lives.

Budget 2027 could introduce a stronger

“good jobs compact”, a shared commitment between government, employers and education providers, where selected incentives are allocated to create the right types of jobs and skills, with progression and earnings potential, beyond just the volume of jobs. Progression pathways should be developed with employers, workers and training institutions that are in tune with the needs of key sectors of the economy.

**A timely reminder for Budget 2027**

Ultimately, it is important to measure economic progress not only through gross domestic product, investment and wages, but by the extent to which households enjoy greater purchasing power, financial resilience, retirement security and quality time.

The benefits of a high-income economy should be broadly shared and meaningfully felt across society. This requires a stronger focus on creating not just jobs, but better-quality jobs. A sustainable “good jobs compact” should encourage businesses, educational institutions and policymakers to work together to build clearer pathways for skills development, career progression and social advancement.

A developed Malaysia is one in which a fair day's work provides more than a fair day's pay. It should provide security, dignity, opportunity and choice well into retirement. Progressive wages can help deliver that future, beyond just building a higher wage floor, but a stronger ladder of skills, better jobs and shared prosperity above it. **E**

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