FMM
FEDERATION OF MALAYSIAN MANUFACTURING

PRESS STATEMENT

FMM Supports Higher Incomes but Says RM3,100 Minimum Wage Proposal Is Excessive and Disproportionate to Economic Conditions

Kuala Lumpur, August 24 2026 - The Federation of Malaysian Manufacturing (FMM) supports the aspiration for Malaysian workers to earn higher and better wages as the country progresses towards a high-income economy. However, FMM considers the Malaysian Trades Union Congress' (MTUC) proposal to raise the minimum wage from RM1,700 to RM3,100 to be excessive and disproportionate to prevailing economic and business conditions. The proposed adjustment represents an increase of RM1,400, or 82.4%, and cannot be considered in isolation from productivity growth, business affordability, Malaysia's competitiveness, inflation, employment opportunities and its consequential impact on the entire wage structure.

An Unprecedented Increase

An increase of this magnitude would be unprecedented. Since Malaysia introduced a statutory minimum wage in 2013, adjustments have generally been made progressively—from RM900 in Peninsular Malaysia and RM800 in Sabah and Sarawak in 2013, to RM1,000 and RM920 respectively in 2016, followed by a uniform rate of RM1,100 in 2019, RM1,200 in 2020, RM1,500 in 2022 and RM1,700 in 2025.

In comparison, an immediate increase to RM3,100 would be considerably larger than any previous adjustment and would constitute a major shock to the labour market and businesses' cost structures. The current RM1,700 rate has also only been fully implemented across all employers since August 2025, and businesses are still adjusting to its impact.

Impact Extends Across the Entire Wage Structure

The proposed RM3,100 minimum wage would be close to the median monthly wage of RM3,167 earned by formal-sector employees in December 2025. This would substantially compress the wage structure of many companies.

The financial impact would not be confined to employees currently earning RM1,700. Employers would inevitably face pressure to adjust the salaries of operators, supervisors, technicians, skilled workers and other employees in the subsequent salary bands to preserve meaningful wage differentials for skills, experience, performance and responsibilities. The actual increase in employers' payroll costs could therefore be considerably greater than the direct adjustment in the minimum wage.

This would have a disproportionate impact on local SMEs and labour-intensive industries, many of which operate on thin margins and have limited ability to pass higher costs to customers. A sudden and substantial increase in payroll costs could affect business viability, discourage investment and expansion, accelerate the relocation or outsourcing of operations, and reduce employment and entry-level job opportunities. It could also contribute to higher prices as businesses attempt to recover part of the additional cost.

Economic Growth Does Not Mean All Businesses Can Absorb the Increase

Malaysia's recent headline economic and productivity indicators have been encouraging, but the performance is not uniform across all sectors and companies. Stronger aggregate growth or productivity in selected industries should not be assumed to mean that every SME and labour-intensive business has the financial capacity to absorb an 82.4% wage increase.

Businesses are already managing higher energy and input costs, taxation and compliance costs, geopolitical and global trade uncertainties, intense regional competition and uneven market demand. Many businesses, particularly SMEs and those in labour-intensive sectors, continue to face tight margins and limited financial capacity for additional mandatory costs.

The National Wages Consultative Council (NWCC) should therefore undertake a comprehensive sectoral assessment, including the likely direct and indirect payroll impact on different industries and sizes of companies.

Regional Comparison Highlights the Scale of the Proposal

Based on prevailing 2026 rates, Vietnam's regional minimum wage ranges from VND3.70 million to VND5.31 million per month, equivalent to approximately RM570 to RM820. Thailand's minimum wage ranges from THB337 to THB400 per day, or approximately RM1,080 to RM1,280 per month based on 26 working days. In Indonesia, the 2026 provincial minimum wage varies considerably by location: it is approximately RM560 in West Java and RM1,390 in Jakarta, while minimum wages in major industrial locations such as Bekasi and Karawang are approximately RM1,430 to RM1,450. In the Philippines, the prevailing non-agricultural minimum wage in Metro Manila is approximately RM1,300 per month based on 26 working days, with lower rates applying in many other regions.

Against this regional backdrop, the proposed RM3,100 minimum wage would be more than twice the wage floor in many competing ASEAN manufacturing locations. Such a substantial divergence, if not supported by commensurately higher productivity and value creation, could materially weaken Malaysia's cost competitiveness, particularly in labour-intensive and internationally contestable manufacturing activities.

While nominal exchange-rate comparisons alone should not determine Malaysia's minimum wage, the scale of the proposed increase cannot be ignored. Comparisons must also consider productivity, skills, cost of living, statutory contributions, overtime, allowances and employers' total labour costs. Nevertheless, raising Malaysia's minimum wage by 82.4% in a single adjustment to a level substantially above the wage floors of major regional competitors would create a serious competitiveness risk, particularly for SMEs and labour-intensive industries.

An Evidence-Based, Gradual and Consultative Approach

FMM calls for the minimum-wage review to remain within the established tripartite process of the NWCC and to be based on objective evidence and meaningful consultation with employers and workers.

The assessment should consider the cost of living, inflation, median wages, labour productivity, unemployment and employment conditions, economic and sectoral performance, employers' financial capacity and Malaysia's international competitiveness. Sufficient time should also be allowed to assess the full impact of the RM1,700 minimum wage before another substantial adjustment is contemplated.

If the evidence eventually supports a further adjustment, it should be moderate, gradual and predictable, with sufficient advance notice to enable businesses to plan, improve productivity and restructure their operations.

Wage progression should also be supported through skills upgrading, structured career pathways and productivity-linked remuneration. Where companies perform well, employees can benefit through better bonuses, incentives and wage progression that recognise productivity, skills and individual contribution, rather than relying solely on a very large uniform increase in the statutory wage floor.

Creating the Capacity to Pay Better Wages

The Government must simultaneously address the economic and business conditions that enable employers to sustainably pay higher wages.

Under its Budget 2027 proposals, FMM has called for greater fiscal space to be left within productive businesses, particularly SMEs, so that they can invest in automation, smart manufacturing, digitalisation, artificial intelligence, R&D, workforce development and higher-value activities. This includes a more competitive SME tax framework, measures to reduce tax cascading and regulatory burdens, accessible grants and financing, and stronger incentives for technology adoption, innovation and skills development.

The objective should be to create a virtuous cycle in which higher retained earnings support greater productive investment, leading to higher productivity, stronger business performance, better wages and more highly skilled and higher-value jobs.

Wage increases that are not supported by corresponding improvements in productivity and value creation risk increasing prices and weakening competitiveness without delivering a sustainable improvement in workers' real purchasing power.

Better Wages Must Be Sustainable

FMM fully supports Malaysia's objective of raising incomes and improving workers' living standards. However, the distinction between a statutory minimum wage, which provides a basic wage floor, and the broader aspiration for a living wage must be properly recognised.

The sustainable path towards better wages is through productivity, skills, investment, innovation and profitable business growth. A balanced and evidence-based approach will protect workers' welfare while ensuring that businesses retain the capacity to invest, grow and continue creating quality employment for Malaysians.

Mr Jacob Lee Chor Kok
President, Federation of Malaysian Manufacturing

FMM Advocates Transparency, Integrity, Accountability and No Corruption

About FMM

The Federation of Malaysian Manufacturing (FMM) (formerly known as Federation of Malaysian Manufacturers) has been the voice of the Malaysian manufacturing sector since 1968, advocating policies and initiatives that drive industrial growth, competitiveness and workforce development. Representing over 13,540 member companies (4,270 direct and 9,270 indirect) from the manufacturing supply chain, FMM is actively engaged with government and its key agencies at Federal, State and local levels. FMM is also well-linked with international organisations, Malaysian businesses and civil society. Apart from benefitting from FMM's advocacy, FMM members enjoy value-added services including training, business networking and trade opportunities as well as regular information updates.

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