

Working Hours & Wages (Malaysia)

Wages meet legal requirements or national norms as a minimum. All workers are paid a wage equal to or exceeding the legal minimum wage.

Working hours meet legal requirements and are not excessive. All workers (including workers paid piece rate) do not work more than national legal maximum hours; overtime hours are worked on a voluntary basis, and workers have at least one day off in seven.

– TFT Respect of Workers 12 Principles, Principle 6 & 7

LEGAL BACKGROUND

In Malaysia, matters concerning working hours and wages are regulated under the Employment Act 1955 and Minimum Wages Order 2016.

DEFINITION

1. Normal working hours

1. Every 5 consecutive hours followed by a rest period not less than 30 minutes.
2. Not more than 8 hours work in one day (based on a 6-day working week) or 9 hours in one day (based on a 5-day working week)
3. Not more than 10 hours in a “spread-over” period (10 consecutive hours from the time the employee commences work for the day, inclusive of any periods of rest/leisure)
4. Exceptionally, if the work is of a continuous nature (shift work), it can be 8 consecutive hours with a paid period of rest not less than 45 minutes
5. Not exceeding an average of 48 hours in a week over any period of 3 weeks.

2. Overtime

Based on the Malaysian Employment Act 1955, overtime hours are limited to 104 hours per month.

A permit from Department of Labour is required for any overtime above 104 hours per month, with conditions of not more than 12 hours of work per day inclusive of normal hours in a day.

The weekly working hours (normal and overtime hours) should not exceed 72 hours a week.

However, most international companies and suppliers are committed to a maximum of 60 weekly working hours (Refer to [Wilmar’s No Deforestation, No Peat, No Exploitation Policy](#))

2.1 Calculation of Overtime Work

Subject	Formula	Example
Ordinary rate of pay (daily pay)	Monthly pay (e.g., minimum wage) / number of working days = ordinary rate of pay	RM1,000 / 26 days = RM 38.46
Hourly rate pay	Daily pay / normal hours of work = hourly rate pay	RM 38.46 / 8 hours = RM 4.80
Overtime work during normal day	1.5 x hourly rate pay = overtime work	1.5 x RM4.80 = RM7.20

3. Rest Day

1. Every employee should be entitled to a rest day (full day) each week
2. The employer should prepare a roster before the commencement of the new month informing the employee(s) of their appointed rest days for the coming month. The roster is to be displayed at an accessible common area to for the employee(s) to view.

3.1 Work on Rest Day

The employee (daily-rated, piece-rated and monthly-rated) who works on a rest day should be paid at 2x the ordinary rate of pay.

For any overtime work during the rest day, it should be computed as (1.5 x 2 x ordinary rate of pay).

In a 6-day working week, the Employment Act prescribes that the special rate will only apply to that one rest day in the week.

The work carried out during the normal hours of work in the remaining 6 days in the week will be based on the ordinary rate of pay.

For overtime performed on a rest day by employees paid on a weekly/monthly basis, under Subsection 3 of Section 60 of the Employment Act 1955:

Subject / Formula
50% of his ordinary rate of pay for work done not exceeding half his normal hours of work
100% of his one days' wages at the ordinary rate of pay for work done more than half but not exceeding his normal hours of work; and an additional
200% of his hourly rate of pay for work done in excess of his normal hours of work.

Where there are more than 2 rest days in a week, the above rates apply only to the last rest day in that week.

For example, where Saturday and Sunday are rest days, the above rates shall apply only to work done on Sunday. For Saturday, the normal overtime hourly rate of 150% applies.

4. Public Holiday

Employees are entitled to at least 11 paid public holidays, 5 of which are compulsory: -

- 1) National Day (31 August)
- 2) Birthday of the Yang di-Pertuan Agong (3 June)
- 3) Birthday of the Yang di-Pertua Negeri of the state or Federal Territory Day (depending on state)
- 4) Labour Day (1 May)
- 5) Malaysia Day (16 September)

The employer should display a notice in a clearly visible place to inform the employee of the remaining 6 public holidays before the commencement of each calendar year.

Employees covered under the Employment Act are also entitled to any other holiday gazetted under the Holidays Act as compulsory, which defers by state/year. This typically brings the number of holidays to more than 11 days in any one year.

4.1 Work on Public Holiday

The employee (daily-rated, piece-rated and monthly-rated) who works on a public holiday should be paid twice the ordinary rate of pay. For any overtime work during public holidays, it should be computed as (1.5 x 3 x ordinary rate of pay).

Under Subsection 3 of Section 60D of the Employment Act 1955) -the prescribed rates for work performed by for monthly, weekly, daily, or hourly rate employees on a holiday are:

- I. 3x the employees' daily wages at the ordinary rate of pay; and
- II. An additional 3 times hourly rate for each hour in excess of his normal hours of work.

Piece rated employees, under Subsection 3 of Section 60D of the Employment Act 1955, are entitled to:

- I. 1 day's wages + 2x piece rate; and
- II. For work carried out past the normal number of work hours, 3x piece rate.

5. Wages

1. Wage period cannot exceed one month
2. Wages must be paid by the 7th of each month
3. Wages for work done on rest days and public holidays cannot be paid later than the last day of the next wage period.
4. Approval/permit(s) have to be obtained from the Department of Labour to make any deductions except for statutory deductions i.e. EPF/Socso/Income Tax, overpayment by mistake during preceding 3 months, recovery of indemnity due and deductions of interest free advance.
5. Where possible, wages shall be paid through the employees' bank account.

6. Minimum Wage in Malaysia

The following table outlines the minimum wages in Malaysia as per the guidelines on the implementation of the Minimum Wages Order 2016.

Territory	Monthly	Hourly	Daily		
			Number of days worked in a week		
			6	5	4
Peninsula Malaysia	RM 1,000	RM 4.81	RM 38.46	RM 46.15	RM 57.69
Sabah, Sarawak and Labuan	RM 920	RM 4.42	RM 35.38	RM 42.46	RM 53.08

Note: * These rates are effective from 1st July 2016.

6.1 General penalty

Any employer who fails to comply with the provisions in the Employment Act 1955 is liable to a fine not exceeding RM 10,000.00 for each offence (i.e. with respect to each employee).

Implementation guidance

1. Overtime distribution procedure (Annex 1)
2. Workers' check-roll (Annex 1)
3. Payroll record summary (Annex 1)
4. Pay slips- record of payments (including working hours), deductions, bonus, overtime (Annex 1)
5. Consent and records for deductions (Annex 1)
6. Safe keeping schemes (Annex 1)

Note: Should a sub-contractor/ third party contractor be used, the management should keep a duplicate copy of the document.

Please refer to sample and templates in Annex

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