



Salary, Labour Costs & Employment Law in Malaysia (As of April 2023)

The biggest employers in Malaysia are trade, hotels and restaurants, followed by manufacturing industry, community and social providers as well as agriculture, forestry, and fishing. There are followed by financial, real estate and business service providers, as well as the construction industry.

Employment in service sectors is gaining in importance, while it is declining in the manufacturing industry. This is partly due to the fact that Malaysia as a pure production site has become too expensive and many companies have outsourced their production to cheaper countries. Especially Kuala Lumpur being the capital and economic heart of Malaysia, has a rich service sector.

Depending on type of industry and orientation, companies continue to face the problem of recruiting skilled workers, especially in the upper and middle management and technical professions.

A. Salary

Despite weak global growth, Malaysia's economy has been growing since 2022, which means that the labour market will remain tight for the time being, especially when it comes to highly qualified specialists and managers. In addition, the government is keeping the influx of low-skilled foreign workers under control.

In a weaker form, the pressure on higher wages should continue in 2023 as well. According to surveys, job security is still one of the main concerns. Due to the re-introduction of the Sales and Services Tax (SST) on 1st of September 2018, on the other hand not only the exchange rate-induced import price increases, but also the state-fixed prices (transport, tolls, etc.), and the cost of living.



Position	Monthly salary in RM *
CFO	20,000 to 75,000
Controller	15,000 to 30,000
Accountant	6,000 to 12,000
HR manager	20,000 to 55,000
Director (marketing)	25,000 to 45,000
Account manager	6,000 to 10,000
Regional sales manager	12,500 to 15,000

* Depending on job experience and company size

Source: Hays Salary Guide Asia 2023

B. Bonus payments, housing allowance, additional services

85% of all companies in Asia provide their employees with additional benefits. Workers in Malaysia are entitled to paid annual leave (see also D 1), on-the-job compensation in case of illness as well as maternity and paternity leave. The companies also provide extensive voluntary ancillary services, including performance premiums, costs of medical treatments, pension payments, residential and travel allowances (usually for Expats), as well as increased contributions to the Employee's Provident Fund (EPF).

Housing allowance for Expatriates

Position	Housing allowance in RM
Executive director	6,500 to 16,000
Senior manager	4,000 to 6,000



C. Non-wage labour costs

1. Employee's Provident Fund (EPF)

The EPF is used for old-age pension and health care. The compulsory contributions to this fund are set out in the Employees Provident Fund Act 1991. Employers must report their employees to the EPF immediately after the start of work. Both employers and employees are obliged to pay to the EPF (see table). The scheme also applies to part-time workers. For them, contributions must be paid which are proportionate to their working hours. Expatriates and their employers are exempt from EPF contributions, but can voluntarily contribute foreign workers.

2. Social Security Organisation (SOCSO)

The Social Security Organisation manages the Employment Injury Insurance Scheme and the Invalidity Pension Scheme and serves the social security of workers in Malaysia. All employees Malaysian or foreign must be insured through SOCSO, regardless of the amount they earn. Casual employment however, does not qualify. The amount of contribution payment depends on the gross salary. The maximum considerable gross salary is capped at RM 5,000.00 per month. Any exceeding amount is disregarded for the purposes of SOCSO.

3. Human Resources Development Fund (HRDF)

The Human Resources Development Fund (HRDF) promotes the training of employees. Employers contributing to the HRDF may apply for grants from the Fund for staff training. Companies which: (a) belong to the manufacturing sector and have at least 50 Malaysian employees, and (b) companies with at least 10 employees and a paid-up capital of at least RM 2.5 million are liable to contribute.

4. Employment Insurance System (EIS)

The Employment Insurance System (EIS) is a financial scheme that is aimed at helping employees who have lost their job. It is managed by SCOSO and is meant to enable retrenched workers to gain enough funds in order to help them to get back on their feet for up to six months. EIS employer contributions must be made for Malaysian as well as foreign workers, which includes expatriates. EIS employee contributions must only be paid by Malaysian employees. Just like SOCSO, contribution rates are capped at an insured salary of RM 5,000.00.

Overview

Type	Employer`s contribution in %	Employee`s contribution in %
EPF	13 (6.5)+/ 12 (6)*	11 (5.5)
SOCSSO	1.75	0.5
HRDF	1.0	-
EIS	0.2 (1.25 for foreign workers)	0.2 (Nil for foreign workers)

+ () – rates for employees aged 60 and above

* For wages up to RM 5,000 per month the rate is 13%, for wages of more than RM 5,000 the rate is 12%.

Source: EPF www.kwsp.gov.my, SOCSSO www.perkeso.gov.my, EIS www.perkeso.gov.my

D. Employment law

1. Legal bases

The Employment Act (EA) is applicable to all employees. However, certain provisions such as overtime payments during rest days and holidays, retrenchment benefits and shift allowances only apply to those whose wages are less than RM4,000 and workers who carry out manual work, work as domestic servants or supervise manual work. In addition, the Industrial Relations Act applies.

The minimum retirement age is 60 years in the private sector, which means that the employer is not allowed to retire the employee before reaching the minimum age, unless this is done at his explicit request and the employment contract allows it.

The paid annual leave depends on the duration of company service in Malaysia. In practice, Malaysian companies grant their employees 10 to 14 days annual leave with duration of company service less than two years; between two to less than five years, they are entitled to 14 to 16 days and from 5 years onwards the paid annual leave is 16 to 20 days.

In addition, employees are entitled to special leave days in case of illness (14 to 22 days, 60 days in case of hospitalisation), maternity (98 days), paternity (7 days), deaths in the family, training, and pilgrimage to Mecca. Expatriates from overseas usually are entitled to 30 days paid annual leave. Contractually agreed probation periods are freely negotiable. This is usually 3-6 months.



The Anti-Sexual Harassment Act 2022 constitutes further legal basis for employment law. It establishes a Tribunal with the jurisdiction to hear and determine any complaint of sexual harassment made by any person, thus also in context of work. The possible legal consequences of sexual harassment in Malaysia range from orders to issue a statement of apology to orders to pay compensations or damages (up to 250,000 MYR). Some of the provisions are already in force as of 28 March 2023.

2. Employment contracts

Every employee in Malaysia has to be given a written contract which regulates the employment conditions and termination periods. The working time shall not exceed 8 hours per day and 45 hours per week. Special arrangements for shift work in production are possible.

The rights and duties of the future employee should be clarified in the contract as precise far as possible in order to be able to document any future breaches of duty. In Malaysia, a fairly high level of employee protection exists, so that it can be very difficult to dismiss an employee. This often results in temporary employment contracts, as dismissal may be expensive and lengthy. However, temporary employment contracts are only permissible under certain circumstances. If there is a conflict with the Labour Court, the latter may move over a long period. Moreover, jurisprudence has the reputation of being employee-friendly.

Trade unions play a subordinate role from the perspective of foreign employers. As a rule, both human resources management and employees try to avoid confrontations. Moreover, state controls counteract labour disputes. That is why strikes are rare.

Further sources:

Ministry of human resources www.mohr.gov.my

Malaysian Employers Federation www.mef.org.my

TalentCorp Malaysia www.talentcorp.com.my

Disclaimer of liability: This information is intended to provide a general overview on salaries and employment law in. No responsibility for loss to any person acting or refraining from acting as a result of any information in this overview can be accepted by Malaysian-German Chamber of Commerce and Industry.