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24 OCTOBER 2024

Budget 2025: Advancing Wage Growth, Equity & Inclusivity

On 18.10.2024, the Prime Minister cum Finance Minister, Dato' Seri Anwar Ibrahim, tabled the Malaysia MADANI Budget 2025 in Parliament ("**Budget 2025**").

Budget 2025 reflects a continued commitment to stimulating economic growth while striving for fiscal responsibility, with an unprecedented allocation of RM421 billion. Key measures aimed at fostering a more inclusive and equitable workforce are summarised below:

No.	Measure	Significance
	Employment and Labour Market Reforms	
(a)	The minimum wage will be raised from RM1,500 to RM1,700 in February 2025. Small businesses with fewer than five employees will have a 6-month grace period.	This measure improves the standard of living for low-income workers – reducing income inequality and boosting consumer spending. The grace period allows smaller businesses time to adjust without immediate financial strain.
(b)	The Ministry of Human Resources will publish starting salary guidelines for various sectors.	This measure fosters transparency in the labour market, establishing fair wage benchmarks for both

		employers and employees. It promotes equitable pay, discourages exploitation, and helps job seekers negotiate competitive salaries, ensuring consistency across sectors.
(c)	The Progressive Wage Policy (“ PWP ”) aims to increase workers’ income and will benefit 50,000 workers in 2025.	This measure promotes wage growth tied to skills and performance, providing an incentive for upskilling and higher productivity, and reducing wage stagnation. Our article on the PWP can be accessed here .
(d)	The HRD Corp fund allocation for training expenses has been increased from 30% to 50%.	This measure allows more companies to invest in upskilling their workforce, improving overall productivity and competitiveness, ultimately leading to better job retention and economic resilience.
	Equity and Inclusivity	
(e)	Employers who hire persons with disabilities (“ PWDs ”) or former convicts will receive an incentive of RM600 per month for three months under the Social Security Organisation (“ SOCSSO ”).	This measure encourages businesses to hire individuals facing significant employment barriers, such as PWDs and former convicts, promoting inclusion and diversity in the workforce. The financial incentive reduces the perceived risk or additional costs of hiring from these groups, facilitating their reintegration into society and improving their economic independence.
(f)	The <i>Perantisan Kepimpinan Wanita (Perantis)</i> programme encourages corporate female leadership.	This measure addresses the underrepresentation of women in leadership positions, fostering a more diverse and inclusive work environment.

(g)	The Returnship programme will help women return to work in the finance sector.	This measure supports women who have taken career breaks by helping them re-enter the workforce, addressing critical career gaps and gender disparities.
(h)	Employers who hire women returning to work will receive a 50% income tax exemption for 12 months	This measure incentivises companies to hire women returning to the workforce, making it financially advantageous for businesses to support their reintegration.
(i)	Tax incentives include deductions for implementing flexible working arrangements and for employers providing supplementary care for employees' family members.	This measure encourages businesses to adopt flexible work models, improving employee well-being, job satisfaction, and retention. It also fosters a more inclusive work culture, especially for those managing family care.
Social Protection & Retirement Savings		
(j)	The Employees' Provident Fund's ("EPF") i-Saraan matching incentive will be increased to 20%, capped at RM500 per year or RM5,000 for life.	This measure encourages more self-employed workers to save for retirement, ensuring that they have adequate financial security in the future.
(k)	The Self-Employment Social Security Scheme will cover 70% of workers' contributions, preparing for mandatory contributions next year.	This measure makes social security more accessible for self-employed individuals, who often lack the protection that formal employees receive.
(l)	The EPF scheme will allow intergenerational transfer of savings.	This measure ensures that retirement savings can be passed down to immediate family members, helping to provide financial support across generations.
(m)	Contributions to the <i>Skim Persaraan Swasta</i> will receive tax relief until 2030.	This measure encourages more individuals to invest in private retirement schemes, boosting overall retirement savings, and provides an

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		attractive incentive for individuals to plan for their future, thereby reducing reliance on government pensions and improving financial independence.
(n)	Non-citizen employees will be required to contribute to the EPF in phases.	This measure ensures fair treatment and equal access to retirement savings for all workers, regardless of nationality, and aligns with international standards, offering financial protection to foreign workers and enhancing Malaysia's reputation as a fair and equitable employer.

From raising minimum wages to expanding social protection and promoting opportunities for marginalised groups, these initiatives underscore the Government's focus on *rakyat*-centric development. By fostering job creation, upskilling, and enhancing social security, the employment measures in Budget 2025 are set to shape a more resilient and sustainable labour market for the future.

If you have any queries, please contact Associate, **Ashreyna Kaur Bhatia** (akb@lh-ag.com), or her team Partner, **Amardeep Singh Toor** (ast@lh-ag.com).