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Strengthening workers' rights, enhancing productivity

STRENGTHENING WORKERS' RIGHTS, ENHANCING PRODUCTIVITY

KUALA LUMPUR: Malaysia is firmly on track to building a more progressive and equitable labour market.

2025 marks the implementation of two key initiatives – the new Minimum Wage Order (MWO) and the Progressive Wage Policy (PWP) – aimed at strengthening workers' rights, boosting labour productivity and fostering a more inclusive and sustainable national economy.

Progressive wages

The MWO came into effect on Feb 1 for employers with five or more employees, as well as for employers in the professional sector regardless of employee count. "For employers with fewer than five employees, the effective date is Aug 1, a move that will ensure workers receive a minimum basic wage of RM1,700 per month, in line with the rising cost of living," says Human Resources Minister Steven Sim recently.

"The government introduced PWP as a comprehensive, long-term measure that takes a productivity-based approach. It links wage growth to skills development and employee contributions," he continues.

Formally implemented in January this year, the policy follows a pilot phase held between June and August last year. This shows a shift in strategy during the 12th Malaysia Plan Mid-Term Review, to raise wages and ensure a balanced income distribution.

Opportunity in both ways

The PWP is guided by three main principles: voluntary partic-

ipation, incentive-based structure and a strong link to productivity.

Registered local companies will receive monthly cash incentives up to RM300 per employee once registered until December 2027, depending on the employee category and wage increment achieved. Entry-level workers will receive a maximum incentive of RM200 per month.

If the wage gap between the employee's current salary and the entry-level wage specified in the PWP Implementation Guideline exceeds RM200 per month, employers must raise wages by at least RM200. If the gap is less than RM200, the wage increase must be aligned with the guideline's recommendation.

Non-entry level employees can fetch incentives up to RM300, based on their annual wage increment achieved. Employers must meet minimum 21 hours per year training requirements as one of the prerequisites for PWP incentive claims.

However, 21 hours training that were not completed in 2025 can carry forward until December 2026. This allows employees to complete a minimum of 42 hours in 2026, or have undergone Recognition of Prior Achievement (RPA).

In 2027, employees should have a minimum of 21 hours, or completion of RPA, which allows them to upskill and become more competitive. Employers will benefit from a more capable and productive workforce.

Strategic investment

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Card, with 147,534 completed applications submitted.

And so far, 11,587 workers have successfully received their digital cards, while the rest are currently undergoing the verification process by their respective unions.

Building the future today

PWP also sends out a clear message that Malaysia's economic growth must be underpinned by a fair and forward-looking wage system, not just minimum wage compliance or periodic salary adjustments.

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"PWP is an opportunity for Malaysia to build a fairer work environment where businesses can grow alongside workers, and the economy to be more competitive," stresses Sim.

"We encourage employers to join PWP, not just a social responsibility move, but a smart business strategy. Employees can also take this chance to embrace the upskilling opportunities provided."

"Only through strong collaboration between the public sector, the private and the workforce can the MADANI aspiration – of a values-based, socially just economy – be fully realised," he says.

Sim adds that a job that rewards fair wages restores not only income, but dignity and recognition for every worker.

To learn more or to register for the PWP, visit: <https://www.gajiprogresif.gov.my>.

term investment for employers. Besides the financial incentives, it helps companies boost operational efficiency by building a more skilled and motivated workforce," explains Sim.

Participating companies will also be recognised as Progressive Wage Employers – a status that enhances the organisation's credibility and reputation among clients, employees and industry peers.

"This will be vital for local businesses and micro, small and medium enterprises (MSMEs), which make up 97% of the country's industrial landscape. Through PWP, these businesses can strengthen their competitiveness while contributing to a more resilient and sustainable labour market," he elaborates.

Contributing to nation's growth

In the macroeconomic viewpoint, PWP is expected to contrib-

ute significantly to national growth. Higher household incomes will stimulate domestic demand, which supports GDP growth.

A fairer wage structure will attract higher-quality investments and reduce reliance on low-paid foreign labour. With an initial RM200mil allocation under Budget 2025, the PWP aims to benefit 50,000 workers in its initial phase.

This could make Malaysia a high-income nation with the workforce as a key driver of progress, and toward a more progressive wage system.

With fairer wages, the people's purchasing power increases, companies become more competitive and result in a more balanced, inclusive national economy.

It will elevate Malaysia to the ranks of high-income nations that prioritise dignity, values and quality of life. As of July 2025, a total of 173,325 individuals have registered for the MADANI Workers'