KPMG Budget 2027 commentary

Beyond technology: Building a workforce ready for AI and change



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Budget 2027 reinforces Malaysia's ambition to build a higher value, technology enabled and more inclusive economy. Its measures cover artificial intelligence (AI), digital adoption, technical and vocational education and training (TVET), wages, employment opportunities, the care economy and social protection. For organisations, the challenge lies in translating investment into tangible impact, with right technology and talent programs in place forming part of the equation. Whether these investments translate into productivity gains and sustainable business outcomes will depend on how effectively organisations prepare their people for changing roles and ways of working.[1]

Whilst technology can be deployed relatively quickly, building the skills, leadership capabilities and confidence to use it effectively takes times.

As highlighted in KPMG's AI Talent Priorities for HR & Shared Services report, the future-ready workforce will not be shaped by AI alone, but by the combined strengths of humans and AI working together[2]. As organisations respond to the opportunities presented by Budget 2027, four workforce priorities come into sharper focus.

There are 4 priorities organisations should focus on:

1. **Build workforce readiness for automation and AI**
2. **Reimagine the workforce experience**
3. **Prepare for demographic change**
4. **Strengthening change readiness**

Turning Human Connection into an Advantage

Human Connection (HC) × **Artificial Intelligence (AI)** = **Future-Ready Workforce**

1. The Fifth MADANI Budget 2027: Budget Speech and Appendices .Ministry of Finance Malaysia,, October 2026
2. AI Talent Priorities for HR & Shared Services, KPMG in Malaysia, April 2026

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Build workforce readiness for automation and AI

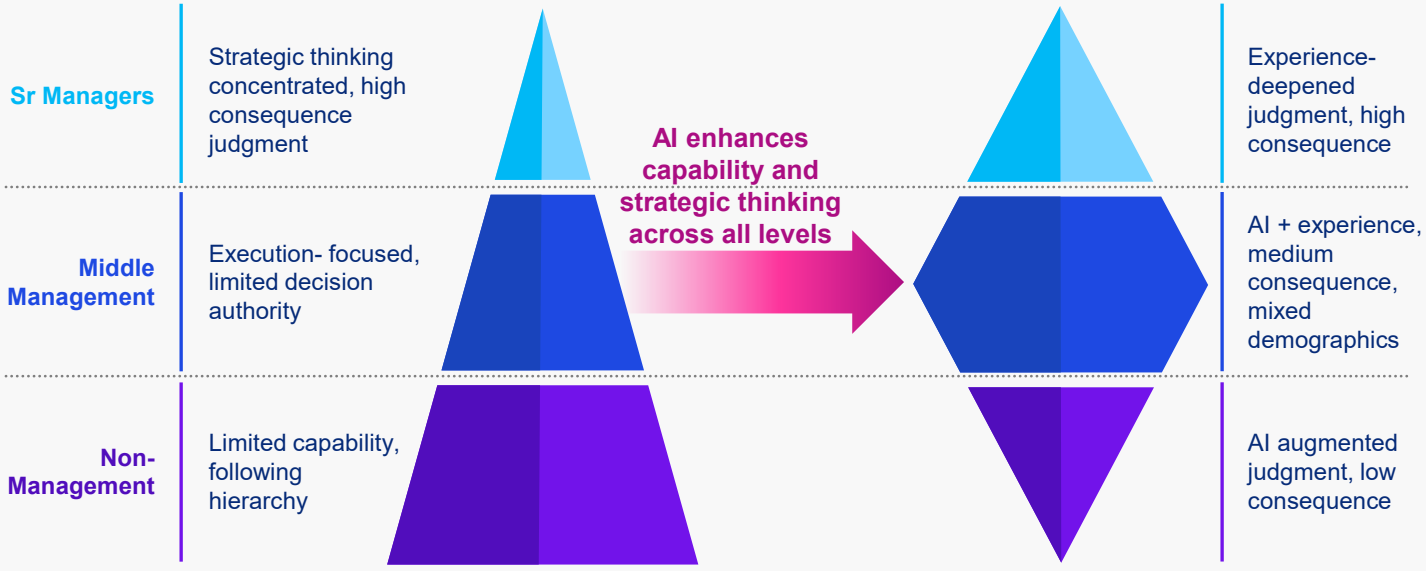
The first priority is building workforce readiness for automation and AI. Budget 2027 allocates RM8 billion across ministries for TVET, while HRD Corp is expected to provide 3 million training opportunities backed by RM3 billion in funding. The Skills Development Fund Corporation will provide RM500 million to finance trainees, while BAKAT MADANI targets 30,000 new job opportunities in 2027. The Budget also includes measures to accelerate digitalization, AI adoption, and the development of future-ready skills. [3]

For organisations, sustainable transformation requires more than equipping employees to use new technology. As repetitive and routine activities become increasingly automated, employees will need to interpret AI outputs, apply critical thinking and make higher value decisions, i.e., to develop new and/or enhance existing one. This means human judgment will remain central. While senior leaders will continue to retain accountability for strategic and high consequence decisions, decision making may become more distributed as employees take greater responsibility for interpreting information and acting on it.

Over time, organisations should consider evolving towards a diamond shaped structure, where capability, judgment and decision making are distributed more broadly across the workforce rather than concentrated at the top of a traditional pyramid.

Based on the above, it is also imperative that organisations consider workforce planning alongside technology investment. This includes identifying work that can be automated or augmented, redesigning affected roles, defining future skills and creating pathways to move talent toward areas where human contribution creates greater value. Linking workforce planning to technology investment is a KPMG recommendation rather than a condition attached to Budget 2027 support.

Shifting workforce: from Pyramid to Diamond [3]



3. KPMG in Malaysia, 2027 Budget Snapshots, October 2026.

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Reimagine the workforce experience

As organisations redesign workflows, they must also consider how the employee experience should evolve. Budget 2027 brings the relationship between wages, skills and productivity into greater focus, reinforcing the need for organisations to review the relevance of their reward structures, job architecture and career frameworks as roles change.

Where wage adjustments affect the lower end of the salary structure, the implications may extend beyond employees directly affected. organisations may experience salary compression between entry level, experienced and supervisory employees, potentially weakening internal equity and career differentiation.

Rather than responding through broad salary adjustments alone, organisations should consider job value, market position, skills, performance and affordability when reviewing reward structures. Clear progression criteria will also become increasingly important as employees seek to understand how developing new capabilities can translate into greater responsibilities and career opportunities.

Whilst training is good, it will have limited long-term value if employees cannot see how it supports their career progression. Visible career pathways, mentoring, project rotations, short term assignments and internal mobility can help employees apply new skills while preparing for emerging roles. Cross-generational learning can also create value by combining the institutional knowledge and professional judgment of experienced employees with the digital familiarity and emerging perspectives of younger colleagues.

Budget 2027's measures relating to childcare, eldercare and the care economy highlight ~~add~~ another dimension to the workforce experience. Care responsibilities can influence whether employees remain in the workforce, pursue broader roles or take up opportunities that require different working arrangements.

For organisations, this means looking beyond employee benefits alone. HR policies should provide clear guidance on flexible work arrangements and caregiving support, including eligibility, how requests are considered, the responsibilities of employees and managers, and how performance and operational requirements will be managed.



Equally important will be the communication and awareness around these policies. Employees must understand what supports is available, how arrangements work in practice and what is expected of them. Managers also need practical guidance to apply policies consistently while balancing individual circumstances with business needs.

Without this clarity, flexibility can create uncertainty and differing expectations across teams. A well-communicated policy framework, supported by open dialogue and psychological safety, can give employees greater confidence to discuss their needs while helping organisations maintain accountability and fairness.

Prepare for demographic change

The third priority is preparing for demographic change. Budget 2027 broadens the workforce conversation beyond employment to long term financial security, social protection and the care economy. Measures on retirement savings, gig workers and elderly care reflect Malaysia's response to an aging population and increasingly varied working lifestyles.

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For organisations, demographic change creates a parallel challenge around workforce continuity. As experienced employees approach retirement or move into different working arrangements, organisations risk the possibility of losing technical expertise, stakeholder relationships, professional judgment and business knowledge accumulated over many years.

Succession planning should therefore extend beyond identifying potential successors. organisations need to understand retirement exposure especially across critical roles, assess whether successors are genuinely ready and provide structured development opportunities before vacancies arise.

Mentoring, coaching, job shadowing and cross functional assignments can facilitate knowledge transfer while giving employees the practical experience required to take on greater responsibilities. Where appropriate, organisations may also consider phased transitions, project-based roles or advisory arrangements to retain critical expertise for longer.

An aging population also means that more employees may find themselves balancing work with eldercare responsibilities. This reinforces the importance of practical caregiving and flexible work policies that employees can understand and managers can apply consistently.

Organisations should periodically review these policies as workforce needs evolve. Clear eligibility criteria, approval processes, manager responsibilities and communication can help employees understand the support available while reducing ambiguity around what the organisation can reasonably accommodate. This becomes increasingly important as organisations seek to retain experienced talent across different stages of life.



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Strengthening change readiness

The fourth priority is strengthening change readiness. As AI, digitalization and workforce reforms continue to reshape work, organisations need the capacity to manage change continuously rather than treating transformation as a one-off project.

New systems alone will not deliver sustainable outcomes if employees lack confidence, managers are not equipped to guide their teams or leaders fail to demonstrate commitment to new ways of working.

Change readiness begins with clear and consistent messaging through communication. Employees need to understand why change is necessary, how their roles may evolve, what will be expected of them and what support will be available. This applies not only to technology implementation, but to any changes such as workforce policies, career structures, reward practices and ways of working.

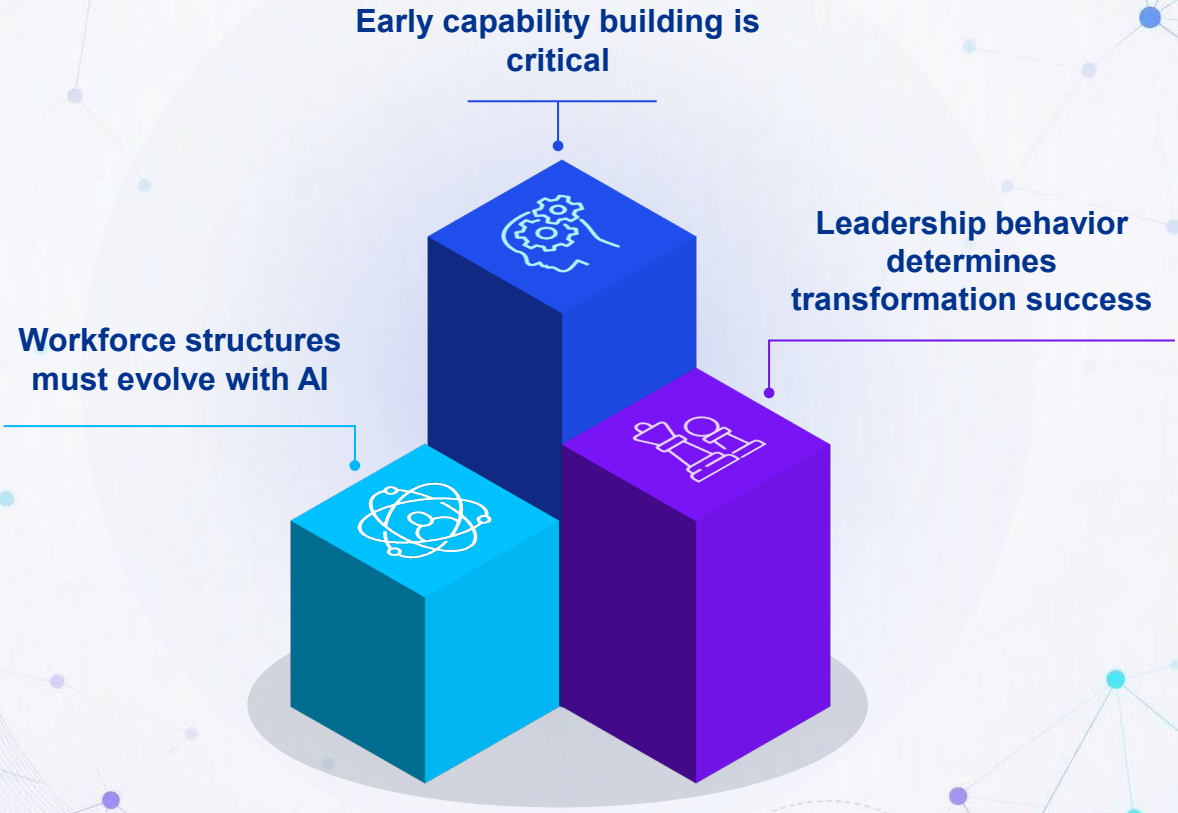
Leaders must visibly model the behaviors they expect, while managers translate strategic direction into practical guidance for their teams. This includes helping employees understand new responsibilities, reinforcing updated policies, supporting learning and addressing concerns as they emerge.

As highlighted in the figure, leadership behavior is often the determining factor in whether transformation efforts gain traction, with employees more likely to embrace change when leaders visibly adopt and champion the new ways of working themselves.

Employees should also be included in the change early through consultation, experimentation and regular feedback. This can help organisations identify operational barriers, strengthen adoption and create greater ownership of change. Coaching, psychological safety and continuous learning are particularly important as employees adjust to unfamiliar tools and responsibilities.

Organisations should therefore consider connecting technology and skills investments with workforce planning, leadership development, policy updates, communication and structured change management. These are KPMG recommendations rather than mandatory requirements under Budget 2027, but they can help organisations translate investment into sustained adoption and business value.

Key Takeaways for AI Era Leadership



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Looking ahead

Budget 2027 reinforces Malaysia's ambition to become a skills-driven, technology enabled and productivity focused economy. For organisations, the opportunity is to bring technology, skills, wages, workforce participation and demographic change together rather than address them as separate workforce issues.

Organisations that gain the most from AI may not necessarily be those that adopt it the fastest, but rather those that are most prepared to put it to work. This means redesigning work thoughtfully, building relevant capabilities, creating visible career opportunities, protecting institutional knowledge and giving employees and managers greater clarity as policies and ways of working evolve.

Ultimately, technology investment will continue to be an important enabler of growth, however, its value will be determined by the people and their preparedness behind it. Organisations that invest in both technology and workforce readiness will be better positioned to turn the opportunities created by Budget 2027 into stronger productivity, more meaningful work and sustainable business value.



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