

BENEFITS FOR EMPLOYEES IN MALAYSIA

The Malaysian employment laws is constantly evolving and changing in order to adapt to the needs and demands of the working-class community in this country.

In view of this, we provide you with the framework of the recent development changing the terrain and topography of the Malaysian employment laws and issues to take note of in respect of the employment sector in Malaysia.

Notable legislations in this article include:

- Employment Insurance System Act 2017
- National Wages Consultative Council Act 2011
- Employee's Social Security Act 1969
- The Minimum Retirement Age Act 2012

Employment Insurance System



Sources from dreamstime

On 1 January 2018, the Malaysian Employers Federation (MEF) released a statement expressing their concerns over the continuous growth of unemployment crisis in Malaysia as the retrenchment trend would continue to roll into 2018, largely affecting employees from the banking, insurance, services, manufacturing and constructions sectors. The enactment of Employment Insurance System Act 2017 ("EISA 2017") aims to tackle this issue, establishing Malaysian first protection to the insured employees in the event of loss of employment.






Loss of employment occurs when the contract of service ("**Contract**") of an insured employee is terminated due to any of the following: voluntary resignation under the voluntary separation scheme; constructive dismissal or termination due to breach of the Contract; threat to the insured person or family; sexual harassment; command to perform outside job description that affects the health and safety of the employee; closure of workplace due to unforeseen circumstances; expiry of the contract

of service; termination of contract of service by mutual consent or due to misconduct; completion of works under the Contract; or retirement.

The employment insurance scheme is administered by Social Security Organisation (SOCSCO) where it is mandatory for both the employer and employee to make monthly contributions 0.2% each of the monthly wages at a fixed rate as prescribed in the EISA 2017. Any employees (regardless of his wages) is afforded a protection under the EISA 2017 due to loss of employment except to the following:

- Casual employees
- Domestic servants
- Any person who is permitted to win minerals or produce of any kind from or on the land of another and who, in consideration of such permission, gives a proportion of the minerals or produce so won to that other person or pays to him the value of such proportion
- Spouse of an employer
- Any person detained in any prison, Henry Gurney School, approved school, place of detention, mental hospital or leper settlement
- Civil servants
- Any employee who has not attained the age of 18 years or who has attained the age of 60 years
- Any employee who has attained the age of 57 years and in respect of whom no contributions were payable under the EISA 2017 before he attained the age of 57 years

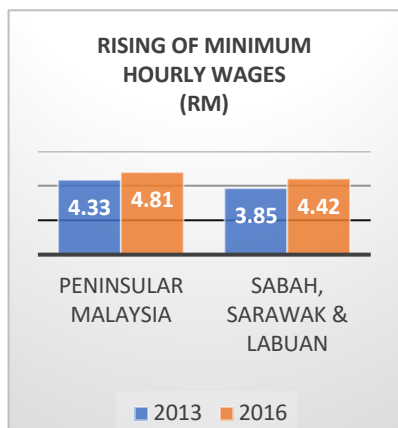
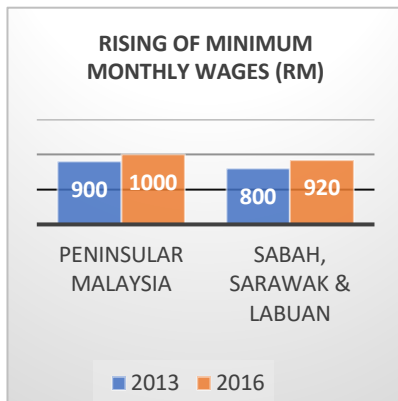
Benefits

Job search allowance	Early re-employment allowance	Reduced income allowance	Training allowance and training fees	Re-Employment Placement Programme
 <p>Employee is entitled to a monthly payment of 3 – 6 consecutive months during the job seeking period. Employee shall not be in any employment during the period of receiving such allowance and employee must notify SOCSCO upon acceptance of a new job offer.</p>	 <p>Employee is entitled to incentives paid in lump sum if the employee accepts an offer of employment within 7 days from the date of approval of claims and benefits by SOCSCO or during the period of receiving job search allowance at the fixed percentage stipulated in EISA 2017.</p> <p>Such allowance is not payable after the period of receiving job search allowance expires.</p>	 <p>Any employee with 2 or more employments shall be entitled to a lump sum payment in the event the employee loses 1 or more of his employments at the rate specified under EISA 2017. Such employee shall also be entitled to 1 job search allowance for 1 loss of employment and reduced income allowance for the other loss of employment.</p>	 <p>Employee will be entitled to a monthly payment for a period of not more than 6 months for attending trainings in Malaysia during the loss of employment period.</p> <p>The maximum amount of training fees is capped at RM4,000 per employee.</p>	 <p>Within 7 days from the date of approval for benefits under EISA 2017, employee is entitled to an interim aid of RM600/month for 3 months provided he:</p> <ul style="list-style-type: none"> ▪ participates in Re-Employment Placement Programme; ▪ shall be a person who is able to work, available to work and actively seeking for work; ▪ must be unemployed; and ▪ regularly reports to SOCSCO on the job seeking process / effort taken to look for jobs.

Some other examples of benefits enjoyed by employees in Malaysia:

National Wages Consultative Council Act 2011

There has been changes to the wage structure in Malaysia with the implementation of Minimum Wages Order 2016. Effective July 2016, the minimum wages have been increased from RM900 (RM4.33 per hour) to RM1,000 (RM4.81 per hour) in Peninsular Malaysia and from RM800 per month ((RM3.85 per hour) to RM920 (RM4.42 / hour) in East Malaysia and Federal Territory of Labuan.



It must be noted that the minimum wages policy applies across the country to local and foreign employees but not applicable to domestic servants, meaning any person employed in respect with the work a private dwelling house.

The minimum wages policy is subject to constant evaluation by the authorities and new minimum wages is set to be announced in this year of 2018.

(Sources: The Sun Daily, 12 October 2017)

Employee's Social Security Act 1969

Effective as of 1 June 2016, it is mandatory for all Malaysian employees to make contribution to Social Security Organisation (SOCSO) and employers shall ensure that all employees are insured under the Employees' Social Security Act 1969 ("**ESSA 1969**") regardless of their wage amount. Failure to make contributions will subject an employer to imprisonment for up to 2 years or fine not exceeding RM10,000, or both. Monthly contribution is however, subject to the ceiling of wages of RM4,000/month.

The monthly contribution shall fall into either of the following:

- **First Category (Employment Injury Scheme and Invalidity Scheme):** For employees aged 60 years and below, both the employer and employee shall jointly contribute to SOCSO under this category.
- **Second category (Employment Injury Scheme):** For employees who reach the age of 60 years or join the workforce at the age of 55 years (without prior contribution), the contribution to SOCSO shall be paid wholly by the employer under this category.

The contribution rates can be found in the ESSA 1969.

All information in this Newsletter is correct as at **28 February 2018** unless otherwise stated.

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Minimum Retirement Age Act 2012

Minimum Retirement Age Act 2012 ("**MRRA 2012**") sets the minimum age of retirement for employee in private sectors to be upon the employee attaining the age of 60. The term "employee" in MRRA 2012 (subject to exceptions) is defined broadly including any person who has entered into, and works under, a contract of service with an employer irrespective of his wages.

Employers will be liable to a fine not exceeding RM10,000 if any event of premature retirement unless otherwise agreed in the contract of service or collective agreement. Any contract of service or collective agreements that contravene the MRRA 2012 shall deemed null and void unless exemption is granted by the Ministry of Human Resources.

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