

8 JANUARY 2025

Giving the Living Wage

Malaysia recently introduced several developments concerning employee wages, namely:

- The **Minimum Wages Order 2024 [P.U. (A) 376/2024]** will take effect in stages starting from 1 February 2025 affecting private sector employers in Malaysia¹.
- Registration for voluntary participation in the **Progressive Wage Policy (*Dasar Gaji Progresif*)** is now open to eligible private sector employers, excluding Government-linked companies and multinational corporations².
- The Ministry of Human Resources will publish starting salary guidelines for all employment sectors based on the **Malaysia Standard Classification of Occupations (MASCO)**³.

How do these developments intersect with ESG and sustainability?

“...[Assess] the benefits and challenges of paying a living wage ..., gradually bridging the wage gap ..., and striving for a mutually beneficial outcome aligned with the living wage concept.”

Living Wage: A Part of Sustainability and Human Rights Agenda

A living wage is the income necessary to afford a decent standard of living for workers and their families, taking into account national circumstances and calculated based on work performed during normal hours⁴. A country's minimum wage standard does not always allow for a decent living because, for instance, it is not adjusted frequently enough to keep up with the rising costs of living and it commonly applies across all geographical areas despite differences in costs of living⁵.

Businesses are called to ensure workers in their workplaces and supply chains are paid a living wage as part of the broader Sustainable Development Goals (SDGs) under the United Nations 2030 Agenda for Sustainable Development, in particular, Goal 1: No Poverty and Goal 8: Decent Work and Economic Growth, as well as Goal 5: Gender Equality and Goal 10: Reduced Inequalities⁶.

Provision of a living wage also aligns with corporate responsibility to protect and respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights (UNGPs). The lack of a living wage may impact certain rights outlined in the Universal Declaration of Human Rights and various international conventions, such as the right to enjoy just and favourable conditions of work, the right to an adequate standard of living, the right to rest and leisure, the right to protection of family and children, and the right to health⁷.



[1] <https://lom.agc.gov.my/ilims/upload/portal/akta/outputp/2541500/PUA%20376.pdf>

[2] <https://gajiprogresif.gov.my/>

[3] <https://www.thestar.com.my/news/nation/2024/10/18/progressive-wage-policy-new-measure-to-reform-labour-market-says-hr-minister>

[4] <https://unglobalcompact.org/what-is-gc/our-work/livingwages>

[5] <https://bhr-navigator.unglobalcompact.org/issues/living-wage/>

[6] <https://unglobalcompact.org/what-is-gc/our-work/livingwages/think-lab-on-living-wage#:~:text=Ensuring%20living%20wages%20for%20all,and%20Goal%2010%3A%20Reduced%20Inequalities.>

[7] <https://bhr-navigator.unglobalcompact.org/issues/living-wage/>

Going Beyond Current Laws and Policies in Malaysia

The Minimum Wages Order 2024 sets a uniform minimum wage rate which in principle aims to ensure the welfare of workers, particularly those with low income. The Progressive Wage Policy whereas focuses on encouraging and facilitating businesses to implement wages which commensurate with increased skills and productivity. These are supplemented by other incentives or subsidies implemented by the Government of the day.

While minimum and progressive wages with the occasional incentives or subsidies represent positive steps forward, they are neither a straightforward nor lasting solution to address the realities of rising costs and economic disparities in Malaysia⁸. Businesses are encouraged to go beyond mere legal compliance and governmental policies by ensuring that wages paid to their workers, in particular those in the lower income categories, reflect what is necessary for a decent standard of living, thereby driving sustainable and socially responsible business operations.



[8] For further reading:

<https://www.thestar.com.my/news/nation/2024/08/14/minimum-wage-should-be-at-least-rm2000-to-cover-cost-of-living#:~:text=%E2%80%9CThe%20minimum%20wage%20for%20the,.000%20taking%20inflation%20into%20account,>
<https://www.bernama.com/en/news.php?id=2358799>

[9] For example:

[https://www.bnm.gov.my/documents/20124/826852/AR+BA4+-+The+Living+Wage+Beyond+Making+Ends+Meet.pdf,](https://www.bnm.gov.my/documents/20124/826852/AR+BA4+-+The+Living+Wage+Beyond+Making+Ends+Meet.pdf)
<https://www.weforum.org/stories/2024/05/why-companies-must-pay-living-wages/#:~:text=A%20study%20by%20the%20Living,relations%20between%20managers%20and%20staff,>
<https://unglobalcompact.org/what-is-gc/our-work/livingwages/think-lab-on-living-wage#:~:text=Ensuring%20living%20wages%20for%20all,and%20Goal%2010%3A%20Reduced%20Inequalities.>

Challenges and Moving Forward

In the absence of adequate laws and policies, various organisations and thought leaders highlight the importance and benefits of implementing a living wage⁹. However, businesses may be concerned with the adverse outcomes of doing so, such as rising business costs and the effect to their bottom line. Businesses not yet implementing living wage practices may consider:

- Participating in governmental or organisational initiatives, such as the Progressive Wage Policy, where eligible as a starting point; and/or
- Assessing the benefits and challenges of paying a living wage within their organisation, gradually bridging the wage gap based on available resources, and striving for a mutually beneficial outcome aligned with the living wage concept.

Businesses that already adhere to living wage practices are encouraged to audit and facilitate their supply chains to ensure alignment with the living wage agenda.

If you have any query, please contact the author, **Tan Hooi Ping** (hpt@lh-ag.com), Partner in the ESG and Sustainability Practice.

Partners in the ESG & Sustainability Practice



HOI JACK S'NG

Partner
Dispute Resolution |
Regulatory & Compliance
E: hjs@lh-ag.com

TAN HOOI PING

Partner
Employment & Industrial
Relations
E: hpt@lh-ag.com

JOYCE ONG KAR YEE

Partner
Projects, Energy &
Infrastructure | Corporate |
Regulatory & Compliance
E: oky@lh-ag.com

NURUL AISYAH HASSAN

Partner
Employment & Industrial
Relations
E: nah@lh-ag.com