



## Working Hours and Wages

***Wages, benefits and working hours (including overtime hours) must at least meet legal requirements.***

*All minimum national legal requirements are met with regard to wages, overtime premiums, working hours, overtime hours and benefits. Overtime is operated on a voluntary basis only. Workers' rights with regard to rest and leave are observed. Companies understand and are working towards implementing international standards where these are higher than legal requirements, including a living wage.*

*– Respect for Workers Principles, Principle 7*

### LEGAL BACKGROUND

In Peninsular Malaysia, matters concerning working hours and wages are regulated under the Employment Act 1955 and Minimum Wages Order 2016. For Sabah, it is regulated under Sabah Labour Ordinance and as for Sarawak, it is Sarawak Labour Ordinance.

Under the **Employment Act 1955**, the provision only extent to the workers whose wages **do not exceed RM2000 a month** and **below RM2500 a month under the Sabah & Sarawak Labour Ordinance** which do not include commission, subsistence allowance or overtime payment. The worker also has to be;

- a) engaged in manual workers, including those having skills such as artisans and apprentices;
- b) involved in the operation or maintenance of any mechanically propelled vehicles operated for the transport of passengers or goods or for commercial purposes;
- c) involved in the supervision of other employees engaged in manual labour;
- d) involved in any capacity that is related to shipping, with the exception of officers, holders of local certificate and who have not entered into any agreement with the merchant shipping ordinance 1952; and (v) Domestic servants.

### DEFINITIONS

#### 1. Normal working hours

- 1.1. Every 5 consecutive hours followed by a rest period not less than 30 minutes for Peninsular Malaysia and Sarawak and 6 consecutive hours followed by a rest not less than 30 minutes for Sabah only.
- 1.2. 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)
- 1.3. 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)
- 1.4. 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.
- 1.5. Not exceeding an average of 48 hours in a week over any period of 3 weeks.

For more information on hours of working, see: Section 60A Employment Act (Peninsular Malaysia), Section 104(1) Sabah Labour Ordinance (Sabah) and Section 105(1) Sarawak Labour Ordinance (Sarawak).



## 2. Overtime

Based on the Employment (Limitation of Overtime Work) Regulations 1980 for Peninsular, and the Sabah and Sarawak Labour Limitation of Overtime Work Regulations, 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 reflecting international legal standards (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

- 3.1. Every employee should be entitled to a rest day (full day) each week.
- 3.2. In the case of an employee engaged in shift work any continuous period of not less than thirty hours shall constitute a rest day.
- 3.3. 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.
- 3.4. The roster is to be displayed at an accessible common area to for the employee(s) to view.

## 4. Payment for works 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.

For more information, please see: **Section 104 Sabah Labour Ordinance for Sabah, Section 105 Sarawak Labour Ordinance for Sarawak** and **Section 59 Employment Act for Peninsular Malaysia**.

#### 4. Public Holidays

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.

For employees in Sarawak, the public holidays are outline in the **Public Holidays Ordinance (CAP. 8, 1958/2010)**.

For employees in Sabah, the public holidays are outline in the **Holidays Ordinance (CAP. 56)**.

##### 4.1 Work on Public Holidays

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

- 5.1. Wage period cannot exceed one month
- 5.2. Wages must be paid by the 7th of each month
- 5.3. Wages for work done on rest days and public holidays cannot be paid later than the last day of the next wage period.
- 5.4. 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.
- 5.5. Where possible, wages shall be paid through the employees' bank account.

## 6. Minimum Wage in Malaysia

As of 1st February 2020, two different sets of minimum wage rates were enforced. The Minimum Wages Order 2020 provides a minimum wage for Peninsular Malaysia of MYR 1,200 in major towns under 56 cities and municipality councils and RM1,100 for the rest of the country.

For an employee whose place of employment is in any of the 16 City Council areas or the 40 Municipal Council areas specified in the Schedule to the 2020 Order, the minimum wage rates are shown Table A and the minimum wage rates for areas not specified are shown Table B.

Minimum wages rate				
Monthly	Daily			Hourly
	Number of working days in a week			
	6	5	4	
RM 1,200	RM 46.15	RM 55.38	RM 69.23	RM 5.77

Table A: Minimum wages for employees hired within the 16 City Councils or 40 Municipal Councils specified in the Schedule to the 2020 Order. (Source: Minimum Wage Order 2020)

Minimum wages rate				
Monthly	Daily			Hourly
	Number of working days in a week			
	6	5	4	
RM 1,100	RM 42.31	RM 50.77	RM 63.46	RM 5.29

Table B: Minimum wages for employees hired outside of the 16 City Councils or 40 Municipal Councils specified in the Schedule to the 2020 Order. (Source: Minimum Wage Order 2020)

For employees who are paid based on piece rate such as tonnage, they will have to be paid no less than RM1,100.00 per month.

\*City Council areas: Johor Bahru, Iskandar Puteri, Alor Setar, Melaka, Pulau Pinang, Seberang Perai, Ipoh, Shah Alam, Petaling Jaya, Kuala Terengganu, Kuching Utara, Kuching Selatan, Miri, Kota Kinabalu, Kuala Lumpur, and Seremban.

\*Municipal Council areas: Batu Pahat, Kluang, Kulai, Muar, Segamat, Pasir Gudang, Kulim, Sungai Petani, Langkawi, Kubang Pasu, Kota Bharu, Alor Gajah, Jasin, Hang Tuah Jaya, Port Dickson, Jempol, Kuantan, Temerloh, Bentong, Manjung, Kuala Kangsar, Taiping, Teluk Intan, Kangar, Ampang Jaya, Kajang, Klang, Selayang, Subang Jaya, Sepang, Kemaman, Dungun, Padawan, Sibul, Kota Samarahan, Bintulu, Sandakan, Tawau, Labuan, and Putrajaya.



## 7. Advance

An employee is entitled to request an advance from the employer of more than a month pay only for the following:

- 7.1. To purchase a house
- 7.2. To purchase land
- 7.3. To purchase livestock
- 7.4. To purchase motorcar, motorcycle or bicycle
- 7.5. Any other purpose approved by Director
- 7.6. To purchase shares of the employer's business (not applicable in Sabah and Sarawak)

For more information, please see: Section 102(1) Sabah Labour Ordinance, Section 103(1) Sarawak Labour Ordinance, Section 22 Employment Act

## 8. Use of Sub-Contractor

Should a sub-contractor/ third party contractor be used, the management should keep a duplicate copy of all documents such as :

- Workers' check-roll
- Payroll record summary
- Pay slips- record of payments (including working hours),
- deductions,
- bonus,
- overtime,
- consent and records for deductions

## 9. 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).

*DISCLAIMER: The information in this document is prepared for a brief and general guideline on wages and hours and has been compiled using various sources publicly available. Efforts have been made to ensure that relevant information have been included; however EF does not claim that the information in this guideline is exhaustive. Further, this document does not purport to contain all the information that the end user or reader including but not limited to employers, buyers, importers, manufacturers, suppliers or distributors (collectively "End User") may desire in understanding regarding the processes, practices or laws in Malaysia in respect of wages and hours. The intent of this document is to provide basic guidelines which may be of some help to the end user. With the help of this document, the end user should ensure that the relevant laws, rules, regulations and guidelines are applicable, suitable, updated and relevant to their company or business as a whole. EF, its subsidiaries, related corporation, affiliates, associates, business partners (collectively, "EF Group") and EF's directors, shareholders, officers, employees, agents, representatives and advisers ("Representatives") do not:- (i) make any representation, undertaking or warranty, express or implied, nor any of them, to the extent permitted by law, have any responsibility or liabilities whatsoever in respect of the truth, accuracy or completeness of, or omission from, this document or any related documents or information, whether written or oral, supplied at any time or in respect of any statement, disclosure, or opinion expressed or omitted; (ii) owe any duty of care or otherwise owed by EF Group or its Representatives to the End User in respect of or in connection with this document; (iii) have any obligation to update this document or to correct any inaccuracies, incompleteness or omissions therein; and (iv) accept any responsibility or liability to any reader or third party for any damages, loss, cost or expense, or any loss of profits, business or anticipated savings or for any consequential loss whatsoever, whether directly or indirectly, due to or in connection with any negligence, error, misstatement, misrepresentation or omission by EF Group or its Representatives.*