

**MEDIA RELEASE**

## **MEF CALLS ON THE GOVERNMENT TO DEFER IMPLEMENTATION OF COSTLY AMENDMENTS TO THE EMPLOYMENT ACT 1955**

PETALING JAYA: The Minister of Human Resources YB Datuk Seri M Saravanan in exercise of the powers conferred by section 2(2) of the Employment Act 1955 (“EA 1955”), made an order to amend the First Schedule of the Employment 1555. The Employment (Amendment of First Schedule) Order 2022 (“the Order”), referred to as P.U. (A) 262, was gazetted on 15 August 2022 and comes into operation on 1st September 2022. The YB Minister Human Resources also exercised his powers conferred by subsection 1(2) of the Employment (Amendment) Act 2022 [Act A1651]. The Minister appoints 1<sup>st</sup> September 2022 as the date on which the Employment (Amendment) Act 2022 comes into operation.

MEF President Datuk Dr Syed Hussain Syed Husman, PJN. JP. stated that “whilst the recently announced GDP growth of 8.9% for Q2 2022 was very encouraging, it was forecasted that the GDP growth for second half of 2022 will be challenging casted and was forecasted to be in the region of 5% to 6%. With such challenging economic situation ahead of us MEF calls on the government to reconsider the implementation of the amendments to the Employment Act 1955(EA 1955) scheduled to be implemented on 1st September 2022. Employers should be given time to reconsolidate and recover their businesses which were severely impacted due to the MCOs implemented in 2020 and 2021 to contain the menace of Covid 19.”

With effect from 1<sup>st</sup> May 2022 the Employers throughout the nation had to shoulder an estimated additional wages cost of RM 14bil per year when the minimum wages rates were reviewed from RM 1100/ RM 1200 per month to RM 1,500 per month. Some employers are still struggling to fully implement the new minimum wages. Some employers were reported to be not able to comply with the new minimum wages. Employers generally strive to comply with the

statutory requirements but there were situations where they resigned to the fact that they do not have the financial capacity to do so

Come 1st September 2022, employers will be further burdened with additional costs arising from the amendments to the EA 2022 as listed below:

i.	Increase in cost of overtime per year due to increased coverage of EA from RM 2000/month to RM 4,000 per month	RM 80.87 bil/year
ii.	Reduction of hours of work from 48 hours/week to 45 hours/week	RM26.88 bil/year
iii.	Increase of maternity leave from 60 days to 98 days	RM 2.97 bil/year
iv.	Paternity leave of 7 continuous days per birth	RM 0.275 bil/year
TOTAL		RM 110.99 bil/year

It will be very challenging for the employers to absorb the estimated additional cost of RM 110.99bil per year especially at the time of uncertainty and volatile global market due to supply chain issues arising from Covid -19 and the geopolitical conflict in Ukraine.

Apart from the above amendments that have direct financial implications employers have to grapple with the other provisions of EA amendments on:

- i. Flexible work arrangements (FWA) where employees may apply to go on FWA. Most employers are still in the dark on FWA as there is no guideline issued by the authorities on FWA
- ii. Employees will be entitled to full 60 days hospitalisation leave per year in addition to the non-hospitalisation sick leave
- iii. New procedures on application for foreign workers where prior approval must be obtained from the DG of Labour before submitting application for foreign workers

Apart from the amendments to the EA 1955, employers are also being faced with the possible amendments to Trade Unions Act that will introduce multiplicity of Unions at the workplace as compared to single union currently. The proposed new procedures on recognition of Unions and the formula to be used for recognition under the Industrial Relations Act will also be challenging to employers.

Datuk Dr Syed Hussain said further that “there were too many changes taking place effecting business during the challenging periods. MEF appeals to the government to give more time to businesses to transition themselves to the new requirements. There is a need to slow down a bit to allow businesses some space to breath. MEF supports some of the changes but it is about the timing issue. Now is not the right time to introduce changes that add costs of doing business.”

For further information, please contact the MEF Secretariat at 03-7955-7778 or fax 03-7955-9008 or email [mef-hq@mef.org.my](mailto:mef-hq@mef.org.my).

**17<sup>th</sup> August 2022**