



International
Labour
Organization

ILO Support to Labour Law Reform and Enforcement in Malaysia

ILO's Labour Law and Industrial Relations Reform Project supports the Ministry of Human Resources (Ministry) and social partners in two key areas: (i) Labour Law Reform and (ii) Implementation and Enforcement.

Labour Law Reform

Malaysia's labour legislation that governs freedom of association (FOA), trade unions, collective bargaining and various other aspects of industrial relations dates back to the 1950s and 60s and still contains **broad restrictions** that are not only contrary to Malaysia's international obligations and international labour standards (ILS) but also **impede greater economic development**.

The Project is currently working with Ministry and social partners to introduce legislative and policy reforms in line with ILS. Key areas of reform include:

- ▶ Lifting barriers to union registration, recognition, and collective bargaining
- ▶ Improving working conditions under the Employment Act
- ▶ Ensuring equal opportunities in the labour force
- ▶ Curbing administrative discretion to intervene in trade disputes.

Implementation and Enforcement

Labour laws that are fully implemented and enforced is a prerequisite of a strong industrial relations system. To achieve this goal, there are two important vehicles:

Labour inspection (LI)

While it is important to increase inspection resources in Malaysia, in particular the number of labour inspectors, there are other measures that can and should be taken simultaneously to ensure a strong labour inspectorate. To that end, the ILO has carried out a needs assessment of Malaysia's LI system, and the Project is working with the Labour Departments and Department of Occupational Safety and Health (DOSH) to promote changes through a series of **high impact, low cost measures**.

Labour dispute resolution (LDR)

It is important that workplace disputes be prevented from escalating into major disruptive disputes and addressed at the earliest possible stage. This can be achieved through sound industrial relations and social dialogue, effective collective bargaining, conciliation, mediation and a strong Industrial Court. To this end, the project supports a series of capacity development activities and training for key actors in the LDR system. The project has also carried out a comprehensive review of the LDR system as a whole and is working with Ministry and social partners to address issues identified in the review.

Benefits of Greater FOA



Contrary to popular belief, studies have shown that strong and independent trade unions and employer organizations contribute to economic development and a positive business environment by helping to ensure:

- ▶ **Broad-based support for policy and legal reforms** across a variety of social and economic areas
- ▶ **A more equitable distribution of income** through collective negotiation
- ▶ **Labour standards are put into practice**, e.g.: working time, wages, safety and health.

Effects of Equal Employment Opportunity in Numbers

The ILO predicts that by closing gender participation gaps by **only 25%**



Malaysia's GDP will grow by

US\$54 billion



High Impact, Low Cost LI Measures

- ▶ Focus on **target sectors** and high-risk companies
- ▶ Pursue **non-traditional interventions** that address the underlying causes of non-compliance
- ▶ Increase **collaboration** between inspectors from the Labour Departments, DOSH, and SOCSO
- ▶ Strengthen **dialogue** with social partners for improved compliance
- ▶ Improve the use of **technology** including case management systems.



Effects of Strong LDR On Businesses

Effective dispute management systems **reduce the cost and time** associated with disputes, and **lessen work disruptions** which affect the **cost of doing business**.

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