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Learning from the World: Fair Minimum Wages and Economic Justice

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ABSTRACT

This study aims to explore economic justice, focusing on fair minimum wages. It covers how other countries achieve economic justice, and discusses the ongoing problem of a wage gap that is insufficient to meet basic needs. This is important to examine, especially in developing countries. Despite many countries having minimum wage laws, there remains a gap between the low-paid workers and the cost of living. The factor that contributes to the worsening of this gap is that minimum wage laws are not properly enforced and adhered to. A comparative analysis of pay for workers among selected countries was carried out to address the issue at hand. We focus on the effectiveness of implementation from other countries which achieve a balance of fair wages, economic growth and a stable labour market. Data were collected from global organisations such as the International Labour Organization (ILO), the Organization for Economic Co-operation and Development (OECD), and the World Bank to identify efficient frameworks and policy tools. The results indicate that minimum wages should be implemented in good faith, regionally tailored, and combined with other wider labour market policies so that all workers can participate in inclusive economic development.

Keywords: minimum wage, justice, inequality, fair, global analysis

INTRODUCTION

The topic of fair minimum wage policy is at the heart of the discussion on economic justice. This is because the minimum wage policy not only affects market efficiency but also affects social justice (Global Wage Report 2020-21: Wages and Minimum Wages in the Time of COVID-19, 2020). Minimum wage means the lowest amount of remuneration that an employer is obligated to provide to their employees for work conducted over a specified period (ILO, 2015). The minimum wage cannot be diminished through an individual contract or a collective agreement (ILO, 2015). Safeguarding the well-being of employees from receiving unduly low salaries is the central objective of the minimum wage policy. Hence, it can be said that the policy plays an important role in guaranteeing that workers are able to afford a basic standard of life and receive a fair payment. In addition, combating poverty and reducing income inequality, including the gender-based wage gap, by encouraging the principle of equal salary for the same work of the same value is another key purpose of the policy (ILO, 2015). The concept of economic justice is closely related to the concept of fair minimum wages. A just and fair distribution of economic benefits and opportunities within society can be understood as the concept of economic justice. Economic justice advocates for everyone, regardless of gender or background, to have fair access to decent employment and fair income (Bright Laws, 2025). In this sense, the policy of minimum wage is there as an economic tool to maintain fairness and equality in the labour market.

While several countries adopt the minimum wage policies and the policy itself have such important purposes, they do not always achieve economic justice. Earle (2025) has listed many issues regarding the minimum wage policy in a recent publication of the American Institute of Economic Research. Distorted market signals are one of the issues related to the minimum wage, where the increase in labour costs might result in inefficiency, such as oversupply of job seekers, declining investment and relocation of businesses to areas with lower costs. Unintended trade-offs are another issue that is highlighted by Earle, where companies might react to high wages by reducing benefits, reducing working hours and increasing the job responsibilities on the workers. These responses affect the overall well-being of the worker, which is the main purpose of the policy itself. Thus, to further enhance the effectiveness of the minimum wage policy, analysing how other countries around the globe implemented and enforced the policy will provide insight into improving it.

Starting February 2025, the minimum wage in Malaysia rose from RM1500 to RM1700 per month. This increase was intended to promote economic equity and ensure that employees are sufficiently compensated for their employment. It will also help employees with the rising cost of living (Dim, 2025). However, the Malaysian Trades Union Congress (MTUC) emphasised that tight enforcement is crucial to ensure policy efficacy (Yunus, 2025). The MTUC indicates that without tight enforcement, many workers will fail to receive the new minimum wage, thus compromising the policy's goals. In addition, the MTUC highlighted that policy enforcement is as crucial as the wage increases, noting that "laws without enforcement are merely documents without value". This means that failing to act allows irresponsible employers to continue exploiting their employees (Yunus, 2025).

In the United Kingdom, HM Revenue & Customs (HMRC) enforces the National Minimum Wage (NMW) and National Living Wage (NLW) to help ensure that employers comply with the laws by providing guidelines to the company and penalising them for noncompliance (Government Publications, 2024). The UK approach includes enforcement and guidance, penalties, public naming of non-compliant employers and educational campaigns to help employers comprehend and follow the law, which will protect the employees properly (Government Publications, 2024). Germany stopped relying on its sectoral wage agreements in 2015 and implemented a nationwide minimum wage of €8.50 per hour (Caliendo et al., 2022). The reason for the aforementioned strategy was to reduce the pay gap and raise the pay of low-paid workers. Research shows there is a major change for the lowest-paid workers whose pay has increased significantly. However, this change does not cause a lot of job losses. The places that were affected the most experienced only small changes in employment (Caliendo et al., 2022). Additionally, moving workers to more productive companies also increased overall wage fairness and employment quality (Benz et al., 2022). Germany is a clear example that a well-crafted minimum wage that is supported by strong institutions may effectively improve economic justice.

In the United States, states and the federal government have different minimum wage laws. This shows that there is no central authority that sets wage floors. Consequently, the effects are also different for different demographic groups, such as race, gender, and skill levels, since they are not standardised. However, studies show that earnings for low-paid workers could be improved by increasing the minimum wage. Moreover, one study shows that increasing the minimum wage helps cover wage gaps. This is especially for people with the lowest incomes. This shows that minimum wage policies can function as a mechanism for achieving economic fairness. However, the enforcement and supplementary laws are also needed to make the change effective. Moreover, there must be wider support from institutions to ensure the law is effectively imposed. These countries highlight the impact of fair minimum wage laws supported by effective institutions in promoting economic justice. This study examines global minimum wage practices to identify implementation models (ILO, 2023) that can guide the development of more equitable and efficient wage policies.

LITERATURE REVIEW

The research adopts a normative justice framework informed by the writings of John Rawls, Karl Marx, and Thomas Aquinas to evaluate the broader ethical and social consequences of minimum wage policies. Rawls's theory of justice draws a clear distinction between inequalities arising from uncontrollable circumstances and those resulting from individual decision-making. He maintains that economic and social inequalities are acceptable only when they demonstrably improve the position of the least advantaged members of society (Rawls, 1971). From this standpoint, minimum wage legislation is defensible where it raises incomes for low-paid workers and strengthens their ability to access basic necessities, participate fully in society, and maintain dignity and self-respect.

Marx, on the other hand, highlights how under capitalism workers often receive wages that cover only the cost of maintaining their labour power, while the extra value they produce is kept as profit by capitalists (Marx, 1847). Minimum wage laws can therefore be seen as a means of limiting exploitation, even if they do not remove deeper structural inequalities.

Thomas Aquinas views wages as a matter of justice (Aquinas, 1274). A wage is the rightful compensation for labour, similar to paying a fair price for a good (Aquinas, 1274). Wages should reflect the effort, skill, and complexity of work performed, and must enable a worker to sustain himself and his family with dignity (Aquinas, 1274). Wages fall under Aquinas's doctrine of the just price (justum pretium) and are determined not by a fixed formula but by economic value, time, place, and circumstances (Aquinas, 1274). Not all labour has equal value. More demanding or skilled work justly deserves higher pay (Aquinas, 1274).

International

Before 2015, Germany lacked any national law governing minimum wage policy. The growing concern about the low-wage sector and decreasing coverage of collective agreements led to the introduction of the statutory minimum wage in 2015 (Dütsch et al., 2025). On 11 August 2014, the Minimum Wage Act (MiLoG, 2014) was passed and came into force in January 2015, making it the statute that governs the minimum wage policy in Germany. Section 1 of MiLoG states that every worker is entitled to remuneration of no less than the provided statutory minimum wage (MiLoG, 2014, s. 1(1)). MiLoG also sets out the requirements for payment timing, documentation and legal protection to ensure wage claims are not waived and that employers comply with the statutory minimum wage (MiLoG, 2014).

The independent Minimum Wage Commission (Mindestlohnkommission) is one of the key features of the MiLoG. Under section 9 of MiLoG, this commission is tasked with reviewing and deciding on changes in minimum wage every two years (MiLoG, 2014, s. 9(1)). The commission adjusts the minimum wage based on an overall assessment to identify a wage that adequately protects workers, maintains fair and effective conditions of competition and does not endanger employment (MiLoG, 2014, s. 9(2)). The Federal Government implements the Commission's recommendations by issuing a statutory ordinance, which is binding on all employers and workers (MiLoG, 2014, s. 11). The statutory minimum wage has repeatedly increased through ordinances and the Commission's decision since its first introduction. In 2015, the starting minimum wage was €8.50 per hour. It was later increased to €12.41 in 2024 and then to €12.82 in January 2025 (Federal Ministry of Labour and Social Affairs, 2024).

Schmid (2025) argues that the introduction of the minimum wage policy effectively reduced the gender wage gap in Germany. She finds that at the lower end of the wage distribution (10th percentile), wage gaps declined by 2.46 percentage points in West Germany and by 6.34 percentage points in East Germany. The study suggests that around 60% of the decline in the West and up to 95% in the East was contributed to by the introduction of the minimum wage. There are regional differences in the effectiveness of the minimum wage policy, highlighted by Schmid, as the gender wage gap decline was more significant in the East compared to West Germany. Nonetheless, Schmid notes that particularly in the West, substantial gender-specific wage disparities remain, and calls for further efforts to close these gaps.

According to Dustmann et al. (2022), while the introduction of Germany's minimum wage policy increased wages, it did not significantly reduce employment. They also identify reallocation effects where low-wage workers moved from smaller, less productive establishments to larger, higher-paying, and more productive establishments. The study claims that the reallocation raises the average wage levels among low-wage workers. Nevertheless, Dustmann et al. noted that there were some criticisms that were highlighted, particularly on the exit of small businesses from the market. The struggle of small businesses, especially with fewer employees, to meet the minimum wage has resulted in business closures. The study also highlights the challenges in assessing the policy's overall effect because although the minimum wage increases wages, some workers experienced reduced working hours.

Bossler et al. (2024) suggest a significant increase in Germany's 2022 minimum wage. It increased from €9.82 per hour at the beginning of the year to €10.45 in July and then to €12.00 in October, an overall increase of about 22%. Bossler et al. claimed that this significant increase in 2022 was politically motivated and went beyond the regular mechanism, where the first step to €10.45 in July 2022 followed the Commission's recommendation. The subsequent increase to €12 in October 2022 was enacted directly by the legislature as part of government reform, rather than the traditional approach of the Commission's recommendation. The study reports that the increase had a substantial impact on low-wage workers, resulting in significant wage increases across various sectors. However, Bossler et al. also find that a reduction in working hours was the leading cause of the adjustment, especially for part-time workers. They note that while the increase did not lead to significant unemployment, it created tension between higher wages and reduced working hours. The study urges more research on how minimum wage rises affect labour market transitions over the long term.

In the United Kingdom (UK), the National Minimum Wage Act 1998 established the first statutory minimum wage to guarantee a legal wage floor for workers. The Act came into force in April 1999, creating statutory wage protections that had not previously existed on a universal basis. Under the Act, the Low Pay Commission (LPC), an independent body tasked with advising the government on annual minimum wage recommendations, was established (HM Revenue & Customs, 2016). UK policy changed in 2016 with the introduction of the National Living Wage (NLW), a higher minimum wage rate for workers aged 25 and above (Francis-Devine, 2025). The NLW was introduced with the aim of moving the UK away from a low-pay model and providing a lasting means of reducing in-work poverty (Ved, 2025). From 2024, the age applicable for the NLW was lowered to 21 and over (Francis-Devine, 2025).

The current policy, as of 1 April 2025, sets NLW for workers aged 21 and above at £12.21 per hour, the National Minimum Wage (NMW) for workers aged 18 to 20 will earn £10.00 per hour, and the rate for workers under 18 or apprentices is £7.55 per hour (Francis-Devine, 2025). These minimum wage rates are reviewed and set each year on the recommendation of the LPC, taking into account labour market conditions, inflation and potential effects on employment (Department for Business & Trade, 2025). The LPC is a three-party advisory body made up of employers, trade union representatives, and independent experts, and its role includes assessing employment prospects, the position of young workers and regional differences (Department for Business & Trade, 2025).

Government monitoring and academic research have shown that increases in minimum wage and NLW have raised earnings for the lowest-paid workers and reduced the incidence of very low pay. In 2024, it was estimated that 1.9 million workers were earning at or below the minimum wage, according to a House of Commons Library briefing (Francis-Devine, 2025). An independent analysis by the Institute for Fiscal Studies suggests that the NLW has improved wages, increased household incomes and raised the proportion of jobs paying above the floor of the wage distribution with little evidence of large employment losses (Cribb et al., 2021). The same impact can also be seen in studies using geographical variation in exposure to minimum wage, which report wage gains at the bottom of the distribution together with limited or statistically insignificant impacts on employment (Giupponi et al., 2024).

In a study by Cribb et al. (2021), it was found that the NLW led to wage compression at the lower end of the wage distribution. In other words, wages rose not only for workers earning at or near the minimum wage; those slightly above the minimum also received wage increases. The study suggests that the estimated impact on employment was very small: in lower-wage regions where the minimum wage "bite" is stronger, employment fell by only 0.09%, an effect that was not statistically significant. Although the study did not find a large overall negative impact on employment, it warns that job losses associated with the higher wage floor remain a concern for some groups, especially part-time workers, non-graduates and women. While the NLW raised wages, some vulnerable groups faced a higher risk of unemployment. These negative effects were particularly evident for women in part-time jobs.

Ved (2025) focused on low-skilled workers aged 16 to 24 and asserts that there were no adverse aggregate employment effects for this group as the introduction of NLW was followed by a rise in the employment rate from 55.2% in 2015 to 57.1% in 2019. He also notes that sectors such as retail and hospitality, which are high-exposure sectors, adjusted to the minimum wage by reducing working hours rather than unemployment. This is evident when average part-time hours in retail dropped from 22.4 hours per week in 2015 to 21.1 in 2018. Additionally, he argues that the NLW's contribution to reducing in-work poverty was rather limited, as benefit payments were reduced when wages rose, leaving workers with less additional income, especially for households with multiple earners or those just above the poverty line. Ved (2025) also adds that the effectiveness of NLW is uneven as it is applied universally across regions at a single rate and the effects vary by region. He asserts that the uniform NLW "bite" is stronger in lower-wage regions such as the North East and Wales, which therefore experienced larger wage gains but weaker employment growth, a pattern reflected in higher regional Kaitz indices compared to areas such as London.

In 1937, the United States was recovering from the Great Depression, and as part of this recovery effort, President Roosevelt introduced an economic program called the New Deal, which included the Fair Labour Standards Act of 1938 (FLSA) among several statutes (Donovan, 2023). The FLSA established a federal wage floor, overtime pay provisions, and child labour protections, and it remains the central statute governing federal minimum wage policy (Donovan, 2023). The current federal law for minimum wage is $7.25 per hour, a rate unchanged since 2009. However, states may set their own minimum wage; for instance, in Washington, the current minimum wage is $17.50, while in California, it is $16.50, both of which are above the federal minimum rate (Paycor, 2025). States with no minimum wage law, such as Alabama, Louisiana, Mississippi, South Carolina and Tennessee, follow the FLSA (Paycor, 2025).

The federal minimum wage has been stuck at $7.25 under the FLSA since 2009, which has prompted many states to raise their own minimum wages and generate substantial geographic dispersion in wage floors (NCSL, 2025). As Ashenfelter and Jurajda (2024) show, this dispersion is closely linked to cross-state differences in real wage levels. Under the FLSA, subminimum wage provisions allow certain workers, including tipped employees, youth workers, and some student learners, to be paid less than the usual minimum wage. These carve-outs have been widely criticised for their potential adverse impact on vulnerable groups (Maroto & Pettinicchio, 2022).In a study, Fowler (2024) argues that the impact of minimum wage rises tends to increase wages but leads to modest changes in overall employment, even though the impact varies across geographic regions and industries. Similarly, a meta-analysis by Fernandez Salguero (2025) supports this view, indicating that the effects of minimum wage rises on employment are relatively small and that any job losses are modest compared to the resulting wage gains.

Lehner et al. (2025) claim that there are notable declines in poverty and food hardship for workers who are most exposed to the policy with each $1 increase in the minimum wage, as reflected in reduced poverty and food insufficiency. However, a study by Burkhauser et al. (2023) questions how far minimum wage increases are at reducing poverty. Using a dynamic difference-in-differences approach with nearly four decades of Current Population Survey data, Burkhauser et al. (2023) find that a 10% increase in the minimum wage has a statistically insignificant effect on the probability of being in poverty. They also report that fewer than 10% of workers directly affected by a proposed federal minimum wage increase live in poor families, suggesting that higher minimum wages alone are not sufficient to tackle poverty.

Regional

Minimum wage systems vary across ASEAN countries. While most Southeast Asian countries have laws setting a minimum wage, the actual wages and how these systems are organised differ between countries. Countries such as Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Thailand, and Vietnam all have statutory minimum salaries that are set nationwide but vary by region (Medina, 2021). Minimum wage rates are adjusted by region in line with the cost of living in that region, as well as the level of economic development in the region (Bissinger, 2020).

Cambodia has introduced a minimum wage through statutory legislation. However, it is not applicable to every sector. The predominant minimum wage applies to workers in the garment, textile, and footwear industry. This sector is crucial to Cambodia's economy because of its intensive export-oriented business (Medina, 2021). Currently, in line with a resolution adopted by the National Council on Minimum Wage (NCMW, the minimum wage has been raised for workers engaged in these sectors to US$208 per month for regular employees and US$206 per month for probationary workers. (Medina, 2021). Thus, major export-oriented sectors receive importance regarding minimum wage in Cambodia, whereas other sectors are less closely monitored. Workers from these sectors are entitled to additional benefits monthly, such as a perfect attendance allowance of US$10, US$7 rent and transportation, and US$2 to US$11 for seniority allowance. By that, their total monthly earnings could reach as high as US$238 (Hong Kong Trade Development Council Research, 2025). However, statutory minimum wages are largely confined to formal employment in selected industries, and, therefore, workers in other industries do not have a clearly defined legal minimum wage (Medina, 2021). This matters given that the recent International Labour Organization (ILO) report about 88.3% of the workforce is employed in the informal sector. This implies that such workers usually do not have the safeguards or minimum wage coverage that other workers get (International Labour Organization, 2024). Consequently, since a significant proportion of workers are in the informal sector and not covered by statutory minimum wage protections, they are more vulnerable to low wages, job instability, and a lack of legal protections.

Indonesia uses a minimum wage system that is specific to its region. Government Regulation No. 51 of 2023 (GR 51), which was passed to establish a new framework for calculating regional minimum salaries, governs the regional minimum wage framework. The average household consumption per capita will not be considered when determining how much minimum wages would be modified under the revised framework, but the regional rate of inflation and economic growth will. Under the revised framework, the minimum wage will be set based on typical local earnings and the demand for workers in each region, taking into account the unemployment rate (Kramer, 2023). As of 2025, Indonesia's minimum wage has risen by an average of 6.5% (Sulaiman & Koshy, 2025). Overall, Indonesia's regional minimum wage framework seeks to correspond with local economic circumstances and labour market requirements, while annually adjusting for inflation and economic growth.

In Laos, a single national minimum wage applies to the private sector, with no regional variations. The wage is determined through discussions between employers' groups, workers' groups, and government officials, who consider factors such as the cost of living, productivity, working conditions, and the overall economy when making recommendations (Ahn, 2015). Laos' Ministry of Labour and Social Welfare has put in place a new minimum wage policy to help workers cope with rising costs of living and the falling value of the Lao Kip. Private sector firms, including those in the production, business, services, and home sectors, must now pay their employees at least 2.5 million kip (USD 114) a month. The wage rise is intended to help workers who make less than this amount, excluding overtime, welfare payments, and other benefits. In addition, unskilled workers without formal education or training will get a subsistence allowance of 900,000 kip (USD 41) to make sure that all employees are paid fairly (Lao News Agency, 2024). Even though the minimum wage rate has recently been raised throughout the country, many business owners in Laos have yet to pay their workforce the minimum wage rate. This is because business owners claim the workers' salaries need to be determined according to their skills, as many of them are unqualified for higher wage rates. Baykham Khatiyya, the Laotian Minister of Labour and Social Welfare, admitted that raising the living standards of workers and improving work conditions is difficult; however, she urged all business owners to implement the recently passed wage law and provide better welfare services in order to entice their workers (Laotian Times, 2024). Thus, despite Laos having a national minimum wage and an unskilled worker provision, its usefulness could be hindered by the lack of compliance by the employers as well as an increase in the cost of living.

Malaysia has adopted a common minimum wage rate throughout the country. In 2025, the government raised the minimum wage to RM1,700 per month (Ashraf, 2025). The policy applies to foreign workers and trainee contract workers as well, except for domestic helpers. However, to cushion the effects of the minimum wage policy, the government is enforcing the voluntary progressive wage program until the end of 2027. Through this program, employers who pay wages according to the required rates are entitled to receive benefits from the government amounting to no more than RM300 every month for their eligible employees to improve their retention of skilled talent in the competitive labour market (Goh & Ng, 2025). If employers do not abide by the regulation, they will be fined between RM1,000 and RM2,000 or face a penalty of imprisonment for a maximum of five years ("Minimum Wage of RM1,700 Also Applies to Foreign Workers," 2024). In Malaysia, the country's minimum wage and progressive wage plan have been established to promote the well-being of the population and retain workers.

Myanmar's minimum wage is determined by the nation's government and not by regions. In August 2024, Notification Number 1/2024 was released by the National Committee for Establishing Minimum Wage. This notification raised the minimum wage of workers by providing an additional allowance of MMK 1,000 (approximately US$0.48) to their wages. The minimum wage was increased to MMK 6,800 (approximately US$3.24) for an eight-hour working day. This rule does not cover small-scale business employers with fewer than ten workers (Umeda, 2024). The national minimum wage is set as a standard for workers' wages, but it is not binding on small businesses or family businesses.

In the Philippines, minimum wages are set on a decentralised basis that considers locations instead of industry and job type. Variations in wage rates are necessary based on the cost of living and economic conditions of different locations. This is governed by the wage committees formed under the labour laws of the Philippines, which have the authority to set wages at each location through tripartite bodies (Respicio & Co., 2025). Members of the Philippines' Regional Wage Boards consist of representatives of the Philippines government and representatives of business entities and labour groups. One of their tasks is holding periodic wage review hearings and consultations, and their major purpose is to discuss or review the state of economies and cost of living in different regions to make recommendations regarding wages (Bersales, 2024). At present, the minimum wage for non-agricultural workers in Metro Manila is about PHP 537, which is one of the highest in the country, considering the strong economic performance in the region and, more importantly, its cost of living. By contrast, provinces that have not yet developed, such as Zamboanga del Norte or Biliran, have a minimum wage of only PHP 350 (Patinio, 2024). This shows that the minimum wage system in the Philippines offers a better alignment of wages with local economic conditions and cost of living, creating a clear gap between regions that are more prosperous and those that are less developed.

In Thailand, the minimum wage has traditionally been determined by provinces. But starting in 2025, the rates are increased to 337 baht (US$9.73) to 400 baht (US$11.55) per day (Medina, 2021). "The Thai government is attempting to unify the enhancement of labour welfare with maintaining Thailand's attractiveness to investments. Aligning wages with inflation and living costs is one of the mechanisms that enhances the disposable income of employees without significantly disrupting businesses," said Thai Prime Minister Srettha Thavisin (Medina, 2021).

Vietnam uses a regional minimum wage regime with specific rates fixed by the state, as per region. The government has increased the regional minimum wages by VND 250,000-350,000 (approximately US$ 9.5-13.3) per month, with an average increase of 7.2%. Decree 293 further illustrates the revised regional categorisation as well as guidelines for the execution of the adjusted wages regime (Medina, 2021). Issued in line with Decree No. 293/2025/ND-CP, the decision has become an important initiative aimed at promoting economic recovery, preventing inflation, as well as sustaining a standard of living for Vietnamese workers. Being implemented by foreign corporations operating in Vietnam, the change also requires careful consideration for local businesses running in the Vietnamese economy, as the adjustment affects not only increased wages but also mandatory social and health insurance payments. Ensuring compliance with the new minimum wage regime becomes one of the primary priorities for the coming year (NetViet, 2025).

By contrast, Singapore and Brunei do not have a statutory minimum wage, relying mainly on market mechanisms. No minimum wage is imposed in Singapore. In Singapore, the Progressive Wage Model is applied, particularly in the lower-paid sectors, including those with lower wages, setting wage floors that increase according to the level of employee skills (Ministry of Manpower, 2025). The PWM creates opportunities for low-wage earners by developing a career path that results in an increase in wages, as well as other training related to productivity and working standards (*What SMBs Need to Know About the Progressive Wage Model*, 2024). Though the PWM affects the majority of low-paid workers, eligible persons not covered by this scheme are still required to comply with the Local Qualifying Salary requirement should the company they are working with employ foreign nationals (*What SMBs Need to Know About the Progressive Wage Model*, 2024). The LQS specifies the minimum wage that employers have to pay local employees to be eligible for the employment of foreign staff. According to Melvin Yong, the Assistant Secretary-General of the NTUC, the current LQS has been increased to S$1,600 as of July 2024 (Tan, 2025).

Brunei enacted the national minimum wage for all private-sector industries in 2023 via the Employment (Minimum Wage) Order of 2023 (Bandial & Zainuddin, 2023). This makes it compulsory and legally binding. This Order attempts to provide a justifiable income that will enable workers to afford basic living requirements, as well as protect workers from low wages, increase domestic labour-force participation, and promote socioeconomic development. Failure by employers to implement the Act may result in imprisonment not exceeding one year, a penalty of not exceeding $3,000, or both. This Order is exempted and does not bind government personnel, who receive higher wages, and trainees and foreigners who hold a Professional Visit Visa (PVV) and are under Special Authorisation Work Pass (SAWP) (Bandial & Zainuddin, 2023). Therefore, based on the provision within the Employment (Minimum salary) Order, BND 500 a month for full-time workers (Prime Minister's Office, 2025) and BND 2.62 an hour for part-time workers will apply for essential industries such as banking, healthcare, and hotels as of 1 April 2025 (Ministry of Manpower, 2025).

Differences in minimum wage provisions across ASEAN countries clearly show that it is impossible to define a 'fair minimum wage' by limiting it to a universally set amount. Fairness instead rests on region-specific standards, which are tailored to suit each country's economy, labour market, and its respective living standards.

Local

In Malaysia, the Minimum Wages Order 2024 raised the statutory minimum monthly wage to RM1,700 and applied nationwide on 1 August 2025. It applies to all employers regardless of size and covers the non-citizen workers and contract apprentices. However, domestic workers are not covered (Ministry of Human Resources Malaysia, 2024). To guarantee compliance, the Ministry of Human Resources has stressed enforcement under the National Wages Consultative Council Act 2011, which stipulates the penalties, such as fines and imprisonment, for defaulting employers. Besides that, the Ministry has offered the Progressive Wage Policy as a supplemental initiative (Malay Mail, 2025), which urges employers to base the increment of wages on productivity, development of skills, and advancement of their careers (Ministry of Human Resources Malaysia, 2024).

Despite these changes in the law, there is still debate as to whether the minimum wage of RM1,700 can have a significant impact in ensuring that workers' living standards are not compromised. In Malay Mail, Hassandarvish (2025) states that the prevailing rate is insufficient to meet the actual living expenses, especially in urban centres where expenses such as food, rent and transportation have been increasing much faster than wages. Although the minimum wage has been updated upward, the author states that the costs of basic commodities have also risen in the same proportion, effectively lowering the purchasing power of workers. Drawing on a recent report by the Social Wellbeing Research Centre at Universiti Malaya, Hassandarvish (2025) points out that Malaysian employees are forced to endure longer working days compared to other nations, such as the Netherlands, to ensure that they meet the basic needs. This comparison brings out the increasing disparity between salaries and the cost of living, showing that merely earning the minimum wage required by the law does not necessarily imply that workers are able to afford a decent quality of life, particularly when prices keep on increasing.

This issue is better understood in relation to particular industries such as the oil palm plantation industry. Alfian (2025) notes that following the recent rise in the minimum wage, a significant number of plantation workers, especially the migrant labourers, do not get to earn the RM1,700 wage during the standard working hours, though it is mandated by the law. Instead, a study cited by Alfian (2025) shows that most workers earn only between RM800 and RM1,300 per month after the increase. The income is usually not enough to afford basic living and a worker spends an average of 60-70% of his or her income on food alone, and has little money to spend on other necessities such as transport and healthcare (Alfian, 2025). This scenario shows the disparity between theory and practice of minimum wage regulations, where weak regulations keep informal and remote workers vulnerable to exploitation in spite of the legal measures in place.

According to Kek and Lai (2023), the evidence on the impact that minimum wage has on employment in Malaysia indicates mixed results, and the link between wages and the labour market is not that simple. According to a study by an Autoregressive Distributed Lag (ARDL) model, an increase in minimum wage has a positive impact on both the short and long-term employment of low-skilled workers (Kek & Lai, 2023). This suggests that statutory wage floors are not necessarily accompanied by decreased employment opportunities. However, the impact of employment gains can be weaker or even negative, including labour productivity and technological changes, which highlight the sector-specific and structural inequalities of the Malaysian labour market (Kek & Lai, 2023). A second study that analysed the data on job vacancies prior to the establishment of the policy and following it concluded that the overall number of job vacancies which the changes in the minimum wage had did not noticeably differ, raising questions about the extent to which such wage policies can impact the whole labour market (Maimunah, 2020). It is important to note that the impact of the minimum wage increase on unemployment in various labour market segments may vary. Adeebah and Norhanishah (2025) argue that the increase in unemployment among low-wage earners is apparently significant and the effects seem to be rather weak when it comes to higher-waged earners. This indicates how the labour market is adjusting and the effects of skill mismatches.

These results form part of broader debates in Malaysian wage research that identify a continuing gap between productivity gains and real wage gains. In other words, although the economy has been growing, the living standards of workers have not necessarily risen correspondingly (Siew Huay et al., 2025). In the literature, several structural factors are found to be behind this issue, including high dependence on low-skilled foreign labour, low collective bargaining power among employees, and development policies that are usually inclined towards serving the interests of capital rather than labour. The combination of these factors limits wage growth and deepens income inequality (Siew Huay et al., 2025).

Firm-level research demonstrates that small and medium enterprises (SMEs) react to minimum wage increment in diverse ways, rather than solely through of minimum wage increment on reduction of employment. According to Seow (2023), the main concerns of most SMEs are productivity enhancement, non-labour cost minimisation, working hours or job position adjustment, and technology adoption where feasible. The effectiveness of these strategies is largely determined by broader economic factors, including inflation, unemployment rate, and post-pandemic recovery pressures (Seow, 2023). Overall, the research provides a good understanding of the effects of minimum wage policies on firms' behaviour, especially in the SME sector.

Minimum wage policy has also been significant in enhancing the livelihoods of the low-income earners and has contributed to lessening the poverty levels among the various ethnic groups. Research indicates that poverty reduction occurs mainly due to income growth, and not redistribution, with ethnic Indians reportedly enjoying relatively higher benefits than others (Yusof et al., 2016). Nevertheless, informal sector workers are not covered by the policy, and they still are among the most vulnerable, restricting the redistributive effects of the minimum wage in general (Yusof et al., 2016). Studies also show that although minimum wage laws may positively increase the incomes of some groups, they are not always effective in terms of the overall income equality because they do not cover all sectors (Mohd et al., 2013). Taken together, these results indicate that the minimum wage policy in Malaysia has already played a significant role in economic justice by increasing incomes and raising living standards, and that the potential of this policy would only be fulfilled in more inclusive ways in the future, especially when informal employees are not overlooked at all (Yusof et al., 2016).

Official wage data also cast doubt on the question of whether the minimum wage in Malaysia is adequate to encourage economic justice. According to statistics provided by the Department of Statistics Malaysia, median monthly wages in the formal sector are relatively low, suggesting that a significant portion of the workers still receive incomes near the statutory minimum wage (DOSM, 2025). The wage distribution also reveals a clear imbalance, with a large concentration of workers at the lower end of the pay scale while higher earners receive substantially greater incomes (DOSM, 2025). This point indicates the disproportionate increase in wages and emphasizes the existence of wage inequality in the formal labour market.

METHODOLOGY

This research adopts a juridical and normative approach, supported by comparative and hermeneutic analyses. It treats the minimum wage as a legal instrument and examines its potential role in promoting economic justice. The study centres on Malaysia's minimum wage laws and policies, with particular focus on their legal interpretation and enforcement at the national level. To place Malaysia's framework in a broader context, the research also compares it with minimum wage systems in Germany, the United Kingdom, and the United States. This comparison relies on both primary and secondary sources, including academic literature and reports from international organisations such as the ILO, OECD, and the World Bank. In addition, a hermeneutic approach is used to incorporate philosophical and ethical perspectives on economic justice. In this respect, the works of thinkers such as John Rawls, Karl Marx, and Thomas Aquinas are examined to offer a deeper understanding of the moral and economic dimensions underlying minimum wage policies.

FINDINGS

International

In Germany, the United Kingdom and the United States, minimum wage policy has influenced labour markets differently, depending on regional and sectoral contexts. Germany introduced a statutory minimum wage in 2015 under the Minimum Wage Act (MiLoG), supported by an independent Minimum Wage Commission tasked with reviewing and adjusting the minimum wage every two years. Since the introduction of the minimum wage in Germany, the minimum wage rate has increased gradually from €8.50 per hour in 2015 to €12.82 in 2025. This policy has helped narrow the gender wage gap, most significantly in eastern regions, while marked inequalities remain in western Germany. The introduction of the statutory minimum wage has led to notable declines in gender pay inequality. Schmid (2025), in her study, reports a reduction of 6.34% in the East and 2.46% in the West. While the minimum wage policy succeeded in raising wages, Dustmann et al. (2022) found little evidence of widespread unemployment, though smaller firms faced greater difficulty meeting the wage requirements, resulting in business closures. The sharp 2022 rise in the minimum wage has led to higher wages but also resulted in reduced working hours, especially for part-timers, creating a tension between wage increases and reduced hours worked as reported by Bossler et al. (2024).

The introduction of the National Minimum Wage (NMW) in 1999 marked the first statutory wage floor in the United Kingdom. This was followed by the National Living Wage (NLW) introduced in 2016 for workers aged 25 and above. The introduction of NLW aimed to reduce in-work poverty by providing higher minimum wages for older workers, with the rate in 2025 set at £12.21. Studies show that the NLW, while increasing wages for low-paid workers, has no significant effect on employment (Cribb et al., 2021). Even with the strong impact of the minimum wage policy, there are still problems or challenges with the policy. One notable issue is the uneven impact of the policy across regions, with areas like the North East and Wales experiencing larger wage gains but weaker employment growth. Sectors highly affected by the minimum wage, such as hospitality and retail, adjusted to the policy by reducing working hours instead of terminating workers (Ved, 2025). Part-time workers and women, also categorised as vulnerable groups, faced higher unemployment risks despite the wage increase, suggesting that while the NLW improved wage rates, it had limited effects in reducing in-work poverty, especially in households with several earners.

The Fair Labour Standards Act (FLSA), introduced in 1938, was the first established federal minimum wage in the United States. The rate for FLSA has remained unchanged since 2009 at $7.25 per hour. Nonetheless, several US states have set their own minimum wage, such as Washington and California, and this creates substantial geographic variation. Variations in real wage levels are closely linked to the differences in the minimum wage rate across states, as reported in a study by Ashenfelter and Jurajda (2024). Because the federal minimum wage, which was governed by FLSA, has been stagnant at the same rate since 2009, it has been criticised for not keeping pace with the increasing cost of living. A study suggests that workers who are mostly affected by the policy have benefited from the increase in minimum wage, as it led to reductions in poverty and food hardship (Lehner et al., 2025). However, the workers that are directly affected by the minimum wage increase are often not from poor households, so that higher minimum wages have not significantly reduced poverty, states Burkhauser et al. (2023). Moreover, the subminimum wage provision that subjects certain workers, like tipped employees, has been heavily criticised for worsening inequalities because they allow the vulnerable groups to receive awfully low wages.

To summarise, the introduction of minimum wage policies across all three countries has contributed to wage growth for low-paid workers while having minimal effects on employment. Further research on the long-term effects of the policies is needed, as there are still regional and sectoral differences in the impacts of these policies. In specific regions in Germany and the UK, gender wage gaps persist despite the decreasing wage gaps. In Germany and the US, small businesses faced challenges in adapting or complying with the statutory minimum wage requirements and led to closures and reallocation of workers from smaller to larger establishments. The trade-off between higher wages and reduced working hours, especially for part-timers, has been a significant issue in both Germany and the UK. Further attention to minimum wage policies is needed because, even though they succeeded in raising wages, there is still a need to ensure that they do not excessively affect vulnerable groups and that they contribute to broader economic and social justice.

Regional

The study shows there is no uniform strategy of minimum wage systems throughout ASEAN. Instead, each country designs its system in line with its level of economic development, labour market conditions, and living costs. Although most ASEAN countries have adopted statutory minimum wages, the methods used to set these rates differ widely. In countries such as Indonesia, the Philippines, Thailand, and Vietnam, minimum wages are determined at a regional level. This approach lets wage levels better reflect variations in living standards, inflation, and local economic conditions (Medina, 2021). Regional wage systems are structured to regulate pay in line with local economic conditions and, as a result, often create significant wage gaps between more developed and less developed regions. In contrast, countries such as Laos, Malaysia and Myanmar use a nationwide minimum wage. However, the effectiveness of these national frameworks is often weakened by weak enforcement and by exemptions for certain employers, including those in the private sector and domestic work (Umeda, 2024).

The study further emphasises that the effectiveness of minimum wage protection depends on the extent to which it is applied across different sectors. This is precisely what Cambodia shows, as the country only establishes a minimum wage in export-oriented sectors such as garment, textile, and footwear production (Medina, 2021). Although workers in these specific sectors benefit from higher pay through additional allowances, many employees still fall outside minimum wage protection. This is particularly concerning, as a large share of the workforce is engaged in informal employment and is therefore excluded from the minimum wage framework. Similar issues appear in Laos and Myanmar, where employer compliance is inconsistent. These failures often stem from financial pressures faced by businesses, wage differences justified by skill levels, and the rising cost of living (Laotian Times, 2024). The findings show that minimum wage laws, on their own, are not enough to protect workers unless they are backed by strong enforcement mechanisms and applied across a wider range of sectors.

By comparison, Singapore and Brunei administer wages differently, and such regulation is based on their unique economic forms and labour market demands. Singapore does not have a national statutory minimum wage. Rather, it relies on schemes such as the Progressive Wage Model and the Local Qualifying Salary to raise the pay of lower-income earners (Ministry of Manpower, 2025). These interventions place much emphasis on the development of skills, career advancement, and a clear stipulation of the duties of the employers, particularly in terms of recruiting foreign labour (*What SMBs Need to Know About the Progressive Wage Model*, 2024). In comparison, Brunei took a more direct approach with a statutory minimum wage introduced in 2023, which covered the majority of industries in the private sector, indicating a stronger formal commitment to wage protection (Bandial & Zainuddin, 2023). Overall, these findings show there is no single definition of a "fair" minimum wage across ASEAN. Instead, minimum wage policies are shaped by each country's economic capacity, labour market conditions, policy priorities, and ability to enforce regulations, making fairness a context-specific concept rather than a universally fixed standard.

Local

The results indicate that although the Malaysian Minimum Wages Order 2024 is a concrete legal effort to increase the income security of the workers, it is not sufficient to ensure a secure standard of living. The raising of the statutory minimum wage to RM 1,700 and to be implemented nationwide from 1 August 2025 reflects a commitment by the regulator, especially in making it inclusive in its coverage and also in its application to non-citizen workers and contract apprentices. The increased implementation measures in the National Wages Consultative Council Act 2011 and the Progressive Wage Policy also indicate the government's goals in driving compliance and the relationship between productivity, skills training, and wage increases.

Nevertheless, such institutional measures have not entirely translated into better living conditions for low-wage workers. Recent commentary and empirical studies indicate that the current minimum wage is not adequate to match the increase in living costs, particularly in urban regions. The effect of the wage adjustment has been offset by the fact that the real purchasing power of workers has been reduced by increasing their basic costs of living, including housing, food, and transportation. Consequently, more minimum wage earners have to endure extra hours of work just to meet the minimum needs, which is a growing disparity between the minimum wage provisions and the real cost of living. This observation shows why adherence to minimum wages may not be a sure path to a decent life when inflationary pressures are strong.

The policy-making goals and the ground realities are especially evident in the labour-intensive production sectors like the oil palm plantation industry. Most workers, even under the law, continue to receive less than the prescribed minimum wage during normal working hours, particularly migrant labourers. Empirical evidence indicates that a large percentage of these workers make less than RM1,700 per month and spend an unusually large percentage of their income on food, leaving them with little to satisfy their other necessities like health and transport. This points to continued lapses in enforcing laws and structural vulnerabilities of the workers in remote and informalised employment environments.

The effects of minimum wage rises on employment seem to be heterogeneous and sector-specific in terms of the labour market. Available data indicate that moderate minimum wage raises may positively impact the employment of low-skilled workers in the short and long term. Nevertheless, such benefits are undermined when labour productivity and technological variation are considered, showing the complex interaction among wages, capabilities, and structural change. Other findings show little variability in the total job vacancies after any minimum wage changes, suggesting that minimum wage policy might not strongly influence aggregate employment.

In addition, unemployment impacts are also not evenly spread, with low-wage earners facing stronger adverse effects than the higher-wage earners, which suggests the occurrences of skill mismatches and the adjustments of the labour market. At the company level, especially in small and medium enterprises (SMEs), minimum wages have prompted strategic adjustments as opposed to massive layoffs. The most frequent firm response is to raise productivity, cut non-labour expenditures, reshape working hours or work positions, and selectively embrace technology. These responses, however, are effective depending on other macroeconomic factors such as inflation, labour market tightness, and the pressure to recover post-pandemic. This finding suggests that firms' behaviour can moderate the employment consequences of minimum wage regulations, but it does not eliminate cost-related issues.

Regarding distributional outcomes, the minimum wage policy has led to income growth among low-income earners and has also been instrumental in reducing poverty among ethnic groups. However, the redistributive effect remains limited by the exclusion of the workers in the informal sector, where people remain more vulnerable. Available data also show that the income benefits of minimum wages are not evenly distributed and that they are not enough to ensure that the total income inequality can be reduced. The structural conditions, such as dependence on low-skilled foreign workers, low collective bargaining, and development policies that advantage the capital over labour, persist in retarding the increase in real wages in spite of economic growth. Moreover, official wage records strengthen arguments on the sufficiency of the minimum wage in ensuring economic justice. The clustering of workers around the statutory minimum wage and the high degree of inequality between low and high earners reflect systematic wage inequality in the formal labour market.

Taken together, these findings suggest that the minimum wage policy in Malaysia has resulted in improved income protection at the bottom end, yet it has limited capacity to provide sustainable levels of living and additional economic justice unless it is better enforced, expanded to cover a broader set of activities, and supported by wider structural reforms.

RECOMMENDATIONS

International

From the findings of this research, policymakers are recommended to focus on addressing the persistent gender wage gaps and ensuring that the benefits of minimum wage policies are distributed more fairly. Even with success in raising wages, gender disparities remain in specific regions of Germany and the UK, and targeted strategies remain needed to reduce these gaps, particularly for vulnerable groups such as part-time workers and women. To create policies that effectively address the distinct challenges faced by vulnerable groups, more research is needed. Additionally, small businesses have faced difficulties in meeting minimum wage standards, leading to closures and shifts of workers to larger companies. To ease these issues, targeted support such as financial incentives or tax breaks could be offered, particularly in industries like retail and hospitality. Moreover, the tension between higher wages and fewer working hours, especially for part-time workers, highlights the need for policies that strike a balance between encouraging wage growth and maintaining job security. Subminimum wage practices, especially those affecting tipped workers, should also be reviewed to prevent exacerbating inequalities. Finally, to address the regional and sectoral differences in the effects of minimum wage policies, future policies should be tailored to the specific needs of various industries and geographic regions. Ongoing monitoring and refinement of such policies will be essential to ensuring that minimum wage increases contribute to long-term social and economic equality.

Regional

Based on the findings, ASEAN countries should take a stronger approach to implementing the minimum wage regulations and broadening them, particularly to ensure that the informal and vulnerable employees, who are often left unprotected, receive adequate safeguards. Minimum wages must be adaptable and must reflect the realities of each country, with regular reviews and strict enforcement. They should also be supported by measures such as skills training for workers and incentives for employers. Rather than setting a common regional standard, ASEAN should promote the exchange of best practices to strengthen wage protection and promote fair, sustainable labour practices among ASEAN member countries.

Local

Based on the findings, Malaysia should strengthen its minimum wage system by improving the alignment of statutory wage rates and prices to be more consistent with the actual cost of living, through processes beyond periodic adjustment, such as implementing a transparent standard of living wage that captures regional differences between urban and rural locations, and by making future wage growth depend on the inflation and basic household spending indices to maintain workers' real purchasing power. Enforcement must also improve, especially in remote and labour-intensive sectors like plantations and agriculture, by increasing inspections, increasing the number of labour officers, and imposing stricter penalties for non-compliance. Special attention should go to migrant and informal workers, who face a higher risk of wage violations. The government, trade unions, and civil society organisations should work more closely to enhance monitoring and offer accessible complaint mechanisms for exploited workers. Complementary policies that concentrate on productivity gains and skills training should be expanded to address unequal labour market effects. To this extent, the Progressive Wage Policy must be firmly embedded in collaboration with specific training programs for low-skilled workers to ensure that wage growth matches productivity growth, which will keep unemployment risk low and allow the labour market to adapt to technological change easily. Because SMEs play a vital role in the Malaysian economy, temporary financial support, tax benefits, or wage subsidies should be implemented, particularly in times of economic uncertainty or high inflation, while greater investment in technology adoption and process innovations can help companies become more efficient without losing jobs. Moreover, expanding minimum wage coverage to the informal sector via formalisation incentives, simplified registration procedures, and customised wage systems would boost the redistributive effect of this policy and lower income inequality. Finally, wider structural changes are needed to address long-standing wage inequality and the weak relationship between economic growth and real wage gains, such as enhancing collective bargaining, advancing fair labour practices, and rebalancing development policies to better serve the interest of workers, recognizing that minimum wage policy should serve as a component of a comprehensive labour market policy to improve living standards, reduce inequality, and promote inclusive economic growth.

CONCLUSION

In conclusion, the introduction of minimum wage policies is instrumental in creating economic justice by correcting income disparities and providing workers with fair pay. The research highlights the beneficial effects of minimum wage policies in other countries, especially in raising the wages of low-paid employees and reducing in-work poverty. Nevertheless, it also demonstrates how difficult it can be to implement these policies properly, especially in developing countries and the informal economy, where most workers are not covered by the current legislation. The results indicate that, as in countries such as Germany and the United Kingdom, considerable progress has been made in reducing the wage gaps, and strong implementation of minimum wage laws is vital to guarantee their success. The recent rise in the minimum wage has not enabled Malaysia to align its policy with the cost of living, particularly in cities, and the informal sector remains largely unregulated. Consequently, there is a need to strengthen the enforcement measures, regional adaptations, and expansions to curb the pay inequality as well as to ensure the minimum wage fulfils its role in enhancing the livelihood of all employees, particularly the most vulnerable, such as migrant employees and part-time workers. The next step should be adapting the minimum wage policies more closely to the economic circumstances of a particular country or region. This requires regular reviews, increased enforcement and complementary policies such as skills training and improvement of productivity. Additionally, the redistributive impact of minimum wage will be enhanced by extending coverage into the informal sector and improving compliance through stronger inspection and penalties. In sum, while minimum wages have the potential to be an effective tool in economic fairness, they should be implemented in good faith, regionally tailored, and combined with other wider labour market policies so that all workers can live decently and take part in inclusive economic development.

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