



DASAR GAJI PROGRESIF MALAYSIA

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Section 1

Introduction to wages

AIU	HJI	WWE	PLD	EER	ORT	SPY
1,822	20,369	890	6,350	10,783	665	6,800
(-35)	(+588)	(-80)	(+200)	(+580)	(-15)	(-115)
MBC	MHI	HJB	PON	NFR	UGH	OMJ
3,605	9,542	2,609	7,654	6,522	1,632	3,652
(+210)	(-128)	(+35)	(+169)	(+122)	(-54)	(+182)
YBV	QMN	MMJ	IIT	KLM	CCK	EMH
3,204	5,211	7,100	7,150	782	1,901	3,280
(-33)	(+156)	(-60)	(-150)	(+74)	(+101)	(-120)
MBB	WFF	HJM	OLC	LSD	SDH	GHS
3,320	712	134	2,022	631	6,287	12,630
(-120)	(+12)	(+9)	(-18)	(+40)	(-57)	(-330)

Wages: various components

Wages have several components:



DGP is concerned principally with basic wages



Section 2

Progressive Wage & Minimum Wage



Progressive Wage in Malaysia

Dasar Gaji Progresif

The Malaysian Government has introduced a **Progressive Wage Policy (DGP)** to uplift wages in line with productivity growth. The **White Paper on Progressive Wage Policy**, published on 30 November 2023, explains the Government's commitment to **reforming the labour market with the goal of increasing workers' wages in line with productivity growth.**

Key Features of the DGP:



Voluntary Participation

Firms choose to participate in the DGP.



Incentives

Participation is supported by government incentives.



Productivity-Driven

Wages increase in line with productivity growth.

Pilot Project:



Launched: June 2024

Target: 1,000 firms across **five economic sectors**

Purpose:

To gauge employer response to the DGP for improvements before a wider roll-out (likely in 2025).

Next Steps:



Feedback from pilot project will guide further development and expansion of the policy.

For more information regarding DGP, visit the DGP website: <https://gajiprogresif.gov.my>

Scope and Coverage of DGP

Economic Sectors Covered by the Pilot Project

The DGP Pilot Project will cover **five economic sectors**:



Manufacturing



Construction



Information & Communication



Professional, Scientific & Technical Activities



Wholesale & Retail Trade

Eligibility & Participation

- The DGP design focuses on **Micro, Small, and Medium Enterprises (MSMEs)**.
- **Only Malaysian firms** can participate in the DGP.
- **Excluded:** Government-linked companies and multinational firms.
- Full DGP roll-out will involve **all sectors of the economy**.

Employee Criteria & Incentives

1. **Entry-level Employees**
 - Employees in **first year of service**.
 - Incentive: (add to basic salary)
Up to **RM200/employee/month**.
2. **Non-entry-level Employees**
 - Employees with **more than one year of service**.
 - Incentive: (add to basic salary)
Up to **RM300/employee/month**.
3. **Other Criteria**
 - Only **full-time** employees with a basic salary of **RM1,500 - RM4,999/month**.
 - Employees must complete **21 hours of approved training**.

Difference between Minimum Wage and Progressive Wage

Minimum Wage

Progressive Wage

Apply to all types of businesses across all sectors; **mandatory**



Applicability



Implemented by sector, each with a different wage rate; **voluntary**

Sets a standard wage floor for all workers, regardless of skills or experience



Wage



Emphasises **progression in wages based on parameters** like training & productivity improvements

No incentive linked to minimum wage



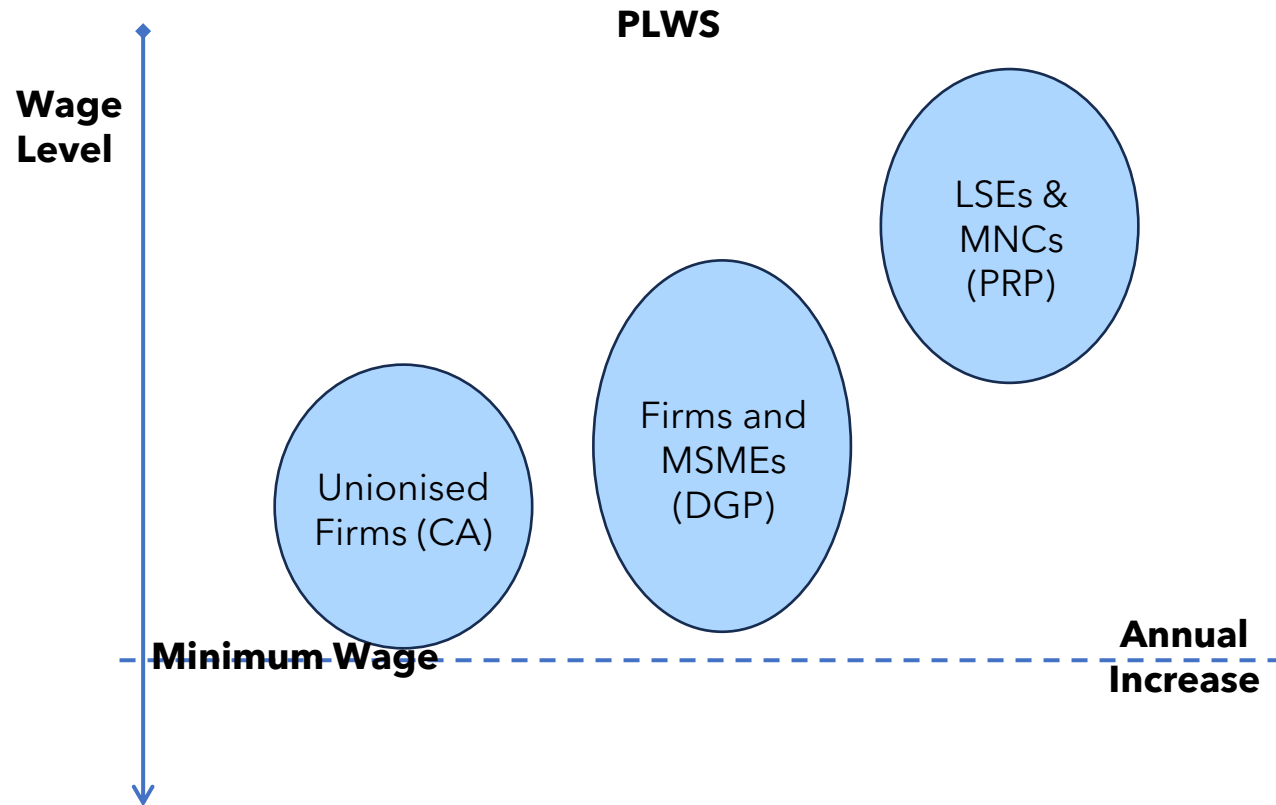
Incentive



Incentive for employees to improve their skillset via training & certification

Malaysia's Wage Policy Framework

Wage Policy Framework



Note:

MSMEs - Micro and Small and Medium Size Enterprises

LSEs - large scale enterprises

MNCs - Multinational Enterprises

Malaysia has several policies that intervene in the labour/wage and skills markets (to correct for market failures, and achieve social equity):

- **Minimum wage (MW)** that aims to reduce inequality and power of employers over employees,
- **Collective agreements (CA)** that fixes wage/salary structures for unionised firms,
- **Productivity Linked Wage System (PLWS)** that promotes the concept of performance related pay (PRP) via productivity increases (but without incentives), and
- **Progressive Wage Policy (DGP)** provide incentives for firms that voluntarily agree to comply with wage levels and annual wage increases, intending to raise worker productivity & firm profits.

**Malaysia's DGP is unique. And we are on a learning curve.
No other country has a similar model**



Section 3

International Examples of Progressive Wage Model



Singapore's Progressive Wage Model (PWM)



Overview of PWM

PWM is a Singapore initiative to ensure fair wages and professional growth for lower-wage workers, with key goals:



Annual wage increases



Opportunities for upskilling



Productivity improvements

Key Features of PWM



Career Progression Pathway: Workers can advance in their careers through **wage ladders** (tiered wage increases based on skills and training).



Employers are required to follow **PWM guidelines** for minimum pay.

Achievements

The **Progressive Wage Model**, started in 2012, led to **wage increases** and **career growth** for lower-wage workers, cleaners, security, landscape, maintenance, elevator services.

Career Rungs

- Cleaner
- Cleaning Supervisor
- Cleaning Manater

Australia's Minimum Wage and Award System



Overview of Australia's Wage Model



The **Fair Work Commission** sets minimum wages at both the **national level** and across different **job types** and **industries**.



All employees in Australia are entitled to a minimum wage unless covered by specific agreements.

Minimum Wage Review



The **Fair Work Commission's Expert Panel** conducts an **Annual Wage Review** to adjust both the National Minimum Wage and award pay rates.



These reviews account for **economic factors** to protect **financial security**.

Exceptions to Minimum Wage

The national minimum wage has certain exceptions:

- 1. Apprentice and trainee pay rates**
- 2. Junior pay rates** (under 21 years)
- 3. Employees with disability pay rates**

Industry-Specific Awards

- **Award wages** cover industries and specific occupations.
- Each **industry award** defines pay for different occupations, covering elements like **annual leave, penalty rates**, and other conditions.
- These awards ensure that workers are compensated based on **their roles** and **economic conditions**.



Section 4

Challenges in Implementing Progressive Wages



Challenges in DGP Implementation



DGP System is only available online

- The DGP is only accessible via online, which employers may be unfamiliar or find confusing
- A Guidebook is available but it does not answer all their queries.



MASCO Classification

- Employers must identify the right **occupational code** for their employees, but many are unfamiliar with MASCO.
- Bilingual options and search functions necessary.



Higher Operating Costs to Employers

- **Concern:** The DGP may raise operating costs, especially for MSMEs, due to learning curve and uncertainty.



EL Starting Salary

- The labour market is heterogeneous, and firms that pay low basic salary but high variable pay would not benefit from DGP.

6%

NEL Annual Increment

- DGP's **6% annual increment** may lead the market to cap increments at this level, but only one level of increment cannot motivate all employees (especially high performing ones).



Wage Compression

- **Concern:** Wage compression has narrowed the gap between new hires and existing staff, potentially affecting morale and productivity.



***KAJIAN PANDUAN
GAJI PERMULAAN DAN
KENAIKAN GAJI TAHUNAN***

Thank you