



RISK MITIGATION MEASURES FOR EMPLOYERS AMIDST COVID-19

WHAT ARE THE MITIGATION MEASURES AVAILABLE FOR EMPLOYERS AS AN ALTERNATIVE TO RETRENCHMENT?

Unpaid leave/ half paid/ annual leave.

Voluntary pay cuts.

Reducing work hours/working days.

Temporary cancellation of discretionary benefits or allowances.

Deferment of Salary.

Temporary lay-off.

Early Retirement Scheme (ERS)/ Voluntary Separation Scheme (VSS).

HOW CAN IT BE IMPLEMENTED?

In this time of crisis, the support, understanding and consent of employees will be key to implement mitigation measures that would help alleviate employers' financial difficulties.



UNPAID LEAVE/HALF PAID/ANNUAL LEAVE

For those who are already on annual leave, alternative leave arrangements can be made such as extended annual leave with half pay.

For those who are unable to perform duties during MCO, encouraged to take unpaid leave to reduce overall costs, this will ensure all employees are protected. Wages can be paid normally after crisis.





VOLUNTARY PAY CUTS

Pay cuts for a reasonable period of time with the consent of the employees.

Senior management should lead by example, by accepting earlier and/or deeper cuts in cost-saving measures.

REDUCING WORK HOURS/ WORKING DAYS

Create rotation system with the consent of employees.

Make reduction in wages accordingly based on reduced working hours or days.



TEMPORARY CANCELLATION OF DISCRETIONARY BENEFITS OR ALLOWANCES

Employees agreeing to forego previously communicated bonuses/pay rises/incentives.

These payments may be deferred or cancelled and reviewed after the crisis.

Similarly, employees may agree to forego certain allowances temporarily cancelled based on business needs during the crisis.



DEFERMENT OF SALARY

Employer may set-aside a variable component in the monthly basic salary of the employee (eg. 10- 20%), and whether this 10-20% will be paid depends on the company's profit/productivity of employee.

This is to allow employers to manage wages without taking extreme cost-cutting measures.



TEMPORARY LAY-OFF

Temporarily suspend work for a certain period of time by offering reasonable salary or no salary with the consent of employees or the Union.

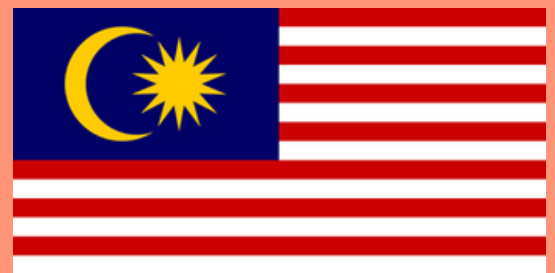


EARLY RETIREMENT SCHEME (ERS)/ VOLUNTARY SEPARATION SCHEME (VSS)

Invite employees to voluntarily apply for ERS or VSS to avoid retrenchment.



WHAT IS THE GOVERNMENT DOING TO HELP?



On the 6th of April 2020, Prime Minister Tan Sri Muhyiddin Yassin announced an additional allocation of RM10 billion in the **Prihatin Package for Small and Medium-sized Enterprises (SMEs)** to help ease the financial burden of the SMEs.

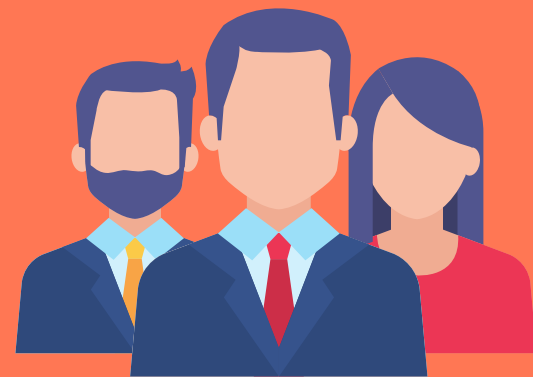
WAGE SUBSIDY PROGRAMME UNDER THE PRIHATIN PACKAGE

Additional RM7.9 billion allocation for Wage Subsidy Program.

Company with local employees with salary amounting to RM4000 and below will receive Wage Subsidy Aid as follows:

1. Company with more than 200 employees: Wage subsidy of up to RM600 for every employee. Maximum capped at 200 employees. To be eligible, company must experience a decline of 50% or more of total sales or revenue compared to January 2020 or the following months.
2. Company with 76 to 200 employees: Wage subsidy of RM800 for each employee. To be eligible, company must experience a decline of 50% or more of total sales or revenue compared to January 2020 or the following months.
3. Company with up to 75 employees: Wage subsidy of RM1200 for each employee.

Wage subsidy aid lasts for 3 months exclusively for employers that are registered with SSM or the relevant authorities before 1st January 2020 and is registered with PERKESO. Employers required to retain their employees for at least 6 months - within 3 months of receiving the wage subsidy and 3 months after that.





REDUCTION OF FOREIGN WORKER LEVY UNDER THE PRIHATIN PACKAGE

Reduction of foreign workers levy as much as 25% to all companies where their workers' permits are from 1 April until 31 December 2020.
(Not applicable to domestic workers.)

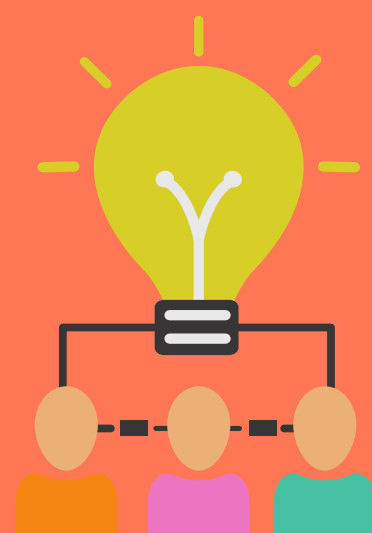
PROMOTE NEGOTIATION BETWEEN EMPLOYER AND EMPLOYEES UNDER THE PRIHATIN PACKAGE

The Government encourages employers to actively engage with their employees on employment terms including the options of pay cuts and unpaid leave during the MCO period.

Employers and employees may refer to the Department of Labour to seek advice on solutions for issues raised.

Any negotiations should be subject to employment laws currently being enforced.

What is important is that the rights and welfare of both sides are taken care of.



For further discussion on the strategies to be applied for risk mitigation measures, please contact us:



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