

Prioritise recovery first, cut work hours later, employers urge

BY CHERYL POO

Putrajaya's order for reduced working hours effective Sept 1, just four months after the new minimum wage kicked in, is causing considerable consternation among employers and business groups — especially those facing labour shortages and are still struggling to recover to pre-pandemic levels in terms of operations as well as financial health.

Essentially, business owners say now is not the right time to implement amendments to the Employment Act 1955 that will see weekly work hours cut by three hours to 45 hours, from 48 hours. Recent amendments also allow employees to make written requests for flexible work arrangements, to which employers must reply within 60 days in writing to explain why if they reject such applications. Deputy Human Resources Minister Datuk Awang Hashim had on Aug 10 said that those amendments "safeguard the welfare of workers and provide flexibility in working hours, in line with the International Labour Organization (ILO) Convention" and noted that studies on a four-day work week had also been done to ensure productivity was not hit.

On Aug 16, the National Chamber of Commerce and Industry Malaysia (NCCIM) — a federation comprising some 650,000 business entities from the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM), Malaysian Malay Chamber of Com-

merce, Malaysian Indian Chamber of Commerce and Industry, Malaysian International Chamber of Commerce and Industry, and Federation of Malaysian Manufacturers (FMM) — made their appeal on several labour-related issues to the Ministry of Human Resources (MoHR), not just on the recent amendments but also on the bureaucracy involved in the recruitment of foreign workers.

The FMM had asked MoHR to defer the implementation of the amendment by a year, while The Federation of Malaysia Business Association (FMBA) has asked for a two-year deferment so businesses can recover from the shocks of the pandemic.

When announcing on Aug 16 that the temporary freeze on applications to hire foreign workers would be lifted from Aug 19 and that "all the earlier applications to hire some 400,000 foreign workers will proceed before the end of the month", Human Resources Minister Datuk Seri M Saravanan told Bernama after meeting several business associations that requests by industries to postpone the implementation of recent amendments to the Employment Act 1955 would be discussed with the cabinet to "come up with the best decision".

Pending a final decision on the requested reprieve, independent experts say what is certain at this point is that a reduction in working hours will hit costs for companies whose bread and butter is dependent on time, such as those in the service industry.

"Concerns have been raised about

additional overtime compensation, particularly in the industrial and manufacturing sectors, where flexible working arrangements or hours may not be as relevant. Direct costs will also arise as companies that are unable to adapt their work operations will be required to pay a minimum of three hours of overtime per employee immediately," PwC Malaysia people leader Steve Chia tells *The Edge*.

While acknowledging that certain laws need to be streamlined to keep up with global employee relations practices and ILO standards, FMM president Tan Sri Soh Thian Lai, who also heads NCCIM, notes the glaring reality where many companies are currently catching up on order backlogs even as they face labour shortages. If a deferment is not granted, companies will incur higher overtime costs to meet order deadlines.

"From the outset, three [fewer working] hours in a week may not appear to be much to the individual, but its cumulative impact on productivity and cost will be significant to companies [especially those with fixed] opening hours. A company would still be paying each worker a full salary, and the reduced three working hours will count as overtime for wage workers, says Koong Lin Loong, treasurer-general and chairman of the SMEs committee at ACCCIM.

"Consider the cumulative impact of every man hour to businesses, especially in the service industry. Imagine what that means [to cut three hours per week for] 30 workers," Koong says.

Citing expectations of gross domestic product growth slowing to between 5% and 6% in the second half, from 6.95% in the first half of 2022, MEF president Datuk Dr Syed Hussain Syed Husman asks that employers "be given time to consolidate and recover from the Movement Control Orders implemented in 2020 and 2021". He notes that employers nationwide already have to shoulder some RM14 billion in additional wages a year with the minimum wage raised to RM1,500 per month from May 1, from RM1,200 previously (effective Jan 1, 2020).

"Some employers are still struggling to fully implement the new minimum wage, with others reportedly unable to comply with the new minimum wage. Employers generally strive to comply with the statutory requirements but there have been situations where they have resigned [themselves] to the fact that they do not have the financial capacity to do so," Syed Hussain says.

Forecast data from MEF shows that come Sept 1, additional costs arising from the amendment to the Employment Act 2022 will include a higher cost of overtime amounting to RM80.87 billion a year, while the weekly reduction of working hours from 48 to 45 hours will cost a collective additional RM26.88 billion a year. This comes on the back of an additional RM2.97 billion a year arising from the increase in maternity leave to 98 days from 60, while seven consecutive days of paternity leave per birth will cost an additional RM275 million a year.

"It will be very challenging for employers to absorb the estimated additional [total] cost of RM110.99 billion per year, especially at a time of uncertainty and volatile global market due to supply chain issues arising from Covid-19 and the geopolitical conflict in Ukraine. Now is not the right time to introduce changes that add to business costs," Syed Hussain says.

Cost-push inflation

The FMBA, meanwhile, points out that the amendment may impact the selling price of products and services as employers will need to hire more workers and provide for the allocation of additional wages and salaries and, in turn, wreak "pressure without helping with the increasing cost of living".

"Make decisions or amendments to the Employment Act 1955 which are more practical to each industry," FMBA urges.

Koong concurs, asking that businesses be allowed to recover from the pandemic first and that policymakers step up efforts to make it easier to do business as well as encourage investments and spur economic growth.

"Resolve the nation's existing issues in the economy first. Putrajaya needs to prioritise the macro aspects of national economic recovery such as garnering more foreign direct investments for businesses and sorting out supply chain issues. A removal of red

tape in procedures and bureaucracy where the permits of foreign labour workers are concerned are moves that would facilitate recovery," he says.

Engagement can aid productivity

It is worth noting that the Department of Statistics Malaysia shows labour productivity per employee increased 5.5% in the second quarter of 2022 with a value added per employee of RM23,322 each.

Whether reduced working hours will hamper productivity will hinge on processes being reviewed to enable efficiency, PwC's Chia says.

Thought leaders have long held the opinion that people, when given the liberty to expand their non-working hours, will be happier, thus boosting productivity.

"This may not be true of all industries as certain jobs still demand longer hours, however, at an appropriate compensation, which would allow employees to earn more," he explains.

"There shouldn't be a disruption to productivity, but it is important that employers communicate and engage their employees to avoid confusion or misunderstanding.

"Part and parcel of this process is setting defined objectives and targets to assess outcomes, and highlighting the need for accountability required for effective business and financial planning.

"Over time, organisations will adapt even though the short-term costs will be inflated to account for the fact that when more time

is required to perform tasks, employees will be compensated for the overtime they put in," Chia says.

He suggests that since many companies have begun or accelerated digital adoption during the lockdowns, shorter working hours could encourage better efficiency as longer working hours do not necessarily mean higher productivity.

"Organisations should look at other enablers to increase productivity such as wellness and work-life balance," Chia says.

"Considering that Malaysia is a developing country, this would be a significant push to explore and integrate new technologies in order to become a high-income and high-tech nation," he adds.

While he is not against Malaysia moving towards having better work-life balance and rewarding productivity, ACCCIM's Koong says the environment would not be able to support these ideals if more businesses that are already struggling to keep afloat are not first given the chance to recover from the pandemic.

"Take into consideration that some businesses [and processes cannot be automated]. Without adequate sales, as it stands, and [having] the same salaries to pay [if not more due to overtime expectations], reducing workers' hours is tantamount to [putting] companies out of business."

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