

Employees hit by pay cuts should be allowed to work less hours: Economist

AMAR SHAH MOHSEN(/TAG/-/META/AMAR-SHAH-MOHSEN) / 02 JUL 2020 / 09:51 H.



Experts claim the move will have an all-round positive impact on not only the employers and staff, but on the country as well, as it enables those affected to look for means of supplementing their income, which could stimulate the economy.

Independent economist Prof Emeritus Datuk Dr Zakariah Abdul Rashid said on the part of employers, they would be able to cut down operating costs and need not retrench workers, which could cost more if they decide to rehire and retrain new staff in future.

“As for employees, they will be able to do other jobs at the same time. This will give them more spending power, which will certainly help in bolstering the economy.

“Additionally, the move will also address the issue of the people’s welfare. I know many companies will not care about implementing this, but for the economy, this will be a vital move,” he told theSun yesterday.

The Malaysian Institute of Economic Research former executive director added that it was also permissible under the law to implement such a policy, although the Human Resources Ministry has to be notified of any salary cuts.

Zakariah was asked what measures could be taken by employers to ensure they are able to operate at a lower cost, without hugely affecting the livelihood of their employees.

This comes following moves by many companies nationwide to either lay off their staff or cut salaries as they look to stay afloat amid the economic impact of the Covid-19 pandemic.

According to the Department of Statistics, the unemployment rate in April had spiked to 5%, the highest in the country in 30 years, and it is expected to increase even further in the coming months.

Malaysian Employers Federation executive director Datuk Shamsuddin Bardan said those taking a pay cut should be allowed to work fewer hours, to allow them to do supplementary jobs.

He said such a practice was not unprecedented, as it has been implemented by companies during difficult times in the past.

"This is a move that benefits both parties. Employers get to reduce their costs and keep their staff in employment, and the worker has an option to earn extra income.

"So if you reduce their pay by 20%, then they should similarly work 20% fewer hours each month."

Shamsuddin added that any agreement should be in writing, and employers should also pay full salaries once their business picks up to pre-pandemic levels.

"I must also remind employers who are considering cutting salaries or shortening work hours to notify the Labour Department, failing which they could face a fine of up to RM10,000 for each offence," he said.