

# Government to 'Raise the Floor' over wage gap, disparities through reforms

By **S. Birruntha** - October 18, 2024 @ 5:05pm



Malaysia's current wage structure still exhibits significant disparities across various aspects, despite the existence of diverse wage-setting mechanisms. Pexels pic

**KUALA LUMPUR:** Malaysia's current wage structure still exhibits significant disparities across various aspects, despite the existence of diverse wage-setting mechanisms.

According to the Economic Outlook 2025, certain segments of workers, particularly among tertiary graduates, continue to receive less competitive wages, which poses challenges for individuals striving to lead more meaningful lives.

"If the goal of 'raising the floor' as envisaged under the Madani Economy framework through higher wages is to be successfully realised, policy and institutional reforms are essential to enable efficient wage governance in an integrated manner and whole-of-nation approach.

"Therefore, there is a need for standard wage-setting guidelines to improve the wage structure in Malaysia," it added.

In Malaysia, employees are compensated based on wage payment setting mechanisms with their respective employers.

These mechanisms have become increasingly diverse and governed by various acts and guidelines.

The most common mechanism is based on mutual contract of service under the Employment Act 1955 [Act 265] or through collective bargaining between employers and trade unions.

Nonetheless, the report noted that average wage growth has remained low over the past decade.

It added that the benefits of growth, measured by compensation of employees (CE), also remained stagnant and to some extent was much lower in comparison with other countries.

"The wage gap and significant disparities are still prevalent among workers across skills category, location, sectors, occupation, and educational attainment. If these wage gap issues are not addressed, the aspiration of 'Raising the Floor' under the Madani Economy framework will be difficult to achieve within the intended period," it said.