
2 Decent work, wage growth as national objective

Lee Hwok-Aun & Kevin Zhang

Malaysia aspires to be an economy that generates good and well-paying jobs, which would foster workers' wellbeing, social protection and economic security. Decent work, as defined by International Labour Organisation (ILO, 2014), is work that is “productive and delivers a *fair income*, security in the workplace and *social protection* for families”, provides for “personal development and social integration” and “*equality of opportunity and treatment for all*” (italics added). Although the term tends to be referenced in a passing manner in Malaysia's policy discourses, there is tripartite consensus to pursue it as a national objective, firmed up by recent legislative and policy developments.

The shift towards decent work is an encouraging sign, a stark contrast to the low-wage regime, which the government pursued in preceding decades. The outbreak of Covid-19 dealt a serious blow towards achieving decent work, as mobility restrictions in both the domestic and global sphere triggered an economic downturn. The pandemic also exposed Malaysia's low-wage problem and inadequate labour institutions. In addition to the economic and public health crises, the country experienced unprecedented political volatility since 2020 with four prime ministers. A silver lining amid the political flux is that both the government and opposition agree on the importance of tackling low wages while improving workers' conditions.

The pandemic revealed the government's capability to provide a basic level of job protection and economic relief. Unemployment increased but did not spike in 2020 during the first and most restrictive movement-control order (MCO). Nonetheless, wages fell significantly in 2020 and the latest data indicate that median income remains below pre-pandemic levels for certain age groups. The Covid-induced recession had also put a pause on initiatives to improve worker protection and labour market institutions. Fortunately, with the economic reopening since 2021, there is a renewed emphasis on this front, as illustrated in the substantial increase in minimum wage in 2022. The concurrent pursuits of decent work and a high-wage economy will be crucial in the years to come.

This chapter provides an overview of Malaysia's efforts to foster decent work, assessment of the impacts of the Covid-induced recession and discussion of pertinent legislative and policy shifts in the post-Covid period. The minimum wage was raised in 2022 but the reversion to a single national rate limits the scope of this policy instrument to redress the problem of low salaries, especially for fresh graduates. The Employment Act amendments and proposed legislation for 2023 mark progressive steps towards better work conditions and work-life balance, such as lower hours, extended maternity and paternity leave, flexible options and regulations against forced labour and discrimination. These initial steps must be built upon, with decent work as the guiding principle. Breaking out of a low-wage regime will need continual progress to transition the economy towards quality jobs, good work conditions and high worker productivity.

Decent work encompasses multiple dimensions. This chapter will focus our Covid-19 impact assessment on unemployment assistance, job protection, wage growth, and workplace and living conditions that particularly affect migrant workers.¹ We will also focus on minimum wage as a primary wage-raising instrument while discussing policy implications more broadly, especially in light of contemporary and broad-ranging legislative changes.

1.0 Recent developments and gaps

For much of its history, labour standards and practices in Malaysia have lagged international norms and the achievements of relevant comparators, such as upper-middle-income economies and regional neighbours. Cleaving to an industrialisation and growth model driven by foreign direct investment, low wages and weak labour regulations, the country has persistently resisted progressive change aligned with international standards. As an established upper-middle-income country, Malaysia resisted minimum wage until 2013, many years after lower-middle-income neighbours, such as Indonesia and Cambodia, had legislated wage floors. On matters, such as work hours, anti-discrimination measures, unemployment benefits and trade union formation, Malaysia continuously conceded to ideological opposition to such developments or to fears of losing “investor confidence”. The country adopted a supply-side strategy in numerous attempts to develop a skilled resident workforce while allowing substantial inflows of predominantly low-skilled foreign migrant labour. Consequently, work conditions and wages are largely left to market “self-regulation”.

However, the 2010s began to witness firmer moves towards improving the quality of work and wages. Malaysia had gained some disrepute internationally for human trafficking and forced labour. On the home front, the persisting hardships of lower-income households, generically termed the B40 (bottom 40%), began to receive mainstream attention, while the aspiration for high-income status grew increasingly dissonant against the prevalence of low-paying jobs and poor worker protection (NEAC, 2010; Economic Planning Unit, 2010).

External and domestic pressures compelled Malaysia to address the inadequate state of its labour market institutions. Articulations along the lines of decent work largely surfaced in the context of Malaysia’s engagement with international agencies and the United Nations Sustainable Development Goals (SDGs). In 2019, the government signed a tripartite memorandum of understanding with the Malaysian Employers Federation and Malaysian Trades Union Congress, with guidance of the ILO. The Decent Work Country Programme (DWCP) 2019-2025 aligns with

SDG 8, which strives to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”, and hinges on three priorities: (1) rights at work – promoting rights at work; (2) future of work – strengthening national capacities to meet the needs of current and future work; (3) labour migration – strengthening labour migration governance (ILO, 2020).²

Policy pronouncements in the 12th Malaysia Plan (12MP) 2021-2025 support decent work, albeit obscurely. Chapter 10, entitled “Developing Future Talent” and echoing the 17 SDGs, outlines Malaysia's 2030 Agenda which commits to eradicating hardcore poverty; building a peaceful, just and inclusive society; creating conditions for sustainable, inclusive and sustained economic growth; *providing decent work for all*; ensuring protection of the environment and natural resources; as well as promoting shared prosperity (Malaysia, 2021: 1-4, italics added). Another mention of the term applies to a specific sector – 12MP specifies “decent work for gig workers” as a policy objective.

Interestingly, “Review of Labour Laws” constituted a major achievement under the 11MP for its contributions to “improving labour efficiency and productivity”. However, the 12MP omits projections of further advancements in labour laws (Malaysia, 2021). The 12MP also only makes passing mention of forced labour and trafficking in persons – despite the potentially consequential National Action Plan on Forced Labour (NAPFL) 2021-2025 and third National Action Plan on Anti-Trafficking in Persons 2021-2025 (NAPTIP 3.0). Overall, decent work remains in the policy framework – but is not ascribed importance and coordinated action.

In the past decade, Malaysia has implemented several landmark legislations to advance decent work, with the introduction of minimum wage as arguably the most salient initiative. The passage of the National Wages Consultative Council Act 2011 established the process for minimum wage setting and enforcement. Following deliberations and consultation, the inaugural minimum wage rates were gazetted in 2013, but in practice took effect in 2014 after a grace period for many employers. A few other major developments pertinent to decent work transpired later that decade. While Malaysia has maintained regulations regarding

employers' compensation for retrenched workers, the unemployed have lacked government-funded or mandatory insurance that covers income loss and assists with job search. Between 2018 and 2019, the two-phase Employment Insurance System (EIS) began operations – a breakthrough that filled these distinct gaps.

Some of the significant developments have involved the extension of social protection or basic provisions for migrant workers and the self-employed. In 2019, the Social Security Organisation (Socso) was amended to mandate provision for non-citizens. In addition, its employment injury scheme extended to self-employed and gig workers who were hitherto excluded, given their non-employee status. The Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (previously named Workers' Minimum Standards of Housing and Amenities Act) was amended in 2019 to enhance regulatory efficacy, chiefly by requiring employers who provide housing to obtain a certificate for accommodation. The timing of these new developments, followed soon after by the pandemic, posed implementation and compliance challenges, although the recession also underscored the importance of these reinforcements to decent work objectives.

2.0 Covid-19 mobility restrictions: impact on jobs, wages and workers' lives

The repeated rounds of MCOs, border closure and restrictions on production capacity and commerce placed immense stress on the economy's capacity to retain jobs and sustain wage growth and decent work. Malaysia's gross domestic product plummeted by 17% in the second quarter of 2020. The adverse consequences of these measures were most acute in the labour market.

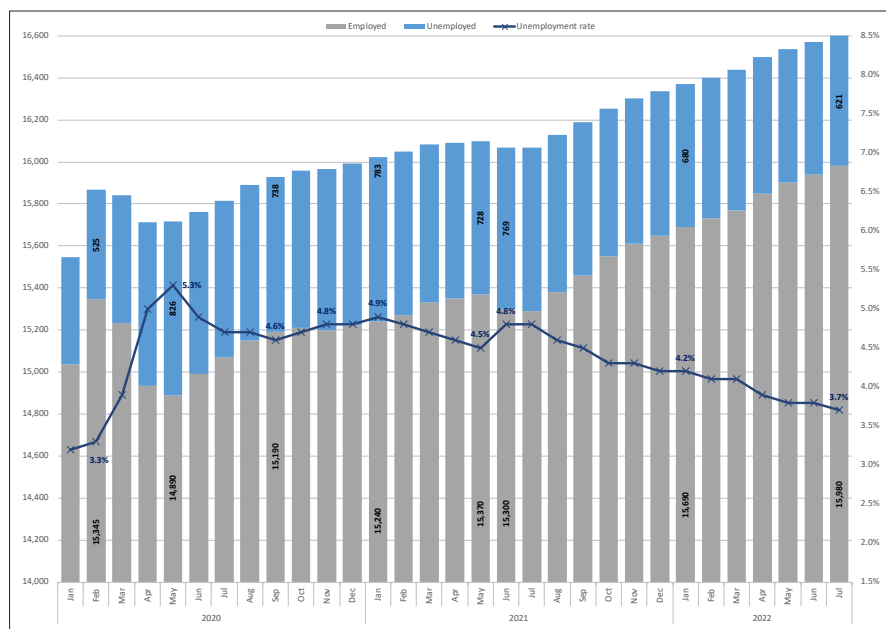
2.1 Job loss and employment vulnerability

The first and severest MCO expectedly displaced workers (figure 2.1). Based on the labour force survey, the number of unemployed rose from 525,000 to 826,000, translating into a 2% rise in the unemployment rate within three months, from 3.3% in February to 5.3% in May 2020. This

is steep by the standards of Malaysia's sustained low unemployment baseline and the slight percentage increase during previous crises. The Asian financial crisis caused unemployment to rise from 2.5% to 3.2% in 1997-1998 while the global financial crisis triggered a slight increase from 3.3% to 3.7% in 2008-2009.

Job-protection measures in 2020, implemented to mitigate the unprecedented scope of economic shutdown, undoubtedly pre-empted an even higher surge in unemployment. The magnitude of 2020s economic woes should not be understated. There is also the likelihood of undercounting the unemployed in the labour force survey principally due to the non-sampling of workers' dorms and worksites, where many construction and plantation workers reside. If retrenched migrant workers had remained in Malaysia instead of being repatriated, the unemployment rate would most likely be higher.

Figure 2.1: Labour market impact of Covid-19 and MCOs: monthly number of unemployed and unemployment rate (Jan 2020 to Jul 2022)



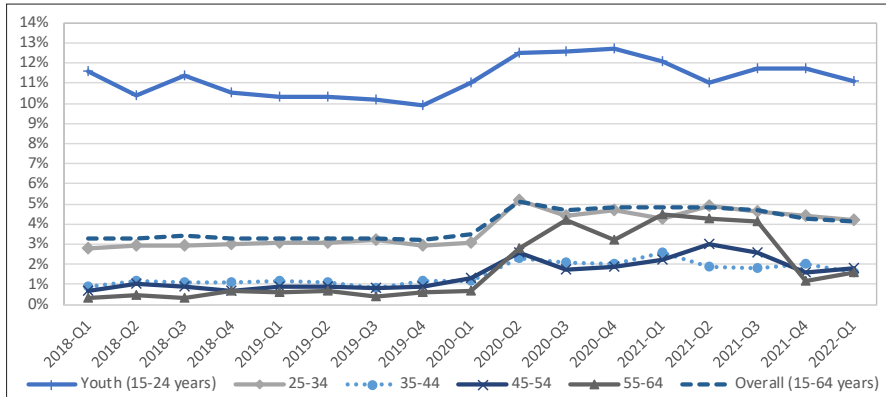
Source: DOSM labour force reports

Note: Labour force = employed + unemployed

The age distribution of unemployment has consistently been a policy priority, particularly the high unemployment rate of youth (15-24 years, as conventionally defined). We should note that youth unemployment is higher than that of older adults in almost all countries, primarily due to frictional unemployment of new job entrants seeking work and higher rate of transition between jobs of the young labour force. The ratio between youth unemployment and national unemployment rate is relatively high, a similar trend to Asian countries with low overall unemployment rates (Lee, 2020). Youth unemployment rate rose at a faster pace than the national rate despite the already higher baseline – unemployment for 15-24-year-olds rose from 9.9% in the fourth quarter of 2019 to 12.6% in the third quarter of 2020 (figure 2.2).

The higher unemployment rate for youth throughout the MCO garnered the bulk of attention. However, older workers were also hard hit. Unemployment among 55-64-year-olds climbed from 0.6% to 4.2% from 2019Q4 to 2020Q3. Unemployment among all age brackets declined from late 2020, including senior workers, but youth unemployment appeared to have recovered more slowly. The underlying data are unavailable, but one plausible interpretation is a substantial return to the labour force of seniors seeking work to cope with the pandemic-induced recession.

Figure 2.2: Quarterly unem ployment rate by age group (2018Q1 to 2022Q1)

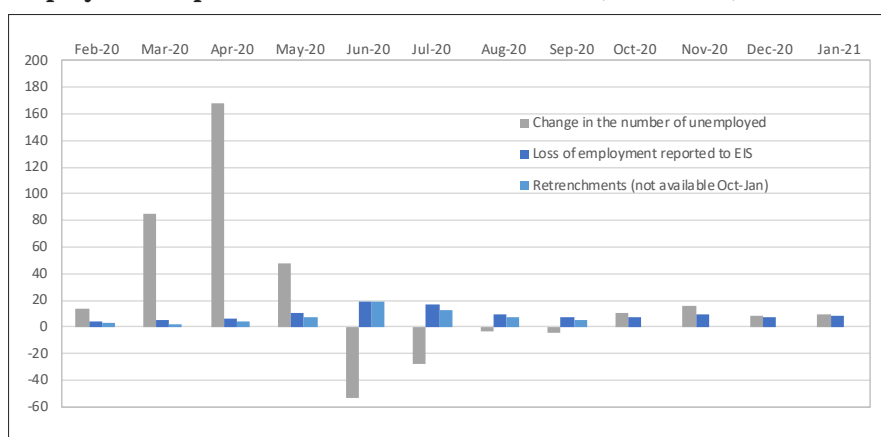


Source: DOSM labour market review (various issues)

Two main institutions were created to assist with job loss or business stress situations: EIS, which assists the unemployed with income and job search, and wage subsidy by supporting businesses or self-employed on condition that wage levels were retained. EIS, which inaugurated operations in January 2018, was most timely. However, EIS data – specifically, the loss of employment (LOE) registered to claim the unemployment benefit – suggested under-utilisation by the unemployed. By February 2020, at the onset of the pandemic, there were 6.24 million EIS contributors, slightly fewer than the total 7.08 million Socso contributors. As shown in figure 2.3, the change in number of unemployed greatly exceeded reported LOEs in March-May 2020. It is possible that most of the jobs displaced at the start of pandemic were workers who lacked formal social protection and hence did not qualify for EIS.

The wage subsidy was initiated soon after the first MCO, with the principal objective of averting job and income loss through the government paying a portion of employees' wages on the condition that employers did not cut wages. The wage subsidy, since it was available to the self-employed and entities not formally in Socso's registry, might possibly have averted more job losses in April-May if it was availed simultaneously when MCO was announced. Of course, that is not a realistic expectation – in fact, the

Figure 2.3: Monthly change in the number of unemployed, loss of employment reported to EIS and retrenchments (thousands)



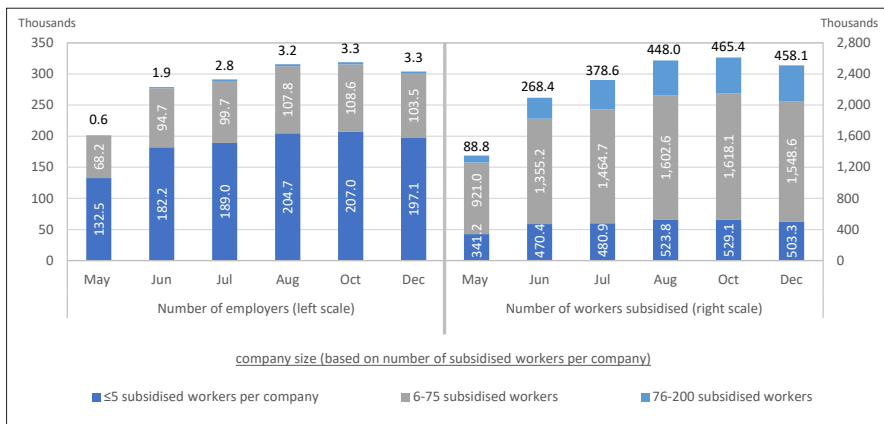
Source: Authors' compilations from DOSM monthly labour force reports, EIS reports and Yasmin & Munira (2021)

wage subsidy was commendably rolled out within weeks. Nevertheless, the experience offers lessons for policy design – such as database maintenance for immediate rollout, and the adequacy of the fixed amount of subsidy instead of being proportionate to salary.

The labour market was undoubtedly impacted in ways not captured by the data. There is indication of a lagged effect. The number of LOE rose in June-July 2020 after the height of the MCO, possibly due to businesses struggling to cope with the continuing restrictions after the period of strict national lockdown. We can observe that by late 2020, new LOEs and the increase in the unemployed became more closely aligned. Retrenchment figures, reflecting job loss that goes through formal procedures, offer further insight. For May-July 2020, the period of high LOEs, the number of retrenched workers moved in tandem. These patterns provided some preliminary indication that workers formally retrenched may be more likely to claim EIS benefits.

The capacity of micro and small businesses to cope with lockdowns was a major concern. Wage-subsidy claims confirm that need for such support was inversely proportional to scale of business: companies claiming five or fewer subsidised employees accounted for the majority of *total claimants* (figure 2.4). Larger companies accounted for a greater

Figure 2.4: Wage subsidy in 2020: number of subsidised employers and workers



Source: Data extracted by the authors from the full list of wage-subsidy recipients (published in 2020-2021 through <https://prihatin.perkeso.gov.my/>)⁶

Figure 2.5: Wage subsidy in 2020: number of subsidised companies and workers (by industry)



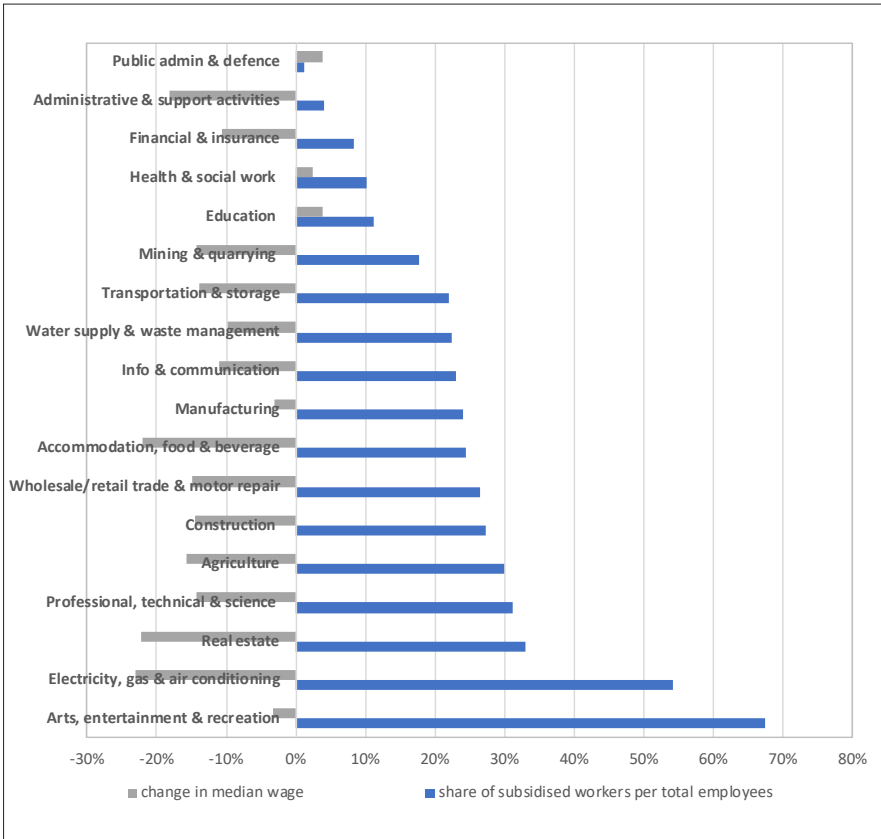
Source: Data extracted by the authors from the full list of subsidy recipients (published in 2020-2021 through <https://prihatin.perkeso.gov.my/>)

proportion of total employees supported by wage subsidy. Notably, companies in the service sector – especially wholesale and retail trade – formed the largest number of beneficiaries, while employees in the manufacturing sector comprised the largest group, presumably due to more workers per establishment (figure 2.5).

To gain some insight into the relative contribution of wage subsidy by industry, we computed the number of subsidised workers as a proportion of total employees. We conducted this exercise using data extracted from online disclosure of wage-subsidy recipients, and the salaries and wages survey report which provided estimates of employee numbers and wage levels. It should be noted that one quarter of subsidy recipients did not identify the industry of employers. The available data, though, provide some telling information.

Figure 2.6 shows the percentage of employees on wage subsidy and changes in median wage, according to industry classified in the wages and salaries survey. We can first note that certain sectors were less dependent on the subsidy, most saliently public administration, finance, health and

Figure 2.6: Employees, by industry: change in median wage and share of workers receiving wage subsidy



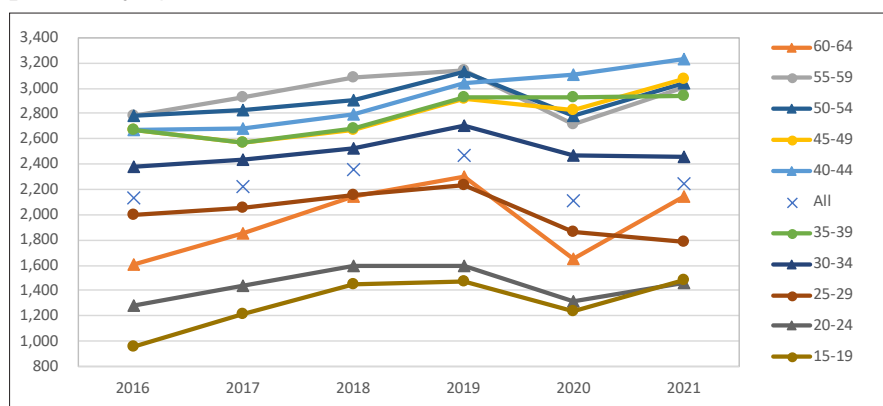
Source: DOSM (2021) data extracted by the authors from the full list of subsidy recipients (published in 2020-2021 through <https://prihatin.perkeso.gov.my/>), salaries and wages survey report 2020

education. This is plausible due to the concentration of the public sector in these industries, which did not implement a salary cut throughout the pandemic. In addition, despite mobility restrictions, the demand for finance, health and possibly education services remained unchanged. Accordingly, median wages also declined less or even continued to grow. In most of the remaining sectors, which have large employment sizes – for instance, retail trade, construction and accommodation, food and beverage – about 20-30% of employees were supported by wage subsidy, but median wage nonetheless fell by at least 10% if not even greater.

Manufacturing wages declined by a lesser margin, reflecting the greater capacity of manufacturing firms to buffer the crisis. At the other extreme, arts, entertainment and recreation recorded the highest share of employees who benefitted from the subsidy, at close to 70% – an unsurprising outcome, since this sector was among the most impacted by the mobility restrictions and limitations on public performances. Notably, the industry also registered lesser wage losses. While these findings must be interpreted with caution, they point to the possibility wage subsidy can be targeted at the worst-impacted sectors and can play a role in mitigating both job and wage loss.

For a more general picture of the pandemic's impact on wages, we consider the salaries and wages survey report, which also provides breakdowns by age bracket. Despite the implementation of wage subsidy, which was conditional on employers maintaining their employees' wages, there was an overall decline in wages from 2019 to 2020 (figure 2.7). As non-Malaysians were excluded from the report, the actual decline is expected to be even larger than official statistics should migrant labour be included.

Figure 2.7: Malaysian employees' median salary (RM per month, constant prices), by age, 2016-2021



Source: DOSM (2022)
 Note: Malaysian citizens only

Median wages for senior workers (the three categories above 50) dropped considerably in 2020, followed by a steady recovery in 2021, although income remains below pre-pandemic levels. Meanwhile, median income for those aged between 35 and 49 saw negligible decline in 2020 – some age brackets even enjoyed continuous wage growth from 2016 to 2021. There was a sharp drop in median income for workers below 35. The decline is concerning for the 15-19 and 20-24 age groups since they have a low starting base, although they rebounded in 2021. The most worrying trend, however, pertains to the 25-29 bracket, which registered a net decline across the past five years.

3.0 Recent policy interventions and discourses

3.1 Minimum wage, living wage

Minimum wage is the legally mandated minimum amount of remuneration whereby firms must pay their employees for the work rendered and this amount cannot be reduced by individual or collective agreements outside of the legal mechanism (ILO, 2016). ILO provides broad guidelines that minimum wage should “cover the minimum needs of the worker and his or her family” while serving as one possible avenue to “overcome poverty”.

Malaysia’s minimum wage has a short history, since the country was late to introduce its legislation, but quite an eventful past few years, which underscored the importance of this policy instrument. Malaysia’s inaugural minimum wage level was determined through a formula that takes reference to the monthly expenditure required for basic needs – as reflected in poverty line income (PLI) – and labour productivity. Minimum wage revisions, which are conducted every two years, reference the prevailing statutory level, and factor in changes in unemployment, inflation and productivity growth. The result, as illustrated in table 2.1, is that Malaysia’s minimum wage levels, rather fortuitously, mirrored the national PLI in the first half decade of its implementation. At the 2018 general election, both the incumbent Barisan Nasional and challenger Pakatan Harapan coalitions promised to raise the minimum wage to RM1,500 a month – a baseline that has received much public attention.

In 2019, a revision to the PLI saw the amount doubled to RM2,200. This was generally well received as the PLI had long been criticised for being set too low, at a level that does not credibly represent the threshold for assessing poverty. However, the higher PLI also shone a light on the prevailing minimum wage of RM1,100, which looked out of line with basic needs. Sluggish wage growth, compounded by workers' economic troubles through the pandemic, maintained the momentum for minimum wage to be increased to RM1,500 in 2022.

Table 2.1: Minimum wage and poverty line income

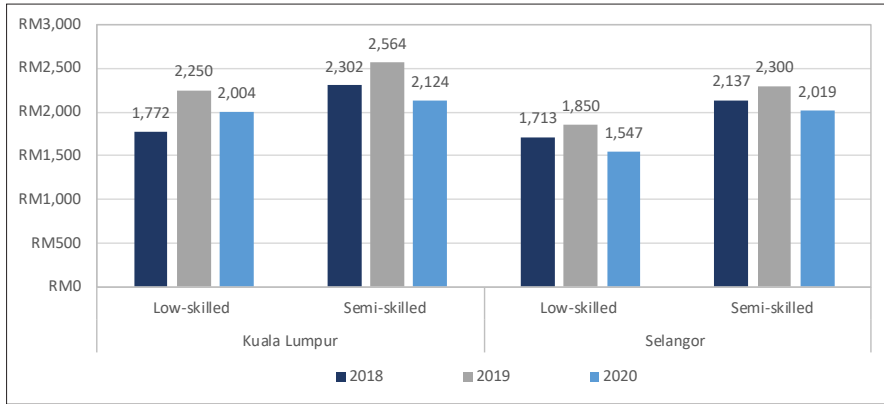
	Minimum wage (per month)	Poverty line income (per month, for household of 4)
2013-2014	RM900 (peninsula) RM800 (Sabah/Sarawak)	RM 930 (peninsula) RM1,080 (Sabah/Sarawak)
2016	RM1,000 (peninsula) RM 920 (Sabah/Sarawak)	RM1,080 (nationwide)
2019	RM1,100 (nationwide)	RM2,200 (nationwide)
2020	RM1,200 (56 urban districts) RM1,100 (rest of country)	
2022	RM1,500 (nationwide)	

Note: Minimum wage was introduced in 2013 but compliance was widely waived until 2014

Despite the already low wages, workers in these categories were not spared from recessionary impacts of the pandemic. As seen in figure 2.8, incomes for low-skilled and semi-skilled workers in Kuala Lumpur and Selangor declined by between 12% and 21% from 2019 to 2020. Low-skilled workers are defined as elementary workers, such as cleaners, helpers and labourers; while semi-skilled workers include clerical support, service and sales, and craft and related trade, as well as plant and machine operators and assemblers. Apart from low-skilled workers in Kuala Lumpur, median wages in 2020 for the remaining three categories all fell to even below 2018 levels. The pandemic wiped out a few years of wage growth for low-wage workers.

As the RM1,500 minimum wage was implemented recently and until the income data for 2022 become available, the exact impact of wage hike is impossible to gauge. Nonetheless, it is plausible that the minimum wage

Figure 2.8: Median income of low-skilled and semi-skilled employees in Kuala Lumpur and Selangor



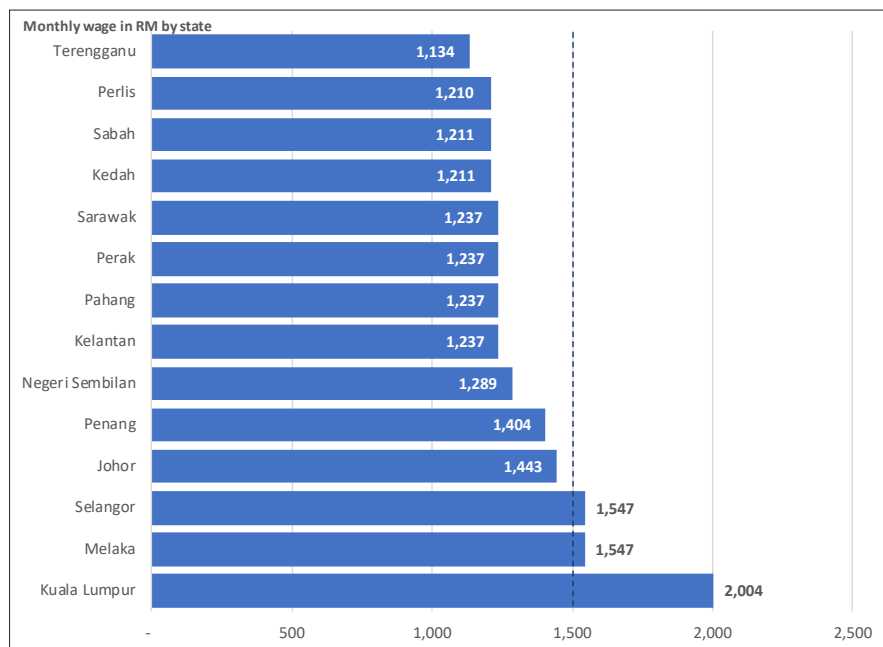
Source: Data provided by DOSM (used with permission)

hike in 2022 provided limited income gains for a large portion of low-wage workers in the Klang Valley – encompassing Kuala Lumpur and much of Selangor. The only group of workers who potentially stood to benefit from the minimum wage hike were low-skilled workers in Selangor where the median of RM1,547 was a notch above the revised wage floor. Even though the RM1,500 minimum wage is below existing wages for the vast majority in Klang Valley, the revision from RM1,200 to RM1,500 is likely to deliver positive impacts for other states which are less economically developed. As seen in figure 2.9 and 2.10, the current mandated wage floor is higher than median wages for low- and semi-skilled workers across eastern and northern peninsular regions and Borneo states.

Minimum wage, while important, remains confined. Even after the increase to RM1,500, its intention of meeting the basic needs of employees falls short of the higher objectives of decent work, which encompass “fair wage... security in the workplace and social protection... provides for personal development and social integration.”

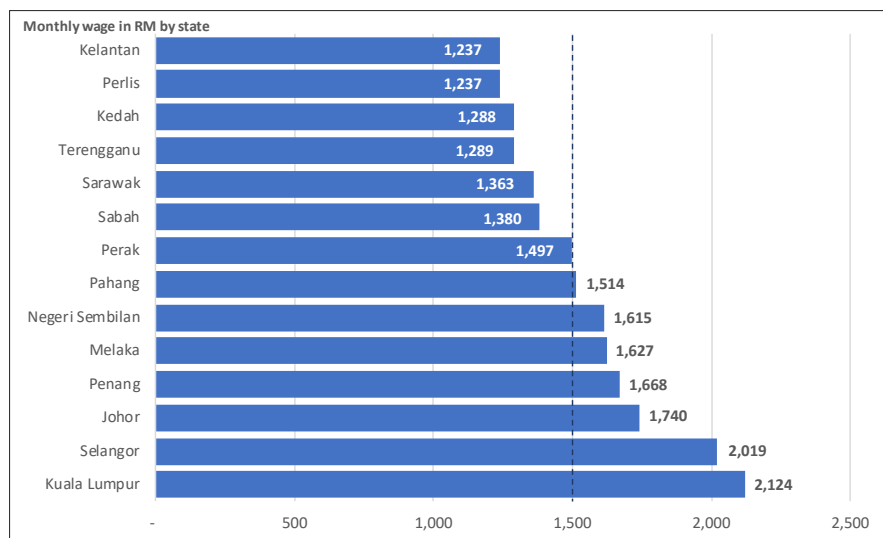
The living wage is a concept that aligns more closely with decent work. Living wage was given prominence as a feature article within Bank Negara Malaysia’s (BNM) 2018 annual report, which stated that a living wage should reflect the “minimum acceptable standard of living” that,

Figure 2.9: Median wages of low-skilled employees in 2020



Source: Data provided by DOSM (used with permission)

Figure 2.10: Median wages of semi-skilled employees in 2020



Source: Data provided by DOSM (used with permission)

in addition to fulfilling basic needs, also provides for “participation in society, personal and family development, freedom from financial stress” (Chong & Khong, 2018). Guided by these criteria, BNM’s survey and research concluded that the living wage for a single individual household in Kuala Lumpur is RM2,700, while the amount is higher for married households without children (RM4,500) and those with children (RM6,500).

We reference median wages of the categories against BNM’s RM2,700 baseline living wage for a single individual household. As seen in figure 2.9 and 2.10, median wages for low-skilled and medium-skilled workers in Kuala Lumpur and Selangor are significantly below the RM2,700 living wage threshold. The evidence indicates that the majority – possibly even bulk – of low-skilled and semi-skilled workers in Kuala Lumpur and Selangor do not meet BNM’s proposed living wage standards.

Granted, it is unrealistic for minimum wage to be on a par with living wage. Both instruments have differing goals and the means of achieving the latter – by fiat, inducement, or a combination – remain open questions. Nonetheless, the Malaysian government has acknowledged the importance of decent work and public sentiments indicate strong support for such an agenda. A 2022 survey by Architects of Diversity indicated that minimum wage is among the top three electoral concerns for young Malaysians, regardless of one’s political leanings.³ Malaysian workers have few avenues for collective bargaining due to legal restrictions and corporate work culture. Low- and semi-skilled workers, who rely on group negotiations to demand a higher wage, have disproportionately borne the brunt of the decades of labour union containment stemming from a cost-competitive, export-driven growth model. Minimum wage continually serves as one of the governmental tools in achieving decent work among low-wage workers. However, the abrupt elimination of wage variations for urban districts and the rest of the country decidedly warrants a reconsideration. Minimum wage needs to account for regional differences, based on productivity levels, existing median wages and cost of living.

Another perennial low-wage problem concerns starting salaries, particularly of tertiary graduates who constitute an increasing share of labour market entrants. From 2019 to 2020, the proportion of degree graduates earning under RM2,500 rose marginally, from 69.4% to 70.3%. More concerning, the share of degree graduates earning RM2,001-2,500 decreased from 18.7% in 2019 to 16.7% in 2020, while the share earning under RM1,500 increased from 32.6% to 35.2%. Among diploma graduates, those earning below RM1,500 increased from 63.6% in 2019 to 64.3% in 2020 (Lee & Zhang, 2021). This is clearly a complex issue that requires a multi-pronged approach to be resolved. For a start, however, the problem has again registered some alarm in the government, significantly due to revelations in September 2022 of engineering graduates' abysmally low starting wages.

3.2 Work and living conditions

Consolidating decent work – particularly on matters beyond wages and contract benefits, such as workers' protection, rights and voice – rests on legal underpinnings. Malaysia has been undertaking various labour reforms in the form of action plans and legislative amendments. Some changes were made to align the country more closely with international labour standards on issues such as maternity and paternity leave and work hours. Various reforms have been significantly driven by the Malaysia-US labour consistency agreement of 2015 that was, in turn, conforming to the Trans-Pacific Partnership Agreement (subsequently reconfigured as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, CPTTP).

Among the major points of this agreement are the reduction of constraints on trade union registration, membership and activity, as well as measures to combat forced labour and human trafficking.

A few developments prior to the pandemic are worth noting. In 2017, the self-employed could access Socso and in 2019, its employment injury scheme was extended to migrant workers. That same year also saw the passage of amendments to the Employees' Minimum Standards of Housing, Accommodations and Amenities Act. The reinforced law retained employers' health and hygiene obligations, including

transportation of sick employees to hospitals but most distinctively, added a requirement that living quarters provided to employees must obtain a certificate for accommodation.

Compliance with these regulations has been mixed. By March 2020, 1.42 million migrant workers had been registered with Socso, and the figures appear to correspond with the number of work permits: 1.74 million members in July 2021, declining somewhat to 1.01 million in June 2022 (EIAS, 2022). Minimal housing standards legislation was gazetted in September 2019 and came into force in June 2020, but employers were granted grace periods and the law was only fully enforced starting December 2021. By October 2020, the government received applications for certificate for accommodation for only 9% of the 1.6 million work permits. At end 2021, workers' accommodation of almost half of the companies inspected by the Labour Department were deemed non-compliant.⁴ Economic conditions since 2020 have been challenging, but Malaysia's disrepute for poor workers' housing and this violation of basic rights should also serve as a clarion call for decisive action.⁵

Policy and legislative landmarks are proceeding to the implementation stage after a pandemic slowdown in progress. In 2021, Malaysia launched the NAPFL 2021-2025 and renewed the NAPTIP 3.0 that started in 2011. The Employment Act amendments were signed into law in March 2022, while Parliament's July session saw the first reading of the Trade Union Act amendment bill. The enforcement date of the Employment Act amendments, initially slated for September 2022, was postponed to January 2023.

These Employment Act amendments encompass various aspects of employment. Some of the amendments, notably the extension of maternity leave from 60 to 98 days and introduction of a 7-day paternity leave, and reduction of working hours from 48 to 45, have been advocated for many years. These provisions, explored further by Lee and Sofea (this volume), align with the broader objectives of work-life balance, quality jobs and high-productivity and high-wage employment, and a shift away from production based on low wages and overwork. Another significant addition, pertaining to forced labour and mainly affecting migrant

workers, enters in the form of indirect prohibition. All employers must be clear of forced labour before being allowed to recruit foreign labour. However, the scope of forced labour is rather narrow – confined to some but not all the 11 indicators established by ILO.

Several other enhancements signal new priorities – even if questions arise over the adequacy of implementation guidelines and mechanisms. Flexible-work arrangements can be requested by the employee, to which the employer must respond within 60 days and provide reasons if rejecting such request. The pandemic had shown the importance of flexibility within regular and stable employment, including work from home and use of virtual platforms. Nonetheless, the grounds for flexibility to be granted and for adjudicating employers' response to their employees' requests remain vague. Effective 2023, the director-general of the Labour Department may also inquire into matters relating to discrimination in employment, but the absence of a legal framework around the complex problem of discrimination, which can take various overt or subtle forms, again renders the legislative amendment rather cosmetic.

4.0 Recommendations

A few general priorities and specific implications follow from our overview of Malaysia's longstanding decent work and wage policies and Covid-19 responses. We conclude this chapter with a few recommendations, arranged in three spheres. It is pertinent to record a brief note on how progress can be more cohesive and sustainable. As noted earlier, Malaysia shows implicit commitment to decent work and a tripartite memorandum of understanding of the DWCP is in effect. Curiously, decent work scarcely appears in policy discourses. In this light, decent work can serve as a focal point and core objective for driving the national agenda.

4.1 Unemployment assistance and job protection

With various institutions already in place, the concerns here revolve mainly around implementation. The take-up of unemployment benefits during the MCO warrants closer empirical examination, in view of the data showing much fewer EIS claims than job losses and a three-month lag between the spike in unemployment and the increase in LOEs and

in tandem with the apparent movement of LOEs and retrenchments. It is crucial to know the gaps in EIS coverage and the extent to which laid-off EIS account holders did not access the benefits, especially those who were retrenched formally. Efforts to promote awareness of the EIS and to expand coverage to the self-employed and gig workers should continue.

The wage subsidy showed itself an effective crisis response instrument that may be reprised in future crises. Of course, its possible redeployment will be contingent on circumstance, whether a repeat pandemic situation that involves widespread mobility restrictions and economic shutdown or a financial crisis or recession or sector-focused downturn. The 2020 practice of fixed subsidy amounts and automatic approvals for smaller wage subsidy claim while larger claims needed to provide evidence of financial stress, and the 2021 shift to a sector-based implementation, hold important lessons. Socso, which maintains registries of the EIS and Socso schemes, should merge the databases so that more ad hoc responses, such as wage subsidy, can be more efficiently executed by retrieving company data already on hand rather than launching fresh applications.

4.2 Wage growth

Minimum wage remains an effective policy instrument for safeguarding the wellbeing of low-wage workers and pushing the labour market towards a high-wage regime. While directly applied only to the wage floor, there are also “ripple effects” on wage levels of jobs that earn a margin above the minimum. The structure of Malaysia’s minimum wage and mechanisms for determining the level, however, warrants a rigorous review. The abrupt abandonment of the previous urban versus non-urban tiered structure in favour of a single national baseline has not been cogently justified. There is power in simplicity, but introducing two or three levels of variation can account for productivity and cost-of-living differences without overcomplicating implementation. Aside from legalisation, voluntary opt-in among employers could be another avenue in progressing towards living wage. In the United Kingdom, Living Wage Foundation is an independent organisation which annually publishes its own minimum living wage for workers in London and the rest of UK. Based on a different methodology, the foundation sets wages which

are usually higher than government-mandated minimum wage. It also provides accreditation for firms which fulfil the wage levels and claims that there are about 11,000 accredited employers.

The problem of persisting low market wages must be addressed decisively. On the supply side, underperformance of the pre-labour market entry and continual skills training for the employed has been a priority for many years. These areas need continual attention and bold action on suboptimal setups, including duplication of programmes under different ministries. Low starting salaries, particularly of degree graduates, remain a conundrum with no easy solutions. A combination of measures may be considered, such as positive reinforcement – spotlighting the exemplary practice of companies that opt for a “high road” strategy of paying workers well to raise productivity – and augmenting workers’ collective voice, such as by facilitating unionisation of professionals.

4.3 Work and living conditions

Numerous action plans and legislation need to be implemented in a sustained manner, notably the national action plans on forced labour and on human trafficking (NAPFL and NAPTIP 3.0). Compliance with employee housing regulations and the various measures required to eliminate forced labour practices must be accorded high priority to safeguard basic rights of migrant workers and repair Malaysia’s international disrepute.

Recent years have seen access to social protection that Malaysians enjoy extended to non-citizen workers. These are laudable moves but full-fledged equality is well worth considering, most saliently, in the form of Socso invalidity benefits and EPF provision for migrant workers. Recently enacted labour law amendments are consonant with decent-work principles, including reduced work hours, maternity/paternity leave extensions and empowerment through collective organisation. The work-hour definition, reduced from 48 to 45 per week, should continue its progress towards the international standard of 40 – with adjustments to hourly minimum wage and a focus on hourly productivity rather than overtime. One outstanding omission must be highlighted. While

the Employment Act now allows for employees to lodge complaints of discrimination with the Labour Department, the complexities and nuances of the manifestations of workplace discrimination warrant a specific legislation and the creation of a public oversight commission with adequate knowledge and resources.

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Notes

¹ We adopt the term migrant worker instead of foreign worker despite the latter being more widely used in Malaysia, referencing the UN definition of a migrant worker articulated in the 1990 International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families: “a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a State of which he or she is not a national.”

² Decent Work principles of the ILO encompass: (1) standards and fundamental principles and rights at work; (2) employment; (3) social protection; (4) social dialogue.

³ Ashman, A., & Milad, H. (2022, May 25). Survey: Majority of youths ready to vote in GE15, but four out of 10 still on the fence. *Malay Mail*. <https://www.malaymail.com/news/malaysia/2022/05/25/survey-majority-of-youths-ready-to-vote-in-ge15-but-four-out-of-10-still-on-the-fence/8722>

⁴ International Labour Organisation. (n.d.). *How to define a minimum wage?* <https://www.ilo.org/global/topics/wages/minimum-wages/definition/lang-en/index.htm>; International Labour Organisation. (2014). *Contract cleaning sector: Decent work programme*; The Star. (2021, April 23). *Bosses to be given more time to fulfil housing condition*. <https://www.thestar.com.my/news/nation/2021/04/23/bosses-to-be-given-more-time-to-fulfil-housing-condition>; Bernama. (2020, December 3). *Accommodation for more than 90% of foreign workers not in compliance with Housing Act*. *The Star*. <https://www.thestar.com.my/news/nation/2020/12/03/accommodation-for-more-than-90-of-foreign-workers-not-in-compliance-with-housing-act>; Bernama. (2021, December 22). *Almost 50pct of employers fail to comply with Act 446*. *Malaysiakini*. <https://www.malaysiakini.com/news/604116>

⁵ Peter, Z. (2020, December 6). Malaysia's Covid woes spotlight 'terrible' migrant worker housing. *VOA News*. <https://www.voanews.com/a/east-asia-pacific-malaysias-covid-woes-spotlight-terrible-migrant-worker-housing/6199239.html>

⁶ The data were extracted using the Octoparse app. The authors gratefully acknowledge subscription to the app provided by the ISEAS-Yusof Ishak Institute.