



YOUR OPINION

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WITH Budget 2027 approaching, there are renewed calls for higher wages, including an increase in the minimum wage.

But raising the minimum wage is not as simple as it may seem. Policymakers must strike a balance between improving workers' incomes and ensuring that employers can manage higher labour costs.

This raises a bigger question: If some employers cannot afford to pay fairer wages, how do we ensure that workers are not permanently trapped in low-paid jobs?

Wages are largely shaped by the demand and supply of labour. In many low-skilled jobs, workers have limited bargaining power. When there is a large supply of workers, including foreign labourers willing to accept lower wages, employers face less pressure to offer higher pay.

The gap between wages and living costs illustrates the problem. According to a calculator developed by the Department of Statistics Malaysia (DOSM), the estimated basic expenditure required for a decent standard of living in 2024 for a single 26-year-old man in Kuala Lumpur was around RM2,400 a month. This was already well above the current minimum wage of RM1,700.

With living costs continuing to rise now, the amount needed would be even higher.

The problem is also not limited to low-skilled local workers. Many fresh graduates accept relatively low starting salaries sim-

Breaking out of the low-wage trap

ply to enter the labour market, gain experience and improve their chances of securing better jobs later.

Over time, this can create a low-wage trap. When businesses have easy access to cheap labour, there is less pressure to invest in technology, improve production processes or move towards higher-value activities. This, in turn, limits their ability to offer better wages. The economy can then become caught in a cycle of cheap labour, low productivity and slow wage growth.

So, how do we break this cycle?

First, Malaysia's dependence on foreign labour needs to be gradually reduced. Foreign workers are still needed in certain sectors, but recruitment should be carefully managed and based on genuine needs so that it does not weaken wage growth and employment opportunities for local workers.

Second, higher wages must go together with stronger and more competitive firms. Employers cannot simply be asked to pay more without creating the conditions that allow them to do so.

Policies should encourage

firms to invest in technology, automation, worker development and better production processes. As firms create greater value, they will have more room to offer better wages.

The minimum wage should therefore be seen as a floor for worker protection, not the standard wage for most jobs. Firms that are more productive and competitive should be able to pay above the minimum, reflecting the skills, contribution and value of their workers.

Malaysia's Progressive Wage Policy is a step in this direction as it links wage growth with skills and productivity. The objective should not be simply to raise wages through regulation but to strengthen the capacity of workers and firms at the same time.

Third, learning and training must bring real returns. Workers should be able to see that gaining new skills leads to better jobs, career progression and higher incomes. Otherwise, there will be little incentive for them to continue upgrading themselves.

More high-value jobs need to be created. An economy dominated by low-skilled and low val-

ue-added activities will always struggle to support higher wages. Continued investment in sectors such as semiconductors, artificial intelligence, biotechnology, pharmaceuticals and green energy can help create better-paying jobs and stronger career opportunities.

Finally, our education and training systems must stay closely connected to labour market needs so that graduates and workers are prepared for jobs that offer better incomes and stronger career prospects.

Escaping the low-wage trap is not simply about deciding how high the minimum wage should be. It is also about building an economy where employers are able to pay more and workers have the opportunity to earn wages that fairly reflect the value of their work.

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