

A Good Jobs Strategy for Malaysia

by Farhana Roslan



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Table of Contents

Acknowledgements	5
Executive Summary	6
Introduction	8
Part 1: Wages and Jobs	9
Review of Existing Work on Wages in Malaysia	9
Potential Explanations From The Demand Side	11
Box 1: Some Lessons From Electric And Electronics For A Good Jobs Strategy	20
Box 2: Hourly Labour Productivity – Do Starting Points Matter?	23
Where Do We Go From Here?	24
Part 2: Proposals For Good Jobs Strategy For Malaysia	25
What Are Good Jobs?	25
Conceptual Premise	27
Preconditions For A Strategy	30
Proposal For Good Jobs Strategy For Malaysia	32
Limitations And Criticisms	38
Conclusion	39
References	40
Glossary	46

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Executive Summary

Many studies have set the backdrop of the returns to labour work in Malaysia in the recent decade. Most recognise that strong economic growth are not translating into gains in terms of compensation for workers. This discussion paper first delves into principal labour statistics that support the possible framing of the problem as an undersupply of “Good Jobs”, being jobs that pay decent wages, secure working conditions, offer growth prospects and social protection, although the opening premise of the argument is centred around wages. It fundamentally aims to move the conversation away from problems to solutions, proposing the creation of a Good Jobs Strategy for Malaysia, drawing upon existing political economy literature. It makes the case for such a strategy and details out a five-point strategy detailing what it entails. The paper is organised into two distinct parts, and can be summarised as follows:

Part 1: Wages and Jobs

- **The problem of wages in Malaysia** is characterised by a relatively high incidence of low pay and sluggish wage growth. Employees share of GDP has been stubbornly low and among the lowest among comparator economies, at about 34%, while growth has been the slowest for those in the middle of the wage distribution. In addition, young entrants to the labour market, particularly graduates of higher education, had been widely considered to not be paid commensurate wages.
- **The paper offers high level demand-side explanations**, showing how the rate of jobs creation overall had been slow in the first place. In addition, there had been an average of one high-skilled job for every ten new graduates entering the workforce annually. Part of the problem was shown in the relative importance of the low value-added services sector.
- **Updated shift-share analyses were conducted**, based on Murugasu’s et al., 2018b; Ng’s et al., 2017 important contributions in the late 2010s, essentially showing that post COVID, the gains in employees’ share of GDP had been erased due to lower contributions of wage growth within the services sector. The results confirmed the earlier findings by these two studies that growth conditions for employees’ compensation had persisted and worsened after the pandemic.
- **Finally, Part 1 confronted the reality of labour productivity growth rates trailing wage growth rates** and proposed alternative ways to unpack the trend. These include that productivity growth trends may be explained by reducing work hours, rather than worker’s hourly efficiency, that the growth in the prices of goods sold by employers trailed prices of goods consumed by employees, and that investments in technology has a role to play in worker’s productivity.

Part 2: Proposals for a Good Jobs Strategy for Malaysia

- **Three threads of literature formed the conceptual premise of the proposed Good Jobs Strategy**, namely “productive dualism”, the undersupply of good jobs as a market failure, and the coupling of a jobs agenda with a productivity agenda. The discussion drew upon Rodrik, 2022; Rodrik & Sabel, 2019 on the situation of a labour market polarisation; where a small number of well-paying frontier jobs are coexisting with a mass of low value-added jobs. It also drew on Acemoglu’s, 2019 suggestion that good jobs and innovations offer too high positive externalities that they tended to be underinvested in by firms. As such a Good Jobs agenda cannot ride only on efforts to grow economic productivity, since the distribution of the spoils of those growths are not guaranteed.
- **The discussion proposes preconditions for a Good Jobs Strategy:** (i) that it should tackle the issue of good jobs directly within the productive sphere of the economy; (ii) rather than rely on post-market distributive policies; (iii) that it needs to take an interventionist industrial policy approach (which is not alien to Malaysia), while (iv) using public sector capacity for effective dispensing of industrial policy tools such as conditionalities. The strategy must run in complementarity with Malaysia’s wage setting institutions such as the National Wage Consultative Council (NWCC) and the National Gig Council (NGC).
- **The proposed Good Jobs Strategy consists of five touchpoints for intervention**, namely the use of Active Labour Market Policies (ALMPs), industrial policies, innovation policies, international trade policies and a new governance model. Because the policy goal, creating “good jobs” cannot be precisely measured, the strategy is to iteratively learn from close collaboration between public service and firms, specific needs and barriers for each firm to grow and create more good jobs.
- Specifically, ALMPs need to be more employer linked, making them more accountable. Existing industrial policies such as the National Industrial Masterplan 2030 (NIMP2030) and the National Strategy for Semiconductors (NSS) should be overlaid with a conscious Good Jobs-centric agenda right from the onset, rather than leaving jobs as an afterthought. Innovation strategies should specify labour-augmenting direction of technological growth while trade policies should not shy away from anti-social dumping clauses to safeguard high labour standards.
- Finally, **there is a recognition of the limitations and criticisms of the presented ideas** followed by a call for optimism. Ultimately, the discussion paper hopes to steer a productive discussion towards moving the needle on improving the returns to labour work for Malaysians and securing dignified working live.

Introduction

The issue of low and slow growth of average wages in Malaysia has been the subject of heated public discourse for several years now. Since even before the COVID-19 pandemic, many Malaysians, especially young people, have found themselves in significantly more difficult positions to obtain decent-paying and secure jobs, relative to their predecessors. Based on data from the Department of Statistics Malaysia (DOSM), the economy had rebounded strongly in the recent couple of years, by more than 5% annually. However, gains in terms of jobs creation (especially high-skilled jobs) have not been commensurate, having grown by less than 2% year-on-year during the same period. Young Malaysians, particularly graduates of tertiary education, have especially been finding it difficult to secure well paying, high-skilled jobs that commensurate their qualifications – often referred to as a situation of mismatch in the graduate labour market. Working-age Malaysians, on the other hand, are increasingly vulnerable as they approach old age largely ill-prepared for a secure and dignified retirement.

Many factors may be causing this, some related to the nature of labour demand and supply, while others to the arrangements of labour market institutions and employer-employee power dynamics. One important demand side diagnosis offered globally has been the undersupply of what are deemed as “Good Jobs” (OECD, 2018a), interchangeably used with “decent work” (ILO, 1999), or quality jobs. That is, there had been more labour than jobs that are decent in supply. The symptoms of this undersupply of Good Jobs can be observed through various channels globally and in Malaysia, including the rise of gig and precarious jobs (Shin et al., 2023) and necessity entrepreneurship¹ especially post-COVID (Núñez & Morales-Alonso, 2024), persistent income inequality (Acemoglu, 2019; Rodrik & Sabel, 2019), and its potential relationship with patterns of electoral outcomes (Washida, 2023). Elsewhere, the collapse of semi- or medium-skill jobs were found to be the cause of various social ailments, such as substance abuse, crime and the breakdown of family units (Case & Deaton, 2021). Admittedly, a “good job” is more than just one that pays good wages, but also ones that also have decent working conditions and promise of progression. A deliberative definition of Good Jobs or decent work will be elucidated in Part 2 of this article, but wages serve as the main motivation for this discussion.

This article consists of two parts. Part 1 is an elaborate refresher of prevailing issues on wages and its root causes that economists have long established, accompanied by more recent evidence. It then turns focus onto the demand side, to diagnose the demand for labour and labour productivity using aggregate national statistics. The analysis also adds on a sectoral decomposition of the economy. Many canonical microeconomic theories (such as sorting and learning, human capital, signalling, agency theory and firm effects (Neal & Rosen, 2000)) have attempted to explain the determinants of earnings, but such a macro approach can reveal, to an extent, the types of jobs the Malaysian economy has been creating and what it may have to do with prevailing wage structures.

Part 2 will introduce the main crux of this article, which is a thesis to adopt a more interventionist policy approach to creating Good Jobs, which is in the productive sphere of the economy. Such approach is encapsulated in what is coined as a “Good Jobs Strategy”. The thesis draws upon three ideas from the political economy literature and policy documents, that form the conceptual underpinning of such a strategy. It sets out some preconditions for a successful Malaysian Good Jobs agenda and subsequently specifies five touchpoint areas, namely Active Labour Market Programs (ALMPs), industrial policies, innovation policies, international trade policies, and a governance model. Finally, this discussion paper concludes the discussion by admitting some limitations of the proposed strategy, for the consideration of policy makers.

¹ Defined as the kind of entrepreneurship participated by those whose belief that decent or desirable livelihood alternatives do not exist for them (O'Donnell et al., 2024)

Part 1: Wages and Jobs

In early 2025, former Human Resources Minister Steven Sim spoke of “the three paradoxes” the first of which termed the “wage-to-job” paradox. He described the paradoxical relationship between wages and unemployment in Malaysia (Bernama.com, 2025). Unemployment rates in Malaysia have remained low at about 3% post-pandemic, theoretically signalling a tight labour market (DOSM, 2026c). Yet wages in Malaysia have been broadly low and is growing too slowly.

The incidence of low pay² in Malaysia, stood at approximately 30% in December 2025 based on formal sector wage of RM2,064 at the 30th percentile (OpenDOSM, 2025). This is significantly higher than the OECD average of 13.9% in 2024, the US (22.5%), Mexico (16.6%), Australia (17.7%), and South Korea (15.8%) in 2025 (OECD, 2024b). On the other hand, real wage growth had been almost non-existent in Malaysia based on this author’s estimates, with real³ median wages having effectively grown by only 3.0% annually on average over the last decade up to 2024 (DOSM, 2025c).

Addressing the problem of low wage levels and growth in Malaysia is primarily about ensuring households can afford the basic needs to live a dignified life, particularly those who depend on income from work and labour. Taking the example of W.P. Kuala Lumpur, the Cost-of-Living Indicator or *Perbelanjaan Asas Kehidupan Wajar* (PAKW) by DOSM⁴ for a single individual with an elderly dependent, and a married couple with two children, are estimated at RM3,969 and RM6,530 respectively monthly in 2024. Meanwhile, half of the formal sector workers in W.P. Kuala Lumpur were earning at most RM3,687 per month in 2024. Even in Sabah, the state with the lowest cost of living index⁵ in 2024, the respective PAKWs are estimated at RM3,065 and RM5,048 each month. In contrast, monthly median wage stood at RM2,236. Both examples indicate how income from a single source of work had been grossly insufficient to meet basic living standards for many Malaysian workers and their households.

Review of existing work on wages in Malaysia

Historically, Malaysia’s labour market has consistently exhibited relatively low labour compensation rates relative to workers’ productivity. Murugasu et al. (2018b) found that most industries in Malaysia were paying workers less than those in benchmark economies including the US, the UK, Singapore, and Germany, even after adjusting for labour productivity⁶. In 2017, Malaysian workers were paid 34 cents to every dollar’s worth of output produced compared to an average of 51 cents in those countries. That number remained at 33.6% by 2024, compared to 44.2% in Singapore and 51.9% in the United States (U.S.), for instance (Murugasu et al., 2018b).

Growth was found to be slowest among wage earners in the middle of the wage distribution. Wage growth was slowest among earners in the middle of the wage distribution, giving rise to what has been described as a “squeezed middle” in Malaysia’s labour market (Muthusamy et al., 2023). Utilising the Department of Statistic’s (DOSM) Salaries and Wages Survey (SWS) datasets between 2010-2019, the same study found that wages in the middle of the distribution

2 Note that low pay is officially measured as two-thirds of the median income in the economy according to OECD. The level that is considered as “low pay” in Malaysia technically stood at RM1,909 in the third quarter of 2025.

3 After adjusting for inflation using the GDP deflator, with 2015 as the base year (100 = 2015).

4 <https://mypakw.dosm.gov.my/>

5 <https://www.dosm.gov.my/portal-main/release-content/cost-of-living-indicators-2024>

6 Measured as Wage per worker (in constant USD, PPP) divided by Productivity per worker (in constant USD, PPP)

experienced the weakest growth between two decades observed. Wage growth was strongest at the lower end of the distribution, largely driven by the implemented minimum wage policy, while middle-income earners experienced the weakest gains. Separating the “lifting” effects of the minimum wage, the study essentially found that if it was not for the minimum wage, the Malaysian labour market’s wage growth would have been largely suppressed and regressive (Muthusamy et al., 2023).

Young people are a group that have been particularly affected. This relates to another paradox that the former minister spoke of, where the pace of creation of new high-skilled jobs (at about 40,000 jobs a year) were not keeping up with the number of new graduates (at 250,000 per year). Analysis of 26th years’ worth of data from the Malaysian Employers’ Federation (MEF) Salary Survey for Executives and Non-executives, Roslan et al. (2025) generally found generally no difference in inflation-adjusted entry level salaries compared to two decades ago. While the minimum wage had boosted entry-level salaries in the private sector for workers without tertiary education, wage premiums associated with tertiary level education had shrunk. Where the median degree holder would have earned 2.7 times more than the SPM holder in 1997, that premium was only 1.7 times by 2022. The study also found a growing importance, yet consistent discount in terms of pay, for Technical and Vocational Education and Training (TVET) graduates in the entry level private sector job market landscape (Roslan et al., 2025). This potentially indicates the type of skills that are being demanded and the type of jobs being created.

Graduates of tertiary education had also been increasingly experiencing a “wage penalty”. Analysing microdata of the Graduate Tracer’s Study (GTS) data between 2010 and 2020, Abu Rahim & Suhaimi (2022a) showed at least one-third of Malaysia’s graduates were skill-based underemployed, working in semi-skilled or low-skilled jobs. As a result, more than two-thirds (70%) of the graduates earned below RM2,000 in nominal salaries across this decade, reflecting a kind of “wage penalty” phenomenon among graduates in Malaysia. They appeared trapped in a situation of having low starting pay of around RM1,500, a number that essentially puts our graduates at par with foreign labourers in difficult, low-skill jobs. During this period, the share of working graduates earning RM3,000 and RM5,000 eased, while the share that was earning between RM1,000 and RM2,000 rose by almost 11 percentage points (Abu Rahim & Suhaimi, 2022b).

Young workers were also the most affected group COVID-19 in the long term, pay wise. Lee & Zhang (2023) assessed the impact of the COVID-19 on wage trends around the COVID-19 recessionary period. Although older workers experienced the sharpest wage decline during the pandemic, younger workers were more affected in the longer term. Workers between 60 and 64 years old experienced the sharpest wage decline in 2020, their median wage bounced back almost immediately. For middle-aged workers above 35 years old, median wages declined negligibly during the pandemic years of 2019 to 2021. The median wage for 35- to 49-year-olds even went up slightly (Lee & Zhang, 2023). But the most lasting impact of COVID-19 on median wages were for young people. Those below 24 were hit at an already low base while those between 25 and 29 never saw their wages recovered until today. Figure 1 below shows absolute gains and losses in the median wage for workers aged 25 to 29 years. At the median, their wages have essentially declined by RM238 in real terms since the pandemic.

Figure 1: Absolute gains or (losses) in median wages, inflation adjusted (2010=100), by age group (RM), 2010–2024

Age group	Absolute gains/ (losses) (RM) Year-on-year					Net gain/ (loss) (RM)
	2019–2020	2020–2021	2021–2022	2022–2023	2023–2024	2019–2024
15-19	(183)	157	(26)	31	70	49
20-24	(180)	47	7	49	58	(19)
25-29	(314)	(157)	156	91	(14)	(238)
30-34	(243)	8	52	56	74	(53)
35-39	(105)	(9)	57	68	9	20
40-44	43	53	56	(25)	28	155
45-49	(91)	166	73	83	(17)	214
50-54	(288)	215	(11)	(38)	(60)	(183)
55-59	(358)	249	(135)	(51)	112	(184)
60-64	(427)	212	24	101	95	4

Source: Author's calculations, based on DOSM (2025c)

Such labour market outcomes have made higher education appear ‘economically risky’.

Saari et al. (2025) argued that taking up higher education is increasingly a risky bet for young people. This is becoming less of a radical claim, since graduates of tertiary education have been disproportionately impacted. This arising ‘riskiness’ of course did not endogenously arise from having the higher education itself, but because the labour market is no longer generating the premium expected from higher education. The same study argued skill-based underemployment of 32.4% in Malaysia was less a problem in and of itself, since other economies like France (21.4%), Ireland (26.6%), and Spain (37.0%) also had meaningful proportions of their graduates in low- and semi-skilled jobs. But unlike these countries, the problem is that the job-skill mismatch in Malaysia had been accompanied by comparatively lower average graduate salaries wages more broadly (Saari et al., 2025). As many as 64% of these “mismatched” graduates⁷ in Malaysia (2024) earned just USD790 monthly, which was half the average monthly wage of their fellow graduates rightly matched. In comparison, graduate salaries (regardless of match) stood at USD3,982 in France, USD5,477 in Ireland and USD3,042 in Spain⁸(2024).

Potential Explanations from the Demand Side

The above discussed wage patterns represent a serious setback against meaningful prospects of growth and building of financial security for our workers. They invite a critical and urgent policy redress as Malaysia braces itself against an ageing demography and stakes its chance on reversing a potential lost generation⁹, if not more. The natural logical progression is to then ask – *why?* The answer is most likely a combination of multiple factors – some unique to Malaysia, while others not.

A supply side diagnosis would suggest that there are challenges to overcome in our education and training systems. These may include lack of industry readiness among graduates (including employers’ perception of their readiness (Agus et al., 2011; Hamid et al., 2014; Shukri et al., 2014), mass attainment of tertiary education, and an underinvestment in quality training and

⁷ Referring to 23-year-olds and graduates who are not working in high-skilled jobs

⁸ Not yet converted into PPP equivalents.

⁹ The “lost generation” was coined by Nobel Laureate economist referring to the cohort that came of age in the 1960s and 1970s who came of age during the decline of manufacturing and erosion of working-class stability (Case & Deaton, 2015).

education. A demand side perspective may, in turn, blame employers for their lack of incentive to increase wages. Many studies have attributed this lack of incentives to factors such as entrenched dependence on low-cost foreign labour (Ang et al., 2018).

The institutional backdrop for wage setting in Malaysia historically had also been a work in progress for many years. Until 2011, a centrally enforced wage-setting mechanism had been absent. Unionisation levels had also been subdued, declining as low as 6% recently (Wad, 2019). Collective bargaining capacity on the part of employees were also recognised in the 12th Malaysia Plan (12MP) as in need for reform. Thanks to the formation of the National Wage Consultative Council (NWCC) Act 2011 (Act 732), there has been significant improvement in the setting of the minimum wage institution in Malaysia, but compliance is a different issue.

The above diagnoses are all valid, but there has been an undercurrent trend that is hard to ignore in the demand for Malaysian labour (or the supply of jobs). In this regard, even the supposed “oversupply” of graduates can be argued as a problem of lack of demand, rather than a problem of oversupply. This segment discusses briefly some of these important trends, including:

- (i) overall trends in **demand for labour (or supply of jobs)** in Malaysia; and
- (ii) the **structure of the productive sphere of the Malaysian economy** through the lenses of labour income, towards building a case for a Good Jobs Strategy for Malaysia.

Does our job market need more workers?

To begin with, there had been too few new jobs created in Malaysia. The number of new jobs created had already been declining before the COVID-19 pandemic, from about 170,000 in 2015 to just 100,000 new jobs a year by 2019. Only in the recent years (2024-2025) had jobs numbers begun to recover, albeit only to about 130,000 a year. In contrast, labour supply has increased materially since the pandemic, with more than 1.7 million net new entrants to the labour force by 2025, over the last five years since the pandemic. As shown in Figures 2 (a) and (b), prior to the pandemic, there were three times as many new entrants to the Malaysian labour force as there were new jobs created. Since the economy reopened, this number has multiplied to about five times as many new entrants as there were new jobs. This is despite the persistently declining headline unemployment rates, hinting at of the informal and gig sector in absorbing some of this supply (Sazali & Tan, 2019). This questions the usefulness of the headline unemployment rates as a sufficient indicator of the true tightness of the labour market.

Note: Number of new entrants to the labour force was measured as the change in the size of the labour force between the fourth quarter of the year and the fourth quarter of the previous year.

Furthermore, the rate at which new skilled jobs had been created had been even lower.

Figure 3 below indicates a decisively declining pattern in new skilled jobs created, which clearly hints at an undersupply of relatively high-skilled (and presumably higher-paying jobs) in the Malaysian economy. As shown in Figure 4, since the pandemic, there had been seven times as many graduates (diploma and bachelors) as there were new high-skilled jobs annually, or about 4.5 times as many degree holders as there were new high-skilled jobs annually. Additionally, where high-skilled jobs used to be the predominant type of new jobs created in 2016, less than one-third of new jobs created in 2025 were considered high-skilled jobs. This decline in high-skilled jobs raises questions about the usefulness of the headline unemployment number as an indicator of the tightness of the labour market. A tight labour market may not necessarily mean full employment and a well-matched labour market, skill-wise.

Figure 3: New jobs created, by Skill Level (%), Malaysia, 2016 – 2025

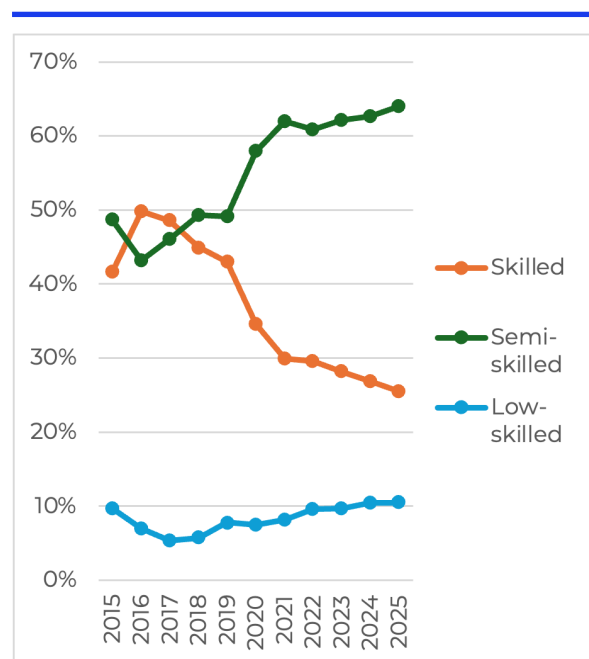


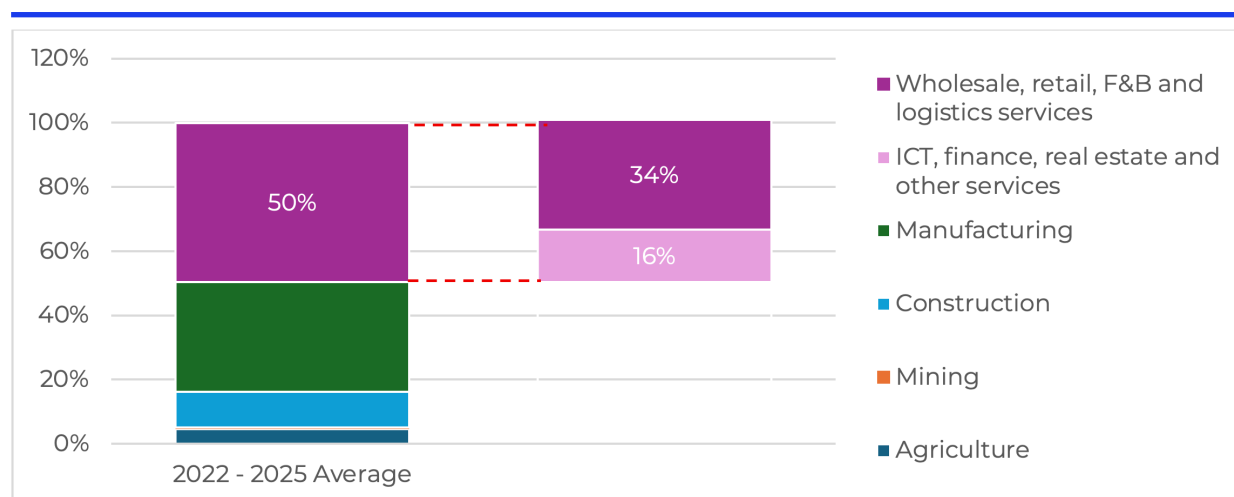
Figure 4: Number of new high-skilled jobs created and number of graduate outputs, 2017 – 2024



Source: Author's estimates, based on DOSM, 2026a; MOHE, 2025

Among new jobs created, there had also been a dominance of relatively lower paying Service sector jobs. Referring to Figure 5 below, most new jobs since the COVID-19 pandemic (and even in the years prior to it) had been concentrated in the services sector. Most of these jobs were however concentrated in the relatively lower value-added services sub-sectors, namely wholesale and retail trade, food and beverages and accommodation, transportation and storage.

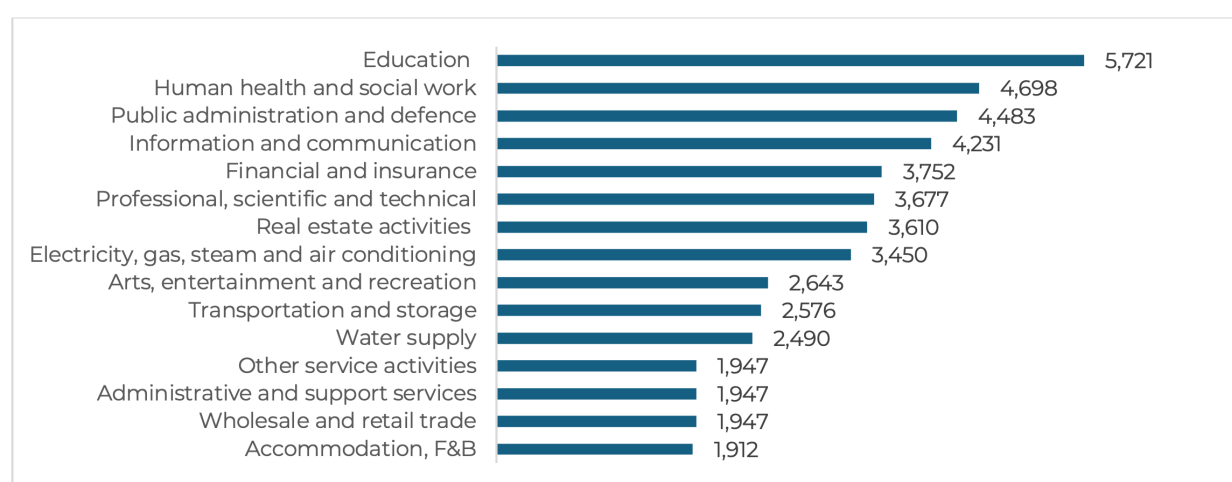
Figure 5: Number of new jobs created, by Sector and by Services Sub-sector (%), 2022 – 2025



Source: DOSM (2026a)

Only one-third of these newly created services jobs, were from the higher paying services jobs such as ICT, financial services, and other (including public sector) services (see Figure 6 below). This supports the suspicion that most new jobs being generated by the Malaysian economy in recent years would most likely be low paying.

Figure 6: Median Monthly Salaries and Wages, by Services Sub-sector (RM), 2024



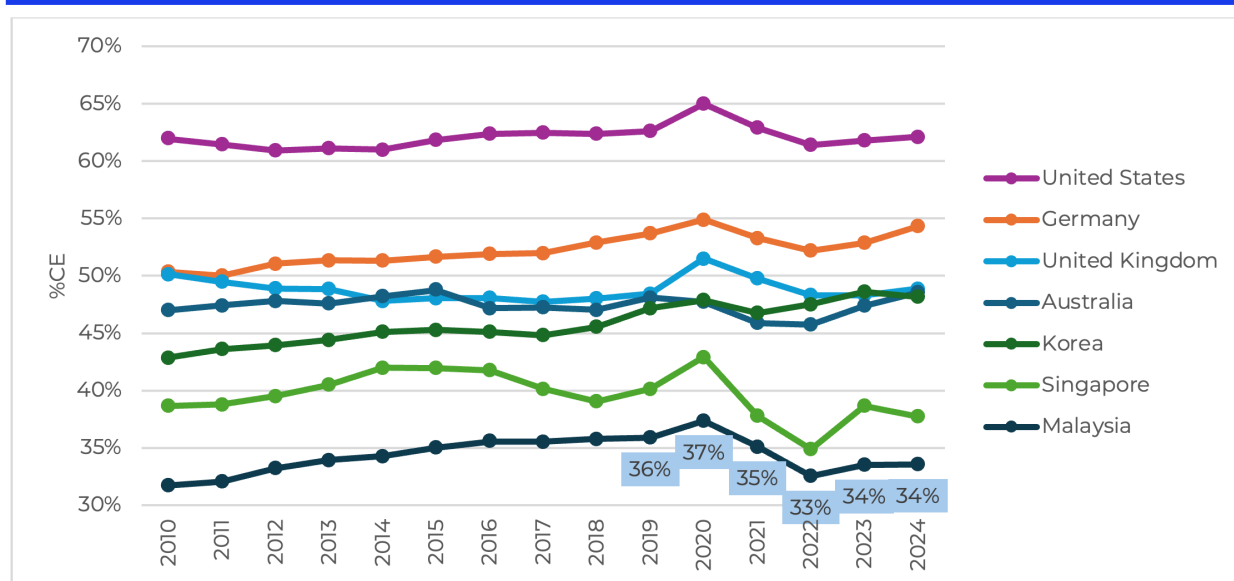
Source: DOSM (2025d)

In summary, there have not been as many jobs available, particularly high-skill jobs in high-paying economic sectors, relative to labour that is available. But these patterns are not new. They have been observed by economists since before the COVID-19 pandemic. Two key (publicly available) studies (Murugasu et al., 2018a; Ng et al., 2017) in the last decade appear relevant here. These earlier studies attempted to look at the role of the structure of the Malaysian economy in explaining our wage structures. This next section briefly extends some of those earlier analyses using more recent data since the COVID-19 pandemic, to investigate how the structure of Malaysia's productive sphere influences labour demand and jobs quality.

What does the economic structure tell us about wages?

Malaysia has always been experiencing structurally low level of Compensation of Employees (CE)¹⁰ as a component of GDP. This has been partly attributable to the historical preference for a Foreign Direct Investment (FDI)-led growth model, born out of legacy from the 1990s (Lee & Zhang, 2023). Today, CE hovers around 33 to 34%, but this had not always been the case.

Figure 7: Compensation of Employees as share of GDP (%), Malaysia and Select Economies, 2010 - 2024



Source: BEA, 2025; DOSM, 2025a; OECD, 2024

As shown in Figure 7 above, CE in Malaysia was steadily increasing from 32% to 37% of GDP for much of the decade before 2020, at a time when developed economies such as the UK, US and Singapore were experiencing a structurally declining CE share. Economists largely attributed this declining to decoupling of labour productivity and wages in those countries, in line with increasing expansion of the global value chain, trade intensity and technological developments (Ng et al., 2017).

A higher percentage of CE may not necessarily come from improved wage structures for workers exclusively. It could also mean that there were simply more workers, even if they were moving into low-paying sectors, exactly as found earlier between 2010 to 2017 (Murugasu et al., 2018b). They segregated the *headline* gains in CE into gains that resulted from workers experiencing higher wages within the same sector, and those that resulted from workers changing job sectors from a reallocation between sectors using a Shift-Share Analysis¹¹. What they found was one of the most important demand-side diagnosis on Malaysia's jobs market in the last decade. As much as 36% of improvements in CE between 2010 and 2017 was not exclusively driven by better wages, but rather a reallocation between Malaysia's economic activity.

¹⁰ Refers to the proportion of GDP that is paid out to labour. Obtained by decomposing GDP based on the income approach – consisting of wages, salaries, and contributions into employment-related social insurance schemes

¹¹ In this that disaggregates the gains in labour income-share-to-GDP based on true wage gains in the sector ("within-sector effect") and gains that resulted in labour moving to other sectors ("intersectoral allocation") (Murugasu et al., 2018b)

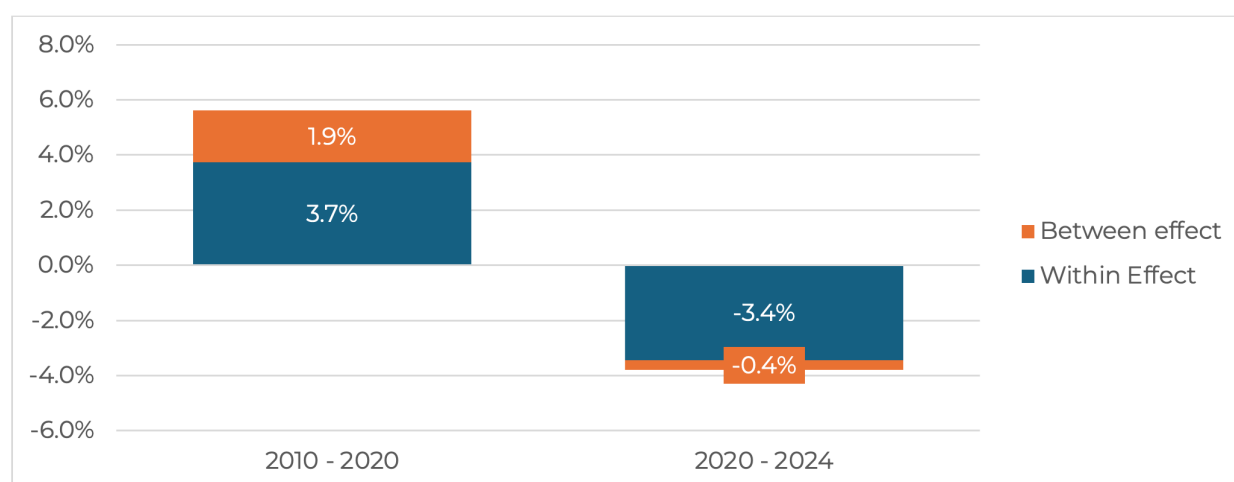
A similar analysis on labour income share (LIS)¹² was performed on the same 2010 to 2017 period, broken down by economic sectors, manufacturing and services sub-sectors, and firm sizes (Ng et al., 2017). While they found that the increase in total CE had been broad based and not exclusively due to workers reallocating into low-paying sectors (i.e. there were within sector wage improvements), the overall gains in LIS were attributable to the services sector, particularly the more traditional, services sub sectors (such as wholesale, retail trade and motor repairs) and small and medium enterprises (SMEs) in the structure of the economy.

This has significant implications on, not only on economy-wide wage levels, but also prospects for wage growth, as it had played out since these two earlier studies were published. Recall that Figure 7 earlier also showed how CE dipped during the pandemic for most of the major comparator economies, and not just for Malaysia. CE has since meaningfully recovered for some of these countries, but not for Malaysia. Up to 2020, CE continued to improve per the original trajectories reported in the two studies. The pre pandemic decade of 2010 to 2020 saw CE climbed up by a total of 5.6 percentage points (ppts) but since then, these gains had partially reversed by a total of 3.8 ppts up to 2024.

To update our insights, we extended the two studies but divided the period between 2010 and 2024 into two distinct (unequal) time periods. This is to adapt to the mutual “drop off” in CE experienced across all of the selected comparator economies. These two time periods are labelled as the decade before the pandemic (2010–2020) and the years since then (2020–2024). The same shift-share analysis was replicated and updated to essentially explain whether the cumulative 5.6 ppts gains pre-2020 and the subsequent -3.8 ppts reversal post-2020 had been due to changes in labour share of income in the respective sectors (“within effect”) or by the change in the sectoral composition of the economy (“between effect”).

As shown in Figure 8 below, **Malaysia has seen much of the gains in CE pre-pandemic diminish due to the within effect**. In other words, growth post pandemic is no longer attributable to workers as it did before the pandemic).

Figure 8: Shift-Share Analysis (%), Overall, 2010–2020 and 2020–2024



Source: Authors' calculation based on Murugasu et al., 2018b and Ng et al. (2017) using DOSM (2025a)

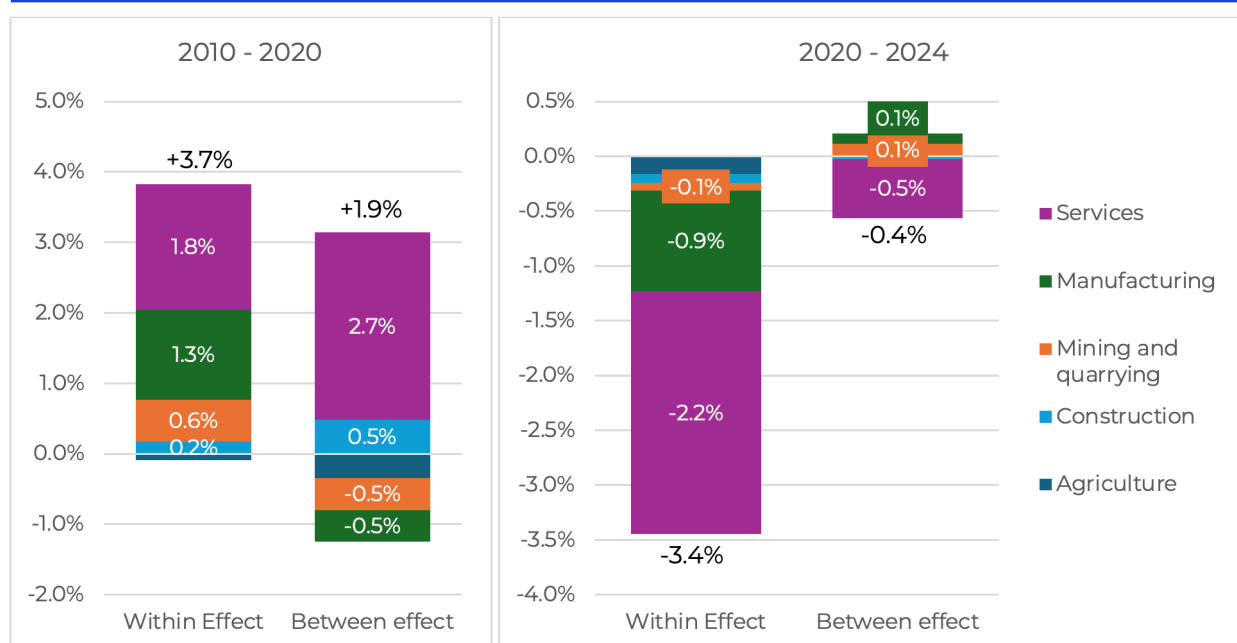
¹² LIS is defined as CE, minus the share of compensation attributable to own account workers

Pre-pandemic, as much as one-third of the gain in CE was due to the between effect, which is positive because it means that the gains were not exclusively about wage improvements. This concurs with the Ng et al. (2017) observation during the 2010 to 2017 period. This is in a way positive, because *most* of the overall pre-pandemic gains in CE can still be attributed to improvements in employee compensation within sectors. However, the within effect was also responsible for virtually *all* the losses in CE since the pandemic, which decisively suggests that since the pandemic, either:

- (i) **wages within each sector had been growing at a much slower pace** relative to the respective sector's outputs (or sectoral GDP output per employee), or
- (ii) **employment within each sector had been falling**, relative to the respective sector's outputs.

To ascertain which of these prevailed, the shift-share analysis is further broken down by sector, as shown in Figure 9 below.

Figure 9: Shift-Share Analysis (%), by Major Economic Sector, 2010–2020 and 2020–2024



Source: Authors' calculation based on Murugasu et al. (2018b) and Ng et al. (2017) using DOSM (2025a)

Pre-2020, the services sector was responsible for most of the gains in CE, which resulted from both, better wages within the sector and a growing allocation of workers into the sector. A significant part of the gains was also contributed by the within effect from the manufacturing and mining sectors, although without a proportionate improvement in wage structures in that sector. Employment structures had, in fact, been allocating out of these sectors (-0.5 ppts, respectively). In context, in 2020, the median wages for the manufacturing and mining sectors were 0.9 times and 1.5 times that of the services sector, respectively.

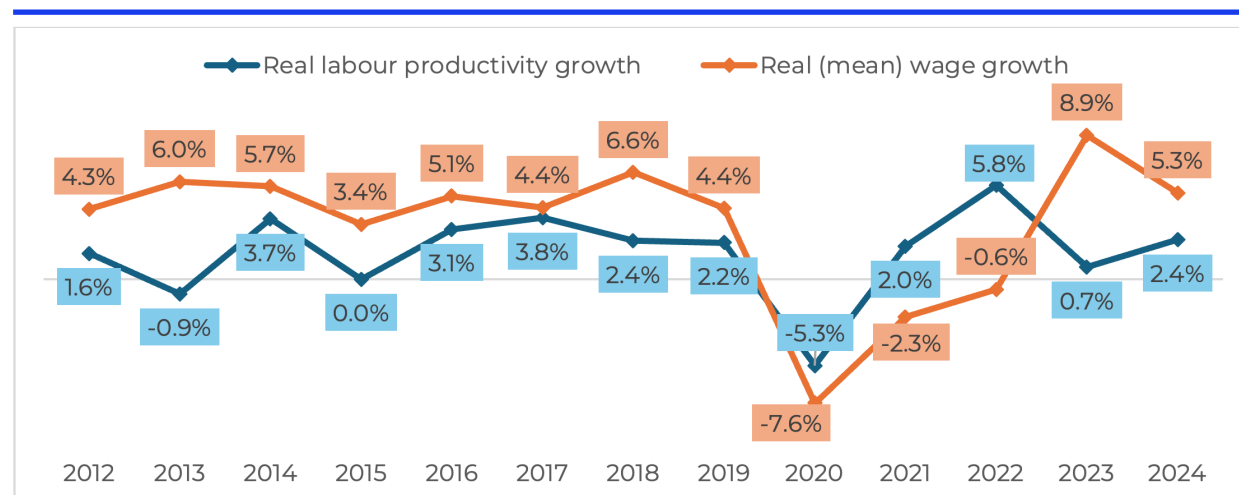
Post-2020, the within effect in the services sector was again responsible for most of the losses in CE, but this time, there was virtually no contribution from the between effect. Most of the overall losses in the CE post-2020 was due to slower wage growth relative to productivity in all sectors (rather than lower employment rates in all sectors), particularly in the services and manufacturing sectors. In other words, wages grew slower than outputs in the services and manufacturing sectors and these two drivers alone, explained most of the total losses in CE since 2020.

In summary, the improvements in within-sector wage structures were improving overall CE pre-2020, but those gains were arguably fragile, having been virtually erased since 2020. In addition, the relative importance of the Services sector appears to have persisted since these two earlier studies. When CE grew, the services sector can be credited for both improving wages (positive) and relative labour reallocation into the sector. But when CE declined, the services sector was also almost entirely responsible, albeit without any meaningful change in the sectoral labour composition. Most worryingly, this is a sector that is also seeing wage growth trailing productivity growth rates since the pandemic.

How can labour productivity growth be better understood?

Given the relative importance of the Services sector, it is not surprising that patterns within the sector appeared in line with the overall real labour productivity growth trends. Figure 10 below shows real productivity growth relative to real (mean) wage growth trends since the past 1.5 decades (based on available data). Since the early 2010s, growth in real average wages have surpassed that of labour productivity, except for the years during the COVID-19 pandemic. In part, the introduction of the first minimum wage order in 2013 may have helped boost these averages by raising the lowest parts of the wage distribution.

Figure 10: Growth in real labour productivity growth (%) and real mean wages (%) (2015=100), 2012 – 2024



Source: Author's calculations based on DOSM, 2025b, 2026b

On the surface, comparing growth levels between labour productivity and wages may seem like wages for Malaysian workers are in line with (if not more than) their productivity. **Why then should firms pay workers even higher wages?**

There are several ways to conceive this:

First, wage levels are still lower than labour productivity levels. While labour productivity *growth* is slower than wage *growth* rates, this is not the same as labour productivity *levels* being lower than wage levels. Having relatively higher wage *growth* (relative to productivity growth)

need not mean sufficiently high or commensurate wage *levels*. To enable a fairer comparison across economies, Murugasu et al. (2018a) adjusted wage levels per worker for productivity levels per worker¹³ in Malaysia to find that each Malaysian worker earned on average between 33 and 34% of their value added, structurally lower than the U.S., the U.K, Australia, Germany and Singapore in 2017. At the time of this same study (2017), Malaysians were paid less relative to their productivity (in Ringgit Malaysia) across all economic sectors compared to those economies, but it was most notable in the 'wholesale and retail trade' (22%), 'F&B and accommodation' services (61%) and 'manufacturing' (22%) sectors. Apart from public service (including education), these three sectors employed the most workers, employing a combine 44% of salary earners in 2024 (DOSM, 2025c).

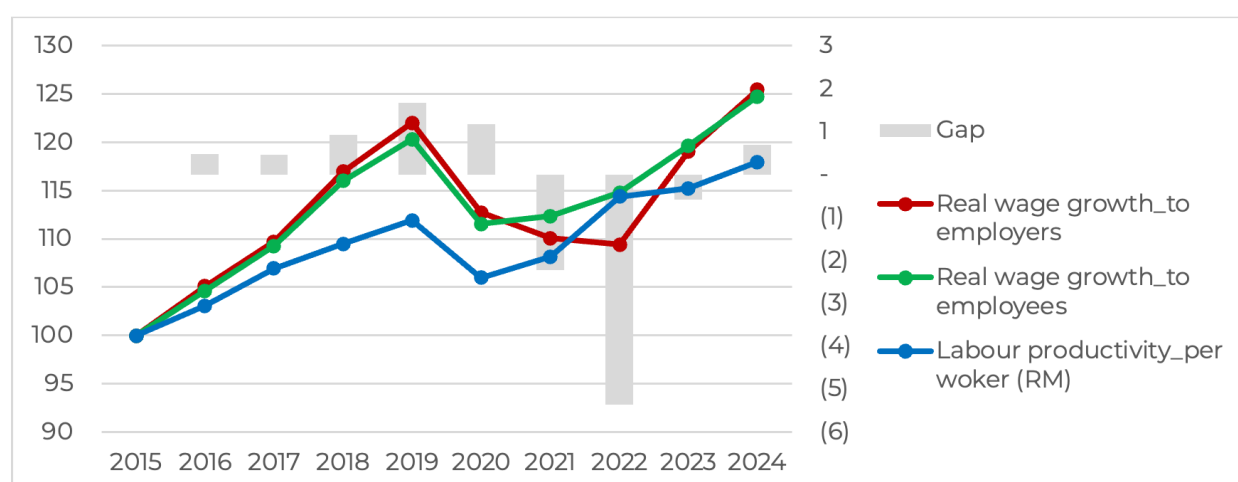
By 2024, the wage-to-productivity ratio remained the same for wholesale and retail trade and manufacturing sectors as it was in 2017. One possible explanation is that **workers in these sectors continued to experience lower bargaining power**, particularly as the relative concentration of low-skilled foreign workers remained high, as suggested by Murugasu et al. (2018a) in 2017. However, this ratio had gone up significantly to 92% for the F&B and accommodation services. Since 2017, the mean wage for this sector rose faster (45%) than the median wage (27%) between 2017 and 2024 (DOSM, 2025d), suggesting that workers in the sector had predominantly consisted of minimum wage workers who would have benefitted from the four statutory minimum wage revisions in the same period. In addition, breakdown by firm size would likely show that labour productivity levels remain lower among micro, small and medium enterprises (MSMEs) than large firms, partly reflecting differences in levels of technological adoption, digitalisation, and the ability to scale up. According to the latest OECD Survey on Malaysia in 2024, MSMEs are estimated to employ almost half of Malaysia's employed persons

Second, labour productivity is less an employee issue and more a firm issue (or a macro-level challenge such as the level of innovation and technological adoption or the quality of human capital). This means that the value of the kinds of goods and services that Malaysian firms are selling (and workers are producing) matters. While wage growth had largely outpaced labour productivity growth, wages *felt* like it was growing faster to the employer than to the employee. This differing sentiment could partly be attributable to the types of goods being sold, where prices of goods sold by employers were not growing as fast as prices of goods consumed by employees (Murugasu et al., 2018b).

Murugasu et al. (2018a) adjusted wages using the GDP deflator (to represent the employer's perspective) and the Consumer Price Index (CPI) (to represent the employee's perspective). The rationale was to consider production costs and household purchasing power when interpreting wage trends. The same analysis was updated to show that growth in the price of goods and services sold by firms (or employers) continued to trail the price goods and services consumed by households (or employees), as shown in Figure 12. It shows that this trend remained true over the years since albeit only marginally. Apart from the COVID-19 pandemic years, real wage growth experienced by employers had been consistently 1 to 2 basis points higher than that experienced by employees. The divergence between these two adjusted measures, although minor, hints at the rate of growth of value added that firms are producing, and the kind of activities concentrated in the economy.

¹³ The productivity-adjusted wage level is measured as the ratio of wage per worker to productivity, which in turn is measured as GDP per worker. It yields the same result as CE as percentage of GDP but is conceptually different (Murugasu et al., 2018a, p. 39).

Figure 11: Labour Productivity and Real Monthly Mean Wage Per Worker (Index), 2015 – 2024



Source: Author's estimates based on Murugasu et al. (2018a) using DOSM (2025c) and (DOSM, 2026b)

Box 1: Some Lessons from Electric and Electronics for a Good Jobs Strategy

The above discussion brings to mind the classic and popular theory of “premature industrialisation” in adjacent political economy literature. Since the 2000s, political economists have established that Malaysia suffered from a negative deindustrialisation trend¹⁴, characterised by declining manufacturing outputs as a share of GDP, a slowdown in the Electric and Electronics (E&E) sub-sector, a contraction in the share of import-substituting automobile industry, and declining comparative advantage of the export-oriented manufacturing sector. In turn, the economy had been unable to support significant improvement in wages (Rasiah, 2011; Rasiah et al., 2015). Among others, factors like (i) high dependency on FDI inflows masking sustainable job creation numbers, (ii) lack of public sector capacity in coordinating and managing performance, as well as (iii) heavy presence of low-skilled foreign workers, were diagnosed as root causes (Raj-Reichert, 2020).

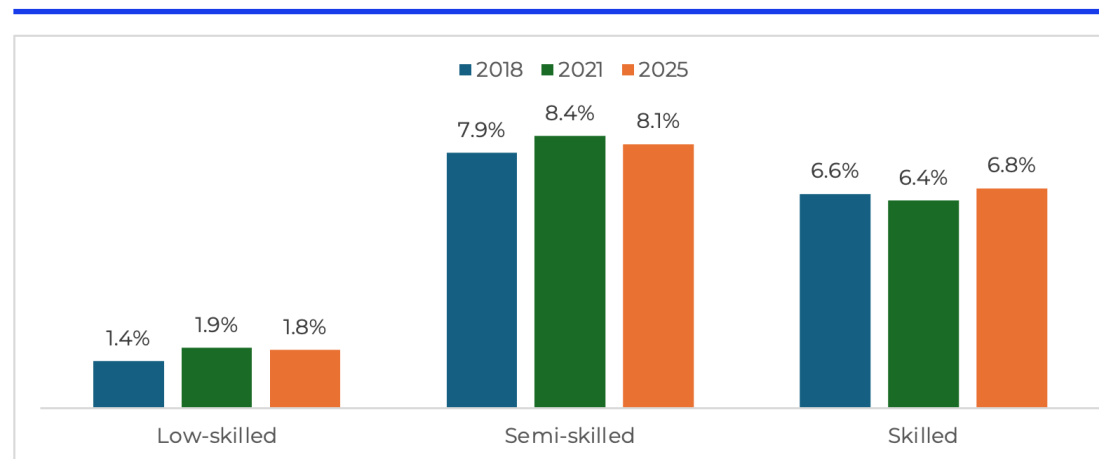
There had been a glimpse of hope more recently. Trends in some of the indicators exhibiting negative deindustrialisation had moderated in the late 2010's, thanks to the increasing contribution of the E&E subsector to the overall manufacturing sector and the national outputs. The share of manufacturing employment stopped declining and steadied since 2010, mainly driven by steadying employment share of the sub-sector. What did it do right? Tengku Mohamed Asyraf et al. (2019) attributes this to the E&E sector having:

- successfully diversified horizontally in end-product segments, enabled by presence of MNCs, and homegrown E&E firms in the supply chain; and
- a labour composition that was becoming increasingly skills biased, having more technicians (2015: 24% vs. 2010: 20%) then operators and assemblers (2015: 48% vs. 2010: 45%).

¹⁴ Deindustrialisation is in negative direction if productivity of manufacturing sector and trade performance falls with the rise of the services sector (Rasiah, 2011).

Since then, there has been a small transfer of jobs from semi-skilled to skilled in the E&E sector, between 2018 and 2025, as shown in Figure 14 below. This signifies that the sector has somewhat successfully navigated the decline of the Malaysian E&E sector due to the decline in the traditional PC business, into the rising smartphones, tablets and semiconductors supply chain.

Figure 14: E&E sector jobs as share of total jobs filled (%), by Skills Level, Malaysia (2018, 2021, 2025)



Source: Author's estimates based on DOSM (2026a)

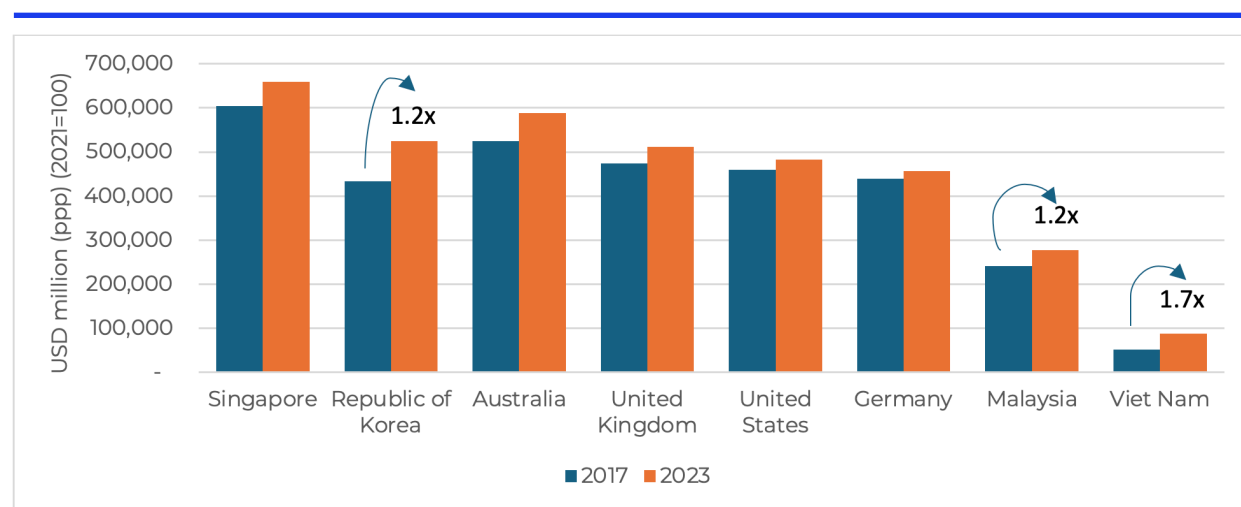
This success in horizontal diversification can inspire an agenda aimed at creating good and high-quality jobs in several ways. One of those ways is the need for tackling the problem of Good Jobs at its heart – that is, in the **productive sphere** of the economy, rather than before individuals enter the labour force (e.g. education and nutrition policies) or when the spoils from economic activity are distributed (e.g. tax and social redistribution policies).

Another lesson is that the success of the E&E industry in reversing negative deindustrialisation may not be as easily replicable or scalable in other regions, unless jobs policies that generates quality jobs are **purposefully embedded** in industrial policies and masterplans, as opposed being seen as joint products of outputs. Finally, given the already relative importance of the services sector in the Malaysian economy, further integration strategies in E&E manufacturing alone will prove insufficient – given that services sector outputs are less tradable than E&E goods (Tengku Mohamed Asyraf et al., 2019).

The risks of designing a Goods Jobs strategy without substantial enough a manufacturing base can be alleviated through the creation of **modern services sub-sectors that share the same traits as manufacturing**, such as in scalability, tradability, technological diffusion and competitiveness, whilst absorbing the volume of tertiary educated manpower (skilled labour) produced by the education system (Nayyar & Cruz, 2018).

A third explanation can be found in the level of capital investments among Malaysian firms. As discussed earlier, Malaysian workers suffer from levels of CE today. However, these low levels had not been accompanied by a higher share of capital either. This is a tell-tale sign of the economy producing more low value-added jobs than high ones. Where a low share of labour income would typically indicate the greater role of capital (than labour) in the production process, Malaysia's capital intensity in Malaysia had been only one-third of the levels seen in these benchmark economies (Murugasu et al., 2018a). Such situation of both low share of compensation to employees to GDP, and low capital intensity is typically associated with an economy that is relying on low-value added activities (Maarek & Orgiazzi, 2020). By 2023, Malaysia still trailed behind comparator economies and had grown in its capital intensity at the same rate as developed economies, such as South Korea (Figure 13).

Figure 12: Capital intensity¹⁵ at current PPPs (USD millions) (2021=100), Select Economies, 2017 and 2023



Source: Penn World Tables (PWT) version 11.0

Even before 2020, it was already clear that the CE gains in Malaysia were characterized by a more labour-intensive model, leaning towards low-skilled workers instead of technology, towards traditional services instead of high-tech manufacturing, and towards SMEs instead of larger enterprises (Ng et al., 2017). Since then, the fragility of such an economic structure came to bear, in its inability to both generate strong labour productivity and wage growth rates that kept up with productivity. Admittedly, the market size and market saturation of the industries that these firms operate in also play a significant role in determining wage levels and wage increases, as hinted in the discussion on the sectoral decomposition of the CE earlier. Without expanding both the firm size and the market size, the firm's revenue and profits to be distributed to workers will also be limited.

¹⁵ Calculated as Gross Capital Stock (GKS) divided by employment (in million persons). The BNM study (Murugasu et al., 2018a) used Net Capital Stock (NKS), but GKS is used here due to cross country data limitations.

In summary, labour productivity in Malaysia could be better unpacked if we looked beyond the aggregates. The fact that the growth in real labour productivity trailed growth in real wages also tells us about the kinds of goods that the economy produces at large, and the kind of jobs they require. For average wages to broadly rise, firms must also be selling goods and services that can allow them to do so. If firms pass on the higher wage costs to consumers without a fundamental improvement in the quality or value added of the types of goods they sell, what tends to follow is just inflation, which in turn will continue to demand even higher wages. To increase the value of the goods and services firms produce, there must be corresponding investments in capital technology that both improves worker's productivity. In the age of rapid technological advancement, there is an even greater imperative for firms to invest in not just any technology, but labour-augmenting technologies.

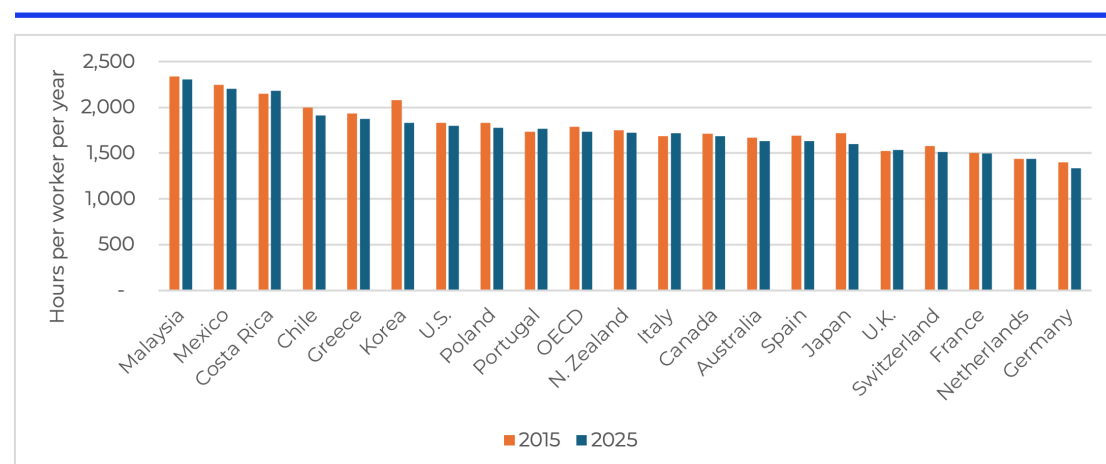
Box 2: Hourly Labour Productivity – Do starting points matter?

In April 2026, the World Bank Group, p. (2026, p. 59) enhanced the labour productivity-vs-wages analysis by adding a measure of labour productivity on an hourly basis. The report found that wages and productivity have moved broadly in tandem between 2015 and 2024. This meant that hourly productivity of workers had indeed been improving. But since improving hourly efficiency is not followed by a proportionate improvement in labour productivity per worker, the study rightly suggested that average hours worked per worker had most likely declined over the period. However, a deeper analysis is required before policies are created to push Malaysian employees to work longer hours to make a case for stronger wage growth. For example, it may be worth examining the starting level from which average hours worked were found to be declining from.

Several studies would suggest that Malaysian workers historically worked among the highest hours on average. In 2023, global HR firm Remote's Global Life-Work Balance Survey¹⁶ named Malaysia and Kuala Lumpur as the country with the second worst work-life balance among 60 countries with the highest GDPs. ILO compared working hours across countries to find Malaysia's statutory weekly working hour limits (48 hours) to be higher than that of Indonesia and Singapore (Messenger et al., 2007). Malaysian male workers were also among those with the highest actual weekly working hours in their main job (39.1 hours) (Messenger et al., 2011). Figure 13 below shows that if Malaysia were to be ranked among select benchmark countries within the OECD, it would have among the highest average actual hours worked per worker in a year.

¹⁶ <https://remote.com/resources/research/global-life-work-balance-index>

Figure 13: Average Hours Actually Worked Per Worker, select high-income OECD countries and Malaysia¹⁷, 2015 and 2025



Source: OECD (2025), author's estimates based on DOSM (2025b)

This may have motivated the legislature to reduce the statutory maximum normal working hours from 48 to 45 hours per week, in the latest amended of the Employment Act 1955 (Amended 2022), effective January 1st, 2023.

Time-related underemployment has also remained low. Measured as the percentage of workers working less than 30 hours in a reference week, time related underemployed averaged between 1.0 to 1.5 percent before the pandemic, spiked beyond two percent during it, and have remained below one percent since then (DOSM, 2026d). This would additionally suggest that even with the rise of gig work in the backdrop, Malaysians are not working less. Evidence from the MyDigital & IPSOS, p. (2024, p. 8) whitepaper corroborates this, with 7 in 10 of the gig workers surveyed doing gig-work part time, to earn extra income. In terms of working hours, the same study found that 22% of them worked at least 31 hours (MyDigital & IPSOS, 2024, p. 11).

Starting points could matter. The above patterns in historical average working hours and time-related underemployment should encourage further probing into patterns of labour productivity growth relative to wage growth. While average working hours had declined in the recent decade, working hours may have eased from relatively already high levels.

Where do we go from here?

The preceding discussions consisted of two general threads. The first thread reviewed existing literature and evidence on the situation of wage levels and wage growth in Malaysia. The second part subsequently took the labour demand perspective to explain the types of jobs that were being created by the Malaysian economy (based on sectoral composition) that might have helped explained why wage trends behaved the way it did in the recent decades. The goal of these earlier reviews was mainly to establish a case for a Good Jobs Strategy for Malaysia.

¹⁷ Measured as annual total hours worked (Table 9a) divided by total annual employment (Table 11a)

However, good jobs are not only jobs that pay well. For instance, jobs that are one-off activities, involve illicit activities, or put workers in dangerous conditions, may also pay well but they would violate the standard definitions of good jobs. Yet, low wages motivated this conversation, since mass participants of the workforce in the country do not have access to main jobs that can sustain decent livelihoods for their families in dignity, which is the ultimate policy aim.

In reverse, good jobs can solve many, but not all the root causes of wage issues. The causes of broad-based suppression in wage growth and wage levels in Malaysia can roughly be grouped into three: demand for labour, supply of labour, and arrangements around the labour market. The above discussions merely discussed one component, around the demand for labour. Issues surrounding the supply of labour, such as quality of education and skills and the competing force of low skilled foreign labour, remains in the background. The third component is the labour market arrangements, or the “rules of the game”, that influence how wages are being set and determined. Labour market institutions such as laws around minimum wages and collective agreements, wage policies, and policies that elevate or protect workers’ position at the bargaining table all factored into the wage trends observed today. Thus, any Good Jobs Strategy proposed should complement ongoing and strong efforts to also improve both these latter components.

The strategy proposed in the succeeding Part 2 mainly proposes strategies to improve demand for labour, but keeps at the front of mind, the need to improve workers’ skills and arrangements around which wages are being set.

Part 2: Proposals for Good Jobs Strategy for Malaysia

In Malaysia, the idea of government intervention to create more “good jobs” has been proposed several times in the Malaysian labour market discourse (Anbalagan & Sze Fung, 2026; Cheng, 2023). But how would a Good Jobs Strategy look like in practice? This is the central question of Part 2. We first explore various definitions of a good job and settle on a working definition. We then explain in depth the conceptual frameworks from existing literature globally and draw out “preconditions” of any Good Jobs Strategy for Malaysia, before proceeding to make specific recommendations for five (5) components for such a strategy.

What are Good Jobs?

First off, what constitute Good Jobs? At the 87th International Labour Conference (ILC) in June 1999, the ILO declared a Decent Work agenda that encapsulates four components: job creation, rights at work, social protection and social dialogue. As globalisation intensified and workers’ vulnerability became more apparent, the Decent Work and 2030 Agenda for Sustainable Development¹⁸ was formally adopted in 2008, as part of the ILO’s Declaration on Social Justice for a Fair Globalization¹⁹. Among others, quality jobs meant that workers are also placed in jobs that demand decent working hours, workplaces that are safe and conducive, jobs that commensurate with their skills and provides progression pathways, and security of against risks of income loss from injury, invalidity and unemployment (Abdul Hamid, 2024). Since 2019, the ILO in Malaysia runs a Decent Work Country Program 2019 – 2025 to address three areas namely protecting and promoting rights at work, strengthening national capacities to meet the needs of current and future work and strengthening labour migration governance²⁰.

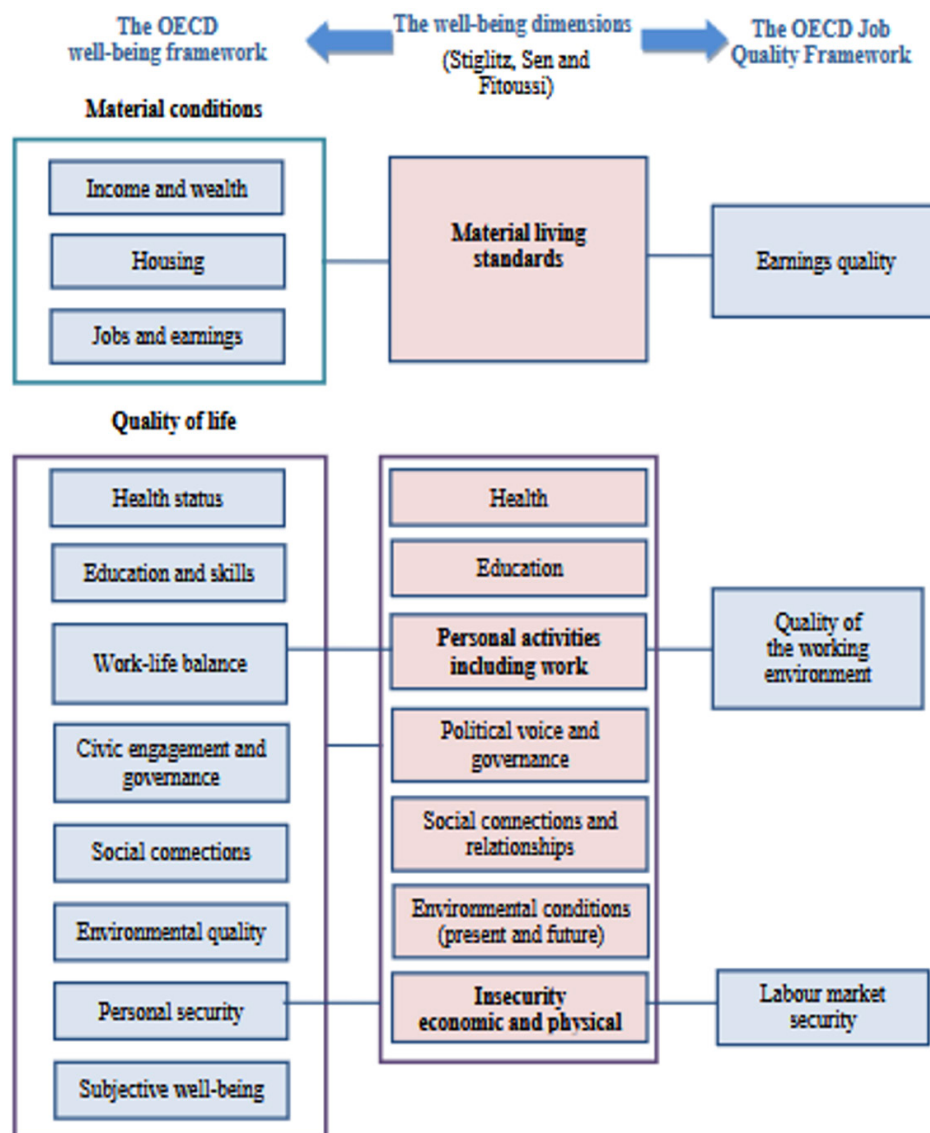
¹⁸ <https://www.ilo.org/topics-and-sectors/decent-work-and-2030-agenda-sustainable-development>

¹⁹ <https://www.ilo.org/resource/ilo-declaration-social-justice-fair-globalization>

²⁰ www.ilo.org/resource/news/malaysia-adopt-decent-work-country-programme

Alternative definitions are aplenty. From recent political economy literature, Acemoglu (2019) defined a good job as one that can provide a comfortable often referred to as a “middle class” life, provide some amount of stability (or job security), protect a worker against harsh and dangerous working condition and against excessive employer power. Rodrik & Sabel (2019) similarly defined them as jobs that invest in worker skills, provides workers with a voice, discretion, and autonomy, and gives them responsibility for the quality of service. From the business and management literature, Ton (2023) proved that companies with a “Good Jobs System” – in her sample, large US retailers – were more profitable. A Good Jobs System according to Ton (2023) constitutes investments in people (including training and internal promotions), empowerment of frontline workers, cross training, and running operations with slack in terms of manpower (to minimize burnout), among others. In 2016, the OECD offered a Jobs Quality Framework based off the OECD well-being framework (OECD, 2013) and the report of the Stiglitz, Sen and Fetoussi Commission (Stiglitz et al., 2009), defining jobs quality based on quality of earnings, the working environment, and social security provisions of a given job (see Figure 15 below).

Figure 15: The OECD Jobs Quality Framework, 2016



Subject to an adaption to the Malaysian context, any of the above definitions are deemed feasible for a Good Jobs Strategy. To summarise, a Good Jobs Strategy should meet most of the above general components: where there is a **continuous creation of jobs** amid an increasingly uncertain future of work, and **an assurance that those jobs provide a dignified living for its holders** where they can thrive and not just survive. This can only be achieved once governments, firms, and workers believe that economic growth and prosperity are not increasingly at odds with workers' rights and wellbeing.

Conceptual Premise

This article draws from several sources in public policy literature to form the conceptual backbone of the proposed Good Jobs Strategy for Malaysia. It expounds on several concepts, namely Productive Dualism (Rodrik, 2022; Rodrik & Sabel, 2019; Rodrik & Stantcheva, 2021), looking at undersupply of Good Jobs as a market failure (Acemoglu, 2019; Rodrik & Sabel, 2019) and pushing a productivity agenda as a jobs agenda (OECD, 2018b; World Bank Group, 2026). Since the strategy dabbles directly with industrial policy, this proposed Good Jobs Strategy also benefits from the vast political economy literature, both internationally and in Malaysia, but they are only discussed in cursory for the sake of efficiency.

Productive Dualism

A large part of it is inspired by Rodrik & Stantcheva's (2021) proposal for "fixing" the Good Jobs problem that arises from pure free market arrangements. The premise begins from earlier empirical work such as by Autor & Dorn (2013) which found differentiated levels of information technology (IT) employment in local U.S. labour markets resulting in employment and wage polarisations, mainly causing an enlargement of the services sector. Such situation was coined as 'Productive Dualism' by Rodrik & Sabel (2019), which had caused a kind of polarisation in labour markets. The polarisation is characterised by the coexistence of jobs in a mass of low productivity (or low value-added) activities that neither generate nor benefit from innovation, with a small number of jobs in a less labour-intensive and technologically innovative economy (Rodrik & Sabel, 2019).

In the U.S., productive dualism could be best illustrated in the coexistence of frontier technology-based firms in the Silicon Valley and New York with the rest of the economy in the Rust Belt, midwestern and southern regions, in part due to accommodative anti-trust laws enabling firms to gain monopsonistic power in input markets and to keep costs (including wages) low (Rodrik & Sabel, 2019).

In China, new economy sectors such as electric vehicles, green technology, and advanced manufacturing remained concentrated and unable to generate broad-based employment, coexisting with the structurally struggling legacy property sector (Jae Young & Zhai, 2026).

In Malaysia, the more familiar term could be the 'Two-speed Economy', where exporters and large state- and energy-linked enterprises are contributing to Malaysia's strong macroeconomic numbers on the "fast lane", while small enterprises employing half of Malaysia's workforce are in the "slow lane", struggling with strains in the supply chain and cost of doing business (Ai Leng, 2026). World Bank Group (2026) highlighted a peculiar case for Malaysia: that Malaysia's top "frontier" firms are not scaling up. While these firms pay three times the country's median wage, their own market shares in the product markets are shrinking, deterring them from absorbing more labour.

At its core, the problem with productive dualism is inequality. In this case, there are not enough Good Jobs to be distributed around resulting in grossly unequal wage distribution patterns observed in Part 1 earlier. Rodrik & Sabel (2019) argued how standard prescriptions had been insufficient in combatting rampant income and wealth inequalities. Such standard prescriptions include Keynesian-style aggregate demand management, such as Pigouvian taxes and subsidies, progressive taxation and collective bargaining. This is because the conditions under which those fiscal policies and collective agreements are being dispensed are not only too diverse and uncertain but also becoming increasingly so with the advent of technology and shifting trade terms. A useful way to conceptualise this is the 'Policy Remedies' matrix (Rodrik & Stantcheva, 2021), which divides policies to tackle inequality into three distinct touchpoints; pre-production, during production, and post-production. The choice of focusing on labour demand in this article was inspired by the call to tackle the problem of wage inequalities directly within the productive sphere of the economy where inequality is either being generated or compounded (see Figure 16).

Figure 16: (Policy) Remedies for Inequality

What kind of inequality do we care about?		At what stage of the economy does the policy intervene?		
		Pre-production	Production	Post-production
	Bottom	Health policies, education policies, universal basic income	Minimum wages, jobs guarantee	Transfers and income tax credits, full employment-type fiscal policies
	Middle	Public spending on higher education	Industrial relations and labour laws, industrial and innovation policies	Social safety nets, social protection
	Top	Inheritance taxes, estate taxes	Competition policy (or liberalisation)	Wealth taxes

Source: Rodrik & Stantcheva (2021)

Pre-production policies, such as those that endow young people with near-free, public higher education, cannot guarantee high graduate wages on average, especially if firms are simply not creating enough jobs to absorb these skilled labour supply. Meanwhile, post-production policies such as social security and unemployment insurance could only ensure workers survive against downside risks, such as during loss of employment, but are less useful for ensuring workers thrive in jobs that pay decently and offer pathways to progression and growth. Finally, Part 1 of this article would suggest that these are structural problems relating to the structure of the economy, which would render insufficient any institutional or legal arrangements that directly intervene on employers' wage setting process, such as collective bargaining and minimum wages.

Undersupply of Good Jobs as a Market Failure

Acemoglu (2019) sees the under provision of Good Jobs as a market failure. In the U.S., he argued that the supply of Good Jobs has seriously slowed down in the US due to two key phenomena: globalisation and technology. Intensification of trade and globalisation has enabled companies to extract profitability gains by shifting their cost structures to economies like China (Acemoglu, 2019). Automation, on the other hand, allowed companies to extract productivity gains from lower cost capital inputs, rather than labour. Firms would have to bear costly upfront costs of supplying

Good Jobs in home countries when they could instead offshore or automate more profitably, while the immense benefits of Good Jobs are shared beyond the workers and by their families and societies. Due these very high positive externalities, free markets will tend to undersupply Good Jobs, as also discussed in Malaysia's context by Cheng (2023).

Innovations that produce high-paying jobs are also underprovided by markets (Acemoglu, 2019). Research and development (R&D) that produce transformational innovation also require large upfront investments and are shaped by the priorities of big technology companies in the U.S. Markets, especially innovator firms, would tend to undervalue Good Jobs because the benefits from knowledge and new technological inventions spread far more widely than is possibly extractable by the firm who invested in them. He argued that employers find themselves better off hiring machines that came with tax reliefs, than hiring workers who come with payroll taxes and fringe benefits (Acemoglu, 2019). Similarly, he believed it would be better to foster markets and production processes that are inclusive in the first place, rather than try to figure out the ideal social redistribution process after the fact.

Jobs Agenda as a Productivity Agenda

In the 2000s, OECD's jobs strategy focused on letting the markets lead the way, by making products and inputs (including labour) markets adaptable and flexible enough in the face of uncertainties (OECD, 2018b). At the time, this was the only way to make firms nimbler to grow and in turn, absorb more supply of labour. The plan to safeguard workers was focused on the post-production sphere, such as through strengthening social dialogues and legal means.

A recent World Bank Group (2026) report on Malaysia also highlighted the importance of raising labour productivity to raise the value of what workers produce, so that firms pay higher wages. Improving wages must come with higher productivity lest such increases would be hard to sustain. The report attributed slow creation of quality jobs to barriers in the products market, which "limits firm entry, exit, and expansion". The study made detailed recommendations around strengthening Intellectual Property (IP) and business regulations, Malaysia's innovation ecosystem, access to finance, and insolvency regulations. The plan to safeguard workers was this time focused on the pre-production stage, through preparing workers such as with lifelong learning, skills building, and Artificial Intelligence (AI) readiness.

Both recommendations focused on productivity in the product markets first and this should be well received. After all, Good Jobs that pay well cannot be generated just out of government decree or "out of fiat" (Rodrik & Stantcheva, 2021), lest inflation will ensue threatening competitiveness and demand for firms' outputs (World Bank Group, 2026). More good jobs require more good firms to exist. Any strategy still depends upon the creation of high productivity firms that sell high value-added goods and services but most of these agendas have yet to encourage us to think about how more successful firms alone may not necessarily translate into more good jobs.

Fortunately, such push for "productivity agenda as jobs agenda" are being refined with greater realisation that productivity growth alone is insufficient to ensure quality of jobs. The OECD's latest jobs strategy in 2018 (OECD, 2018b) realised that flexibility and market liberalisation could drive the quantity of jobs but could not ensure the quality of jobs. Furthermore, maintaining high levels of job security for only a small number of jobs at the margins, while over liberalising the use of temporary contracts for the rest, can lead to an excessive use of the latter (OECD, 2018b).

The OECD admitted the necessity of setting up, in the first place, a macroeconomic environment where high-quality jobs can flourish. Such environments may include fiscal spending that can counter-cyclically support a rapid scaling up (and down) of government-sponsored job schemes and active labour market policies (ALMPs), which puts jobs as a consideration right in the middle of the production process.

In essence, this discussion paper is proposing for Malaysia to have a deliberate Good Jobs Strategy in addition to standard economic planning. Such a strategy requires fundamental rethinking of the notion that creating vibrant markets and growing the economy will necessarily lead to the creation of Good Jobs. For a long time, the thinking was simply to grow the economy first, and jobs will come. Clearly, this is no longer guaranteed. **What makes a Good Jobs Strategy is its emphasis on the need to stop treating jobs as a by-product of economic growth.** Notwithstanding that any jobs agenda cannot run away from a serious focus on promoting growth and removing barriers to it, a Good Jobs agenda would also require a more deliberate recognition of quality jobs as its end goal.

Preconditions for a Strategy

Inspired by the concepts discussed earlier, the below are some guiding principles that are ideally collectively understood, to set up a Good Jobs Strategy for Malaysia.

Post-market distributive policies cannot replace Good Jobs

Policies that promote social security and protection are integral to support vulnerabilities throughout the lifecycle, such as those that arise at a young age, loss of income-generating capacity during working age, and at old age. However, they cannot be relied upon to reverse the prolonged effects of an undersupply of Good Jobs, which can accumulate and exaggerate across lifecycles.

A Good Jobs Strategy is thus complementary to social protection, in that it avoids the accumulation of inequalities that are generated during the production process, rather than “after the fact”. OECD (2018b) called this a “preventive approach”, which basically posits that while we are busy trying to grow the economy and create jobs, we must not be over relying on social protection to balance out accumulated disadvantages experienced by people across their lifecycles.

Contemporary social protection systems are also increasingly being set up for towards labour-market reintegration, including training, childcare support and job-search assistance (Cazes et al., 2016). An effective social protection system should provide passive income support is not seen as a substitute for productive work, rather a downside protection people from hardship while helping them regain independence, productive inclusion, agency, and the wider well-being associated with meaningful employment (Adema, 2006).

Government intervention is necessary, not just in wages but also in jobs

As already discussed, governments do have a role in creating Good Jobs, since pure reliance on markets risks the undersupply Good Jobs. In Malaysia, creation of Good Jobs and determination of wages have largely been left to the markets, with some exceptions in the COVID-19 pandemic era. Admittedly, many administrations were familiar with the concept of “pump priming” that create jobs, but the focus in those programs remained about stimulating economic activity. Jobs tended to be an afterthought and joint products rather than a central component. In terms of wages, only in 2011 did Malaysia brought the conversation about institutional wage setting to the forefront, with the introduction of the National Consultative Wages Council (NWCC)²¹ and the first Minimum Wage Order 2012.

A Good Jobs Strategy in Malaysia should clearly contrast between two different interventionist approaches: one is a set of interventions that boosts jobs supply, and the other is a set of interventions that centrally coordinates the conditions under which workers’ rights and wages are being set. Both play equally important distributional roles. In the former we would expend fiscal and administrative energy (such as through industrial policies, innovation policies or tax policies) to ensure workers get to participate in productive economic activity and gain their fair share of the spoils from those activities, while in the latter, we would be setting the rules around which wages are being set. In this envisioned Good Jobs construct, we will be depending on existing structures like the NWCC and the Gig Consultative Council (MPGig)²² to play a governing role for setting, enforcing, and maintaining the remunerative aspects of Good Jobs.

A practical Good Jobs Strategy would ride on existing industrial policies

While the earlier conceptual discussions provide useful inspiration, a lot of contextualisation are needed to translate them into a Malaysia-specific Good Jobs Strategy. For one, the political economy is vastly different from those discussed in the literature. Labour market polarisation in the U.S. is characterised by advancement of frontier technology and offshoring manufacturing capacity that are leaving many workers behind, but Malaysia’s experience is characterised by precisely the opposite. “Polarisation” in our context can be argued as the heavy reliance upon FDI as the generator of Good Jobs for Malaysians, which has left a wedge between top firms and SMEs. Since Malaysia is hardly new at industrial policies, the stress should be on tweaking existing ones. In fact, most of Malaysia’s industrial policies – from all thirteen Malaysia Plans to the Economic Transformation Plan, New Industrial Master Plan 2030 (NIMP2030), and National Energy Transition Roadmap (NETR) – all already have some kind of ‘high-skilled’ job creation indicators.

A Good Jobs Strategy for Malaysia would therefore be about reconfiguring existing industrial policies, rather than creating new ones. Such a reconfiguration need not be loud, fashionable, nor require further studies. Instead, the focus should be on specifying and delivering incentives under existing policies, assigning accountability and autonomy, and following through with conditionalities set on firms.

²¹ The NWCC is an independent tripartite body established in 2011 under an Act of Parliament (Act 732) in conjunction with the first Minimum Wage Order in 2012

²² The MPGig was established in 2026 under the Gig Workers Act 2025 (Act 872).

Government intervention is feasible, with public sector capacity

Conditionalities will be the main tool employed to weave in a Good Jobs Agenda more pronouncedly into existing industrial policies. Conditionalities set rules for firms to abide to, in order to qualify for government incentives like grants or tax breaks. It serves as levers, or the “bargaining chips”, to nudge firms to take actions that support a Good Jobs agenda. But conditionalities are not self-executing. However good conditionalities are designed (and the succeeding conversations will be about better designing conditionalities for incentives) their effectiveness depends on the capacity of the public service executing them. Evans (1995) studied developmental states²³ and saw autonomy and embeddedness as the recipes for their success. He coined the term “Embedded Autonomy” which results from a combination of (i) a professional, well-run bureaucracy that can resist capture and stay on course (“autonomy”) and (ii) strong linkages between public sector and firms (“embeddedness”).

Executing a Good Jobs Strategy in Malaysia therefore entails public sector capacity. The bureaucracy would be trained, prepared, allowed autonomy within strategic set of boundaries, and empowered to monitor and enforce conditionalities, even when it collides with political actors. In the first place, the design of the conditionalities also requires capable and respected public institutions. In the case of Malaysia, public sector capacity is ideally a precondition but is realistically an ongoing parallel journey.

Proposal for Good Jobs Strategy for Malaysia

Part 1 and earlier sections of Part 2 extensively discussed the need for a Good Jobs Strategy and the guiding principles for one. Finally, we ask – what would a Good Jobs Strategy for Malaysia practically look like? A Good Jobs Strategy for Malaysia should touch four (4) policy areas and comprise of one governance model. The four specific areas are Active Labour Market Policies (ALMP), industrial policies, innovation policies and international trade policies. Malaysia already has actively run policies in all those areas, so what is left is to explicitly incorporate a strong Good Jobs agenda in these existing policies. The new governance model for a Good Jobs Strategy calls for two-way governance approach. The justification for a new governance model is the fact that the policy objective here is to create good jobs, but good jobs is not a precisely measurable concept. Thus, a collaborative approach between public sector workers and firms can surface valuable and timely information.

The anchor literature (Rodrik & Stantcheva, 2021) directly inspired the ensuing proposals. Their thesis does not target the U.S. but many of the contexts and instances are steeped into the U.S. as a backdrop. The following proposals are an attempt to use core ideas from their thesis, and practically envision a Malaysian version of a Good Jobs Strategy:

²³ Leftwich (1995) defines developmental states as ones that have political power, bureaucratic autonomy, and institutional capacity to formulate and implement explicit economic transformation plans (like industrial policies), the classical examples being China, Japan, South Korea and Taiwan.

Touchpoint 1: Having more employer accountability in Malaysia's ALMPs

Active Labour Market Policies (ALMPs) are essentially activation policies that aim to get the unemployed into productive work and can be broadly categorised into three: (i) skills and training (ii) job search and matching assistance, and (iii) employment subsidies (Cheng, 2023). Malaysia has ALMPs under all three categories readily in place. The flagship ones including HRD Corp (formerly HRDF) which compels company to design and fund their own workers' skills training, MyFUTUREJobs which is a government-sponsored platform for job seekers and employers with vacancies, and the Employment Insurance Scheme (EIS) which is unemployment insurance coupled with active employment search support. Even the relative success of the E&E sector, as discussed earlier (see **Where do we go from here?** in Part 1), have widely been partly attributed to the success of an ALMP in the form of the Penang Skills Development Centre (PSDC) which adopts a tripartite model of collaboration between government, industry and academia (Huei Chang & Cheng Lee, 2023).

The core idea is demand-side accountability. Employers and sectoral bodies would co-design training around real job vacancies, giving the programmes a strong labour-market anchoring that is missing in generic government-directed or government-sponsored training programs. Malaysia's ALMPs²⁴ generally already involve employers in funding and delivery, but do not yet embed this collaborative, outcome-committed structure. The HRDF, for example, currently operates on a levy-and-claim basis. While employers fund and selects what training is needed (this is positive, since they know best what they need), experience suggested constraints among SMEs who see them as constraints and an administrative burden (Hashim & Wok, 2013). Further, the HRDF levy directly depends on the financial capacity of the employer, which is reasonable but predominantly benefits employees that are already likely in Good Jobs in top firms. The EIS is another example, whose ALMPs are currently constrained for formal sector workers who are already participants and have experienced loss of employment (Cheng, 2023).

The proposal is to have more employer-linked ALMPs that would target specific industries or occupations that have the potential to create more local employment and a mechanism where local public sector capacity would work closely with participating firms. Firm representatives may even serve on the boards or committees of those programs (Rodrik & Stantcheva, 2021). The existing Futures Skills Talent Councils (FSTC) driven by TalentCorp is an excellent start and should be extended to take on even more programmatic roles with a governance structure, budgetary allocations and stronger employer commitments. This envisioned model (employer linked ALMP) departs significantly from the generic models that are based on government directives and are levy-based.

²⁴ Refers to government policies that actively supports prospective employees to get jobs and sometimes to increase earnings. They may include intermediation services, training, employment subsidies, public employment programs, sometimes even support for self-employment and entrepreneurship

Touchpoint 2: Operationalizing Malaysia's existing industrial and regional policies towards creating Good Jobs

The reference literature essentially proposes for the consideration of industrial and regional policies to spur creation of Good Jobs. This is done through creating customized firm-specific incentives that are designed to meet what firms actually need. Rodrik & Stantcheva (2021) contrasted this approach from traditional modes of executing industrial policy: where the government would “pick a set of winners”, select a set of pre-determined incentives (typically tax holidays and matching grants), then impose hard rules that participating firms could never meet.

The core idea is to only incentivize the right firms in the right ways. A highly localised platform would be created, where local governments and firms would undergo a collaborative and continuous process of discovering constraints and opportunities. Bartik (2020) suggested that incentives will give the highest ‘bang-for-the-buck’ in terms of creating Good Jobs, when they are:

- granted to firms under distress, rather than firms who could have privately raised funding anyway;
- granted to firms who have higher job creation potential, instead of firms with very lean business models and questionable spillover effects onto the supply chain (in terms of creating Good Jobs);
- focusing less on tax incentives, and instead more on encouraging physical investments;
- viewed as a portfolio of government services, that are specific to the local needs. Firms in the Penang Semiconductor region will likely have vastly different needs from those in the Tanjung Malim automobile complex, for instance.

This is not as far-fetched as we may think, because Malaysia does not suffer from the dominance of economic ideologies that oppose such forms of statecraft. In fact, the country has a long history with industrial policy, from the thirteen Malaysia Plans and the New Economic Policy (NEP) to the Economic Transformation Plan (ETP). Our latest masterplan, the New Industrial Plan (NIMP2030) already comes with all the dressings of a Good Jobs Strategy. It targets the creation of 3.3 million manufacturing jobs that pay a monthly median wage of RM4,510 (representing a 128% increase from current levels). The NIMP is also effectively already a regional policy, earmarking specific primary regions for specific industrial clusters complete with secondary regions that are expected to benefit from spillovers (MITI, 2023).

The realistic Malaysia-specific proposal is therefore to have a Good Jobs agenda inform the operationalization pathways for these already extensively laid out masterplans. The kinds of incentives handed out should be optimised as conditionalities to bargain for creation of more Good Jobs in the private sector. This is especially since fiscal space is tight, and every Ringgit spent doing so is a Ringgit spent less on protecting vulnerable communities with more immediate needs. In return for incentives, firms would be asked to make provisional commitments, such as to specify the number of Good Jobs that will be created by each skill level, to prioritise local suppliers, to delay offshoring decisions, or to train its employees. The successful case of Britain’s Regional Selective Assistance (RSA) saw a regional policy designed to create jobs in struggling areas, but it was essentially subsidising capital (Criscuolo et al., 2019; Rodrik & Stantcheva, 2021). It successfully created many jobs without having to directly subsidise and force firms to create jobs they did not need.

Greater capacity building among “frontline” agencies will be needed to set up such close communication lines. One type of such frontliner could be Malaysia’s existing five economic corridors authorities²⁵. They could be considered to take over the role of an active mediator between state authorities and firms in industrial clusters earmarked in the NIMP2030. Ultimately, the goal is to more tightly connect labour supply with labour demand, and training provision with training needs.

Touchpoint 3: Making labour augmenting technologies a key feature of innovation policies

Rodrik & Stantcheva (2021) highlighted four realities about technology which can make public policy interventions towards creating Good Jobs possible. First, the direction of innovation can be more government led than we usually intuit. Second, private sector incentives to innovate tends to be driven by motivations by prevailing financing models, which sometimes require quicker returns on investment. Third, there are more “taxes” involved in hiring humans than there are hiring machines (Acemoglu, 2019) in most countries, as already discussed. Fourth, the balance of power between employers and employees matters. When employees have higher bargaining power, firms must get their buy-in to make technological adoption decisions. Too much workers’ power may cause resistance to any kind of innovation, but they also serve an important counterforce to too much adoption of ‘so-so’ technologies (Acemoglu & Restrepo, 2019)²⁶.

The core idea is that technology adoption is a choice, not something predetermined or out of our control (as is the dominant narrative with generative AI). Tesla’s infamous 2018 backtracking from a fully automated process of manufacturing Model 3 reminds us that humans could still dominate even the most automated of production processes, given their ability to navigate uncertain and non-routine tasks (Rodrik & Stantcheva, 2021).

The realities in Malaysia are admittedly different when it comes to innovation. The fear around loss of jobs due to generative AI dominates, but the more serious conversation on deepening technological adoption in manufacturing remains in the background. Furthermore, the worry in Malaysia is more about the persistent **low-skilled foreign labour** (Ang et al., 2018) model, than about an excessive use of technology. Malaysia also has a fledgling **venture capital (VC) industry**, so putting the brakes on too soon risks dampening ongoing efforts to reduce the industry’s overreliance on government funded VCs (ICMR, 2019; Lyons et al., 2007). When it comes to generative AI, the reality is that **Malaysian government can hardly influence** the private investing decisions of technology giants out of North America and China.

A Malaysia-specific Good Jobs proposal that seeks to rethink innovation policies could come from all of the above practical entry points. In the **manufacturing** context, it may be worth experimenting with the use of augmented and virtual reality that enable machines and humans to work in tandem (Acemoglu & Restrepo, 2018). Where fiscal constraints limit R&D capacity to make this happen, intra-governmental platforms such as ASEAN can be leveraged upon to pool resources.

²⁵ These are Iskandar Malaysia (IM), Northern Corridor Economic Region (NCER), East Coast Economic Region (ECER), Sarawak Corridor of Renewable Energy (SCORE) and Sabah Development Corridor (SDC)

²⁶ Acemoglu & Restrepo (2019) argued that what threatens employment and wages are not quite the world-changing innovations that improve lives, but the “so-so technologies” that generate only small productivity improvements.

Phasing out of a **low-skilled foreign labour** model is already being considered in the NIMP2030²⁷. As the marginal cost of employing a low-skilled foreign worker reaches parity with the marginal Ringgit of government-subsidised technology investment (such as, through MITI's Industry 4WD grants), conditions like the 'prospective employment test' (Rodrik & Stantcheva, 2021) and prioritisation of labour-augmenting technologies may be applicable.

In the **domestic VC industry**, public sector and government linked companies (GLCs) are already important players. Efforts to "crowd in" foreign VCs and managers, such as under the KL2O Action Plan should continue. The Good Jobs proposal can instead be about governance. The governance strategy should move beyond setting restrictive jobs and wages targets. It could consider experimenting with governance approaches involving the setup of a dense network of agencies, GLCs, and international and local managers and founders, similar to the K-Startup²⁸ model in South Korea. This network would collaboratively discover drivers and barriers and suitable conditionalities to encourage labour-augmenting technological adoption by firms.

Finally, given that Malaysia is merely a **"taker" in the rules of the game** set by frontier AI developers out of North America, this 'Good Jobs' proposal encourages a closer look at Malaysia's unique bargaining levers, such as Malaysia's leading regional market in the data centre component of the AI value chain. There is also a role for public communications in shaping public consciousness about the consequences of innovation (Rodrik & Stantcheva, 2021) that can get the collective polity to decide the direction of technological adoption.

Touchpoint 4: Safeguarding high labour standards in international and trade policies

Rodrik & Stantcheva's (2021) good jobs thesis in the trade realm can roughly be grouped into two. The first aims to safeguard high labour standards, and the second aims to harness the force of public narrative to collectively decide the legitimacy of trade rules. The first set of proposals comprise high and enforceable labour-rights provisions in trade negotiations and greater sharing of tax information. But these are standard measures already in contemporary trade talks and "can only go so far" (Rodrik & Stantcheva, 2021). The second set seeks to bring the international trade rules into the domestic realm, incorporating explicit clauses that prohibits "social dumping"²⁹. Once that happens, there is little need to significantly differentiate labour rules set on local firms with those set on foreign firms (Rodrik, 2018). Next, ensuing stakeholder deliberations on these clauses could elicit the needed public debate on what are acceptable and what are not, depending on domestic and institutional laws and norms held sacrosanct in the importing society.

When it comes to international trade, it seems impossible to argue for better domestic jobs without dabbling into some kind of "protectionist" measures. At the same time, a Good Jobs agenda cannot leave out trade. The trade conversation matters for jobs because of its importance in an open economy like Malaysia, and how volatile trade conditions have been in recent years. In importing economies, the fear may be that too much conditionalities will just prompt firms to pack up and offshore (Rodrik & Stantcheva, 2021). But in a deeply trade integrated country like Malaysia (Athukorala & Menon, 1999), trade-related activities had likely been a major source of Good Jobs.

²⁷ New Industrial Master Plan 2030 (NIMP2030) (MITI, 2023), Pg. 82

²⁸ K-Startup Grand Challenge. <https://ksgc.global/>

²⁹ Refers to behaviours by businesses that tries to outcompete businesses that adhere to fair labour practices and pay fair wages, by exploiting loose labour regulations and lax safety standards.

The core idea is that greater public awareness can shape what terms of trade should be, based on shared values of the society. If a particular trade practice threatens a society's shared value, such as human or labour rights, it can be legitimate to restrict imports that result from that trade practice. Rodrik & Stantcheva (2021) is not simply arguing that imports should be restricted because domestic wages are low, but that competitive advantages of trade that arises from social dumping can and should be called out as 'unfair'. The kinds of clauses that would best represent Malaysia's trade interests are far beyond the scope of this paper and this author's expertise, but the general ideas from Rodrik & Stantcheva's (2021) second set of proposals and can be made practicable.

The proposal to contain social dumping practices is to harness public debate on terms of trade, taking three steps suggested by the same authors. First, conduct an independent and professional investigative inquiry on whether a certain import item A, or trade practice B, is truly threatening a widely held social norm in Malaysia. This is to avoid the tendency to allege any type of profitable import activity as benefiting from social dumping. Second, gather public testimony from all relevant parties, including consumer and public-interest groups, importers of the product(s) concerned, and Malaysian firms who export to the foreign country under question. In the case of Malaysia, public testimony is especially important for public education and impartial information dissemination. Thirdly, run the proposed safeguard clauses by these stakeholder groups. One practical example are opt-out clauses, in Malaysia's case, the position GLCs and Bumiputera SMEs. Deeper and more representative public debate on the legitimacy of such trade rules and the 'safety valves'³⁰. Compared to the first three touchpoints, this is admittedly more idealistic than practicable, but they worth considering if we are serious about a Good Jobs agenda.

Governance model for a Good Jobs Strategy

The main problem with "Good Jobs" as a policy goal is that it cannot be precisely measured nor uniformly defined. Unlike jobs targets, Good Jobs targets will need to be worked towards with a healthier dose of ex-ante uncertainties. As discussed, Good Jobs depends on good firms. In turn, many things like market conditions, business cycles, trade rules, technological direction and corporate governance shape good firms. In essence, Rodrik & Stantcheva (2021) proposes:

- (i) the setting up of provisional and revisable targets;
- (ii) the setting up of platforms for information exchange; and
- (iii) the use of a wide range of instruments beyond loans, guarantees, equity participation, export credits, training and skilling and including management counselling, access to technologies and network.

The core idea is how a suitable governance model for Good Jobs in our times needs to be iterative and to attempt as much as possible to reduce information asymmetry. Industrial policies need to be learning oriented and thus rely on governance mechanisms that reveal information. This is already very much in line with ready understanding and ongoing efforts in the current and past Malaysian administrations. For example, there are already efforts to **phase out** the 1990's style incentives model for attracting FDIs through the National Incentives Framework (NIF) announced as recent as in Budget 2026.

³⁰ Contingency clauses that allow countries to raise trade barriers under certain conditions is a means for enhancing the legitimacy of international trade and outsourcing in general.

The NIF aligns investment incentives with the National Investment Aspirations (NIA), NIMP 2030, and emerging global tax standards, with measurable conditionalities. There had also been efforts to **consolidate** currently fragmented agencies and programs that have mushroomed around various industrial and innovation policies, such as the consolidation of the government-backed venture capital funds and development banks (BPMB, 2025; Khazanah Nasional, 2024).

Limitations and Criticisms

An honest discourse cannot escape from recognising some underlying contradictions within the Good Jobs framework proposed above.

The core proposals essentially favour gentle, context-specific, and consultative approaches to doing industrial policy, in their attempt to contrast with the style of the past that pick winning sectors and impose strict conditions. Critiques of such style of doing industrial policy would draw from canonical literature in the past (Amsden, 1989; Evans, 1995; Wade, 1990) which argued that if we were to learn from successful “developmental state”³¹ economies, industrial transformation succeeded from relatively authoritarian, centralized, and non-negotiable state directives rather than accommodation and experimentation. The more recent critique is that of Cheang (2026) who would consider the proposals presented earlier as “incoherent”, because of the inherent incompatibility of an ambitious Good Jobs policy and what he calls “modest experimentation” approaches proposed by the anchoring literature.

This undoubtedly questions how practical and practicable these ideas are for Malaysia. On the contrary however, it can be argued that these newer approaches would be most natural for Malaysia’s contexts. Given our unique political landscape, long running social contracts and public service culture, Malaysia has significantly more institutional memory and experience with industrial policies than places like the United States.

The necessary precondition that there is sufficient public sector capacity is also rather optimistic. Per Evans’ (1995) Embedded Autonomy, the success of enormous state projects like an industrial policy cannot depend on public service autonomy and capacity alone. They must not only be free from political interventions, but they must also be sufficiently embedded and tightly linked with the industries and labour they serve. But if taken as a whole, the Good Jobs proposals elucidated above can in itself be thought of as part of the journey of building public sector capacity, such that there is room for optimism.

These strategies have also yet to recognise the growing importance of creating inclusive labour markets. In the context of demographics patterns in Malaysia, namely a rapidly ageing society, a growing prevalence of non-communicable diseases and persistent gaps in the meaningful inclusion of its female labour force, the proposed Good Jobs Strategy could be also enhanced with thoughtful interventions that encourage creation and maintenance of good jobs for the older, female, and differently abled workers. The proposed Good Jobs Strategy also has limited offerings in the context of the rising importance of semi formal and flexible forms of work and necessity entrepreneurship, which are candidate ideas for important follow-up research.

31 See note 22 earlier

Conclusion

The objective of this discussion paper was to introduce ideas for creating a Good Jobs Strategy for Malaysia. Broadly sluggish wage growth trends and compressed wage levels experienced by workers motivates this discussion. Part 1 extensively discussed the need for a Good Jobs Strategy for Malaysia, highlighting the empirical roots of the wage problem in Malaysia in the lack of demand for high-skilled labour. Earlier sections in Part 2 made the case for having a strategy for Good Jobs from a conceptual standpoint using key literature framing the undersupply of Good Jobs as a market failure.

The policy prescription is a Good Jobs policy that involves interventionist approaches in the productive part of the economy. This strategy seeks to complement worker's protection and legal rights, potentially through industrial policy that puts Good Jobs at the core. Seeing that Malaysia is not short of industrial policies and development plans, the aim should be labour-centric reconfigurations alongside pro-business, instead of looking the intersection of the two as zero sum game. It is hoped that this discussion contributes towards existing efforts to steer conversation away from diagnostics of this dangerous and persisting problem, towards one that is geared toward practicable solutions in the Malaysian context.

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Glossary

12MP	12th Malaysia Plan
ALMP / ALMPs	Active Labour Market Policy / Policies
ASEAN	Association of Southeast Asian Nations
BEA	Bureau of Economic Analysis
BNM	Bank Negara Malaysia
BPMB	Bank Pembangunan Malaysia Berhad
CE	Compensation of Employees
CMEPSP	Commission on the Measurement of Economic Performance and Social Progress
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
DOSM	Department of Statistics Malaysia
EIS	Employment Insurance Scheme
ETP	Economic Transformation Plan
FSTC	Future Skills Talent Council
GLC / GLCs	Government-linked Company / Companies
GTS	Graduate Tracer Study
HEIs	Higher Education Institutions
HRD Corp	Human Resource Development Corporation
HRDF	Human Resources Development Fund
ILC	International Labour Conference
ILO	International Labour Organization
IP	Intellectual Property
LIS	Labour Income Share
MAVCAP	Malaysia Venture Capital Management Berhad
MEF	Malaysian Employers Federation
MITI	Ministry of Investment, Trade and Industry
MNC / MNCs	Multinational Corporation / Corporations
MOHE	Ministry of Higher Education
MPGig	Gig Consultative Council
NEP	New Economic Policy
NETR	National Energy Transition Roadmap
NGC	National Gig Council
NIA	National Investment Aspirations
NIF	National Incentives Framework

NIMP / NIMP2030	New Industrial Master Plan 2030
NSS	National Strategy for Semiconductors
NWCC	National Wage Consultative Council
OECD	Organisation for Economic Co-operation and Development
PAKW	Perbelanjaan Asas Kehidupan Wajar
PPP / PPPs	Purchasing Power Parity / Purchasing Power Parities
PSDC	Penang Skills Development Centre
PWT	Penn World Table
RSA	Regional Selective Assistance
SME / SMEs	Small and Medium Enterprise / Enterprises
SPM	Sijil Pelajaran Malaysia
SWS	Salaries and Wages Survey
TVET	Technical and Vocational Education and Training
VC / VCs	Venture Capital / Venture Capital funds
W.P.	Wilayah Persekutuan
WBG	World Bank Group