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**Letter to the Editor** **3 August 2026**

**Low salaries require structural reform, not short-term fixes**

Low salaries remain one of the most pressing concerns facing Malaysians today. Despite decades of economic growth and Malaysia's emergence as an upper-middle-income economy, many workers continue to struggle with rising living costs, housing affordability and financial insecurity. While the economy has expanded considerably, the Consumers' Association of Penang (CAP) observes that wages have not kept pace with either the cost of living or the country's broader economic progress.

Malaysia did not arrive at this situation overnight. For decades, the country's economic model focused on attracting investment through relatively low labour costs and export-oriented manufacturing. This strategy successfully created jobs, reduced poverty and transformed Malaysia into an industrialised economy. However, maintaining cost competitiveness often took precedence over raising wages and moving industries into higher value-added activities.

The consequences are increasingly evident. According to the Khazanah Research Institute's (KRI) report Shifting Tides: Charting Career Progression of Malaysia's Skilled Talents, nearly 40 per cent of experienced graduates struggle to secure jobs that match their qualifications and skills. Delays in obtaining suitable employment suppress earning potential and make career progression more difficult as new graduates continue to enter the labour market.

Another structural weakness is the relatively low share of national income received by workers. According to KRI's OpenTable Podcast Ep. 6: Jangan Retak Menanti Belah: Menilai Semula Struktur Ekonomi Malaysia, Malaysian workers receive only about 30 per cent of company income, with the remaining 70 per cent accruing to business owners and capital holders. This is significantly lower than labour's share of income in many developed economies.

The widespread availability of low-cost labour, including foreign workers, has reinforced this economic model, particularly in manufacturing, construction, agriculture and food services. As a result, many low-skilled occupations have remained trapped in a low-wage equilibrium, making them less attractive to local workers and limiting opportunities for wage progression. However, foreign workers should not be viewed as the primary cause of Malaysia's wage problem. Their extensive employment is itself a symptom of an economic model that has long prioritised low labour costs over innovation, productivity growth and workforce development.

The same structural weaknesses are evident in agriculture and fisheries. For decades, many farmers and fisherfolks have remained producers of raw commodities, while much of the value is captured later by processors, wholesalers and retailers. Consequently, these sectors are increasingly viewed as unattractive careers, particularly by younger Malaysians.

Thailand offers a useful example of a different approach. Through programmes such as One Tambon One Product (OTOP), rural communities were encouraged to transform local produce into value-added products, including herbal teas, dried fruits, coconut products and natural cosmetics. Smallholders were not expected to do this individually. Instead, they produced collectively while community enterprises, cooperatives and government agencies supported processing, branding, and marketing.

Malaysia has capable institutions such as MARDI, the Department of Agriculture and the Department of Fisheries, which have undertaken substantial research, technology development and technology-transfer initiatives. These efforts such as promotion of value-added products and supporting commercialisation should be recognised and further intensified. The challenge is to ensure that more research and innovations move beyond pilot projects into widespread adoption and commercial success.

Greater emphasis should therefore be placed on linking research, technology transfer, commercialisation, financing, processing and market access. This is to ensure that farmers and fisherfolk can achieve higher productivity, better incomes and a greater share of the value created along the supply chain.

The solution is therefore not simply to mandate higher wages. Sustainable wage growth must be supported by stronger productivity and greater value creation. Malaysia should accelerate its transition towards higher-value sectors, strengthen technical and vocational education and training (TVET), encourage innovation, support local enterprises in moving up the value chain and develop higher-value products across all sectors, including agriculture, fisheries and energy. At the same time, dependence on low-skilled foreign labour should be gradually reduced as businesses improve productivity and create better-quality jobs.

Concerns are often raised that increasing wages will inevitably fuel inflation. While this risk exists, it depends largely on whether wage increases are accompanied by productivity gains. When workers become more productive through better skills, innovation and more efficient business practices, higher wages are supported by greater value creation rather than simply higher labour costs.

Many developed economies, including South Korea, Singapore and Germany, achieved high wage levels not by suppressing labour costs but by investing in human capital, innovation and higher-value economic activities. CAP believes Malaysia should pursue the same path. The objective is not merely to raise wages but to build an economy that competes on productivity, innovation, skills and quality rather than on the availability of cheap labour. Supported by comprehensive structural reforms, higher wages can improve living standards, strengthen domestic demand and create a more resilient, inclusive and prosperous economy for all Malaysians.

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