



**HUMAN CAPITAL INSIGHTS REPORT
(NO. 1/2022)**

FLEXIBLE WORKING ARRANGEMENT AND THE FUTURE OF EMPLOYMENT



FLEXIBLE WORKING HOUR

Technological and economic advancements have changed the way we live and work. Internet and mobile connectivity help us to work anytime and from anywhere, contributing to the rise of flexible working arrangements. Flexible working hours especially have evolved rapidly and workplace norms have shifted, possibly forever.

Flexibility is the umbrella term used to describe any role that breaks the traditional norm of working experiences. A flexible work schedule enables employees to work at different hours to the typical start and end times of the organisation. Generally, conventional working hours are between 8 a.m. and 5 p.m. or 9 a.m. and 6 p.m., with a total of 40 hours per work week.

One of the recent promising avenues discussed is the four-day work week, where the typical 40 or 48 hours per week is lowered to 32 hours, with the same salary and productivity goals. This article will discuss the advantages of a four-day workweek and the potential need to revise the current working hours stipulated in the Employment Act 1955 to promote a constructive and proactive approach in navigating the future of work.

FOUR-DAY WORK WEEK MODELS ACROSS THE WORLD

Below are the list of countries across the globe that have shifted to a four-day work week.



Spain

- Conducted a trial in 2021.
- The Spanish government agreed to a 32-hour work week over three years, without deducting the workers' compensation.



Iceland

- Conducted the largest trial from 2015 to 2019 where the results of the implementation showed measurable success.



Scotland

- Conducted a trial in 2019.
- 80% of people think that slashing their number of days at work - with no loss of pay - would have a 'positive effect on their wellbeing'.



Ireland

- Launched a pilot programme for four-day work week in January 2022.
- 17 companies located across the country signed up for the programme.



New Zealand

- Barnes' company, Perpetual Guardian, has been working for four days a week since 2018.
- Staff are paid the same amount for working fewer days. After a six-week trial, they found that productivity had improved by 20%.



Japan

- Started in June 2021 with an aim to improve the nation's work-life balance.
- Panasonic is the latest Japanese company to break the Japanese workaholic culture by offering a four-day work week.



UAE

- Slashed its official working week to four-and-a-half days in early December 2021. This came into effect on 1 January 2022.

Sources:

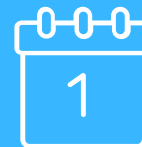
1. Institute for Public Policy Research (IPPR)

2. euronews.next article, <https://www.euronews.com/next/2022/06/06/the-four-day-week-which-countries-have-embraced-it-and-how-s-it-going-so-far, 2022>

QUICK FACTS

EMPLOYMENT ACT 1955 - WORKING HOURS IN MALAYSIA

1. Minimum of 1 Rest Day per week



2. Maximum hours per day = 8



3. Maximum hours per week = 48



4. Overtime payment required for work done outside normal working hours



5. Maximum overtime per month = 108 hours



Source: Malaysian Industrial Relations and Employment Law

CHANGING DEMOGRAPHICS, CHANGING EXPECTATIONS

Ernst & Young Global Limited (EY) Malaysia's recent survey in 2021 revealed that the demand for flexible working is substantial:

Only 22% of Malaysian respondents would prefer to work from the office full-time



Almost half of Malaysian respondents would quit their jobs if not provided with post-pandemic flexibility



9 in 10 want flexibility in where and when they work



7 in 10 Malaysian respondents say hybrid work arrangement will increase productivity and creativity



Source: Survey on Malaysia employees prefer flexible ways of working post-COVID-19 pandemic by EY in 2021

However, not many advertised positions offer flexibility due to the huge imbalances in supply and demand. According to the Federation of Malaysian Manufacturers (FMM), most employers in the country especially Small and Medium Enterprises (SMEs), are not ready for a four-day workweek. He also claimed that the number of public holidays, maternity leave, sick leave, and similar days off offered in Malaysia already averages out the work week to four days.

Source: The Star article, "Employers: No to four-day work week", April 2022



Nonetheless, the advancement in new technologies has gradually closed the gaps. Few established organisations in Malaysia have been slow to embrace the change. Digital companies or more agile companies have evolved naturally, realising the increased opportunities provided by the new technologies to build virtual and remote teams.

One of the local digital and branding agencies, **4 Thirteen**, has implemented the four-day workweek to help employees achieve better work-life balance. Co-Founder and CEO of 4 Thirteen, Danny Gnaniah, also shared that the four-day workweek initiative has proven to be successful for the company and its employees.

KEY BENEFITS FOR ORGANISATIONS

1. Competitive Edge

Smaller companies have always been competing with established global brands in hiring talents. Offering flexibility can give them this edge where they cannot match the staff benefits of their larger rivals.

2. No More 9-to-5

Demand for customer services across countries, time zones and outside of the 9-to-5 working hours has driven the emergence of alternative shift patterns. Offices and call centres have extended opening hours and many companies require employees to work 'out of hours' on a regular basis.

3. Widening the Talent Pool

By offering flexible working patterns, businesses may be able to widen the talent pool, especially for hard-to-fill roles.

4. Productivity from Flexible Workers

There is a lot of anecdotal evidence showing that people who are given the freedom to work where, when and how they want, work more productively and do more than they are paid to do.

5. Staff Retention

Greater flexibility in work patterns will reduce the probability of employees leaving the company.

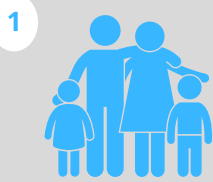
ENGAGING TALENTS THROUGH FLEXIBLE WORKING ENVIRONMENT

Malaysia's female labour force participation rate (FLFPR) in 2020 stood at 55.3%. In 2019, Malaysia was among the lowest in ASEAN at 55.6% compared to Vietnam at 71.8%, Singapore at 70%, and Thailand at 66.6%. This was partly due to the fact that 67% of females with secondary education were outside the labour force. Of this, 63% stated housework and family responsibilities as reasons for not participating in the labour force. *Source: 12th Malaysia Plan document*

One of the key priorities of the government's 12th Malaysia Plan is to increase labour supply based on untapped talents from women outside the labour force and the Malaysian diaspora. Flexible working arrangements are essential for this to happen. Flexibility at work is an important factor driving female employees' decision to join or stay with a company. Other policies, like increasing access to childcare facilities and family-friendly labour laws, could also help.

Top 3 Reasons Women Leave the Workforce

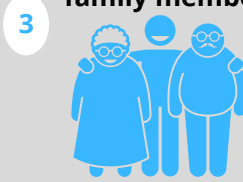
To raise a family



Lack of work-life balance



To care for a family member



UPSKILLING TALENT THROUGH FLEXIBLE WORKING ENVIRONMENT

Another demand for flexibility is in learning, growth and development. A Global Skills Report by Coursera in 2021 ranked Malaysia in the 46th spot, way behind the two higher-ranking ASEAN members, Singapore (10th) and Vietnam (20th) in terms of digital skills. This shows that Malaysia is still a candidate-short market. Many industries are facing hiring challenges as a result of the mismatch between the company's digital growth ambitions and a lack of qualified talents to fulfil those goals. Therefore, it is imperative to upskill the entire workforce to increase the number of individuals who are competent for the high-value jobs that companies are currently offering.

Source: A Global Skills Report by Coursera, 2021

Yet, lack of time is one of the main roadblocks to employee upskilling. The Training Need Analysis (TNA) Survey conducted by HRD Corp in 2019 also indicated that time constraints are a significant barrier to employee participation in training programmes, especially among SME employees. As a result of the fast-growing need for continuous upskilling and reskilling, most firms would adopt a 4+1 work week.

A 4+1 workweek can take various forms and be structured in so many ways. For example, the employer may start implementing four days of work and one day of upskilling or reskilling as a pilot before implementing the four-day workweek as a trial to redesign work and Malaysia's talent development pipeline.

CONCLUSION

Flexible work arrangements provide a win-win situation for both employers and employees to fit the future of employment in Malaysia. A deeper conversation between the industry and government is also required to provide more proactive support, especially to SMEs that are still struggling to transition to a fully remote or hybrid model.

GRANTS AND INCENTIVES FOR EMPLOYERS

The Malaysian Government has launched grants and tax incentives to support organisations in promoting a parent-friendly work environment and retaining women in the workforce.

1 Retaining Talent Through Flexible Work Arrangement

Double tax deductions for consultancy and training costs of up to RM500,000 per annum.

2 Supporting Parents at Work - Childcare Centre in the Workplace

- Double tax deductions for:
 1. Provision and maintenance of childcare centre
 2. Childcare allowance (employees given tax exemption up to RM2,400 per year)
- Tax exemption on statutory income for five years
- Industrial building allowance at 10% per annum.

Source:

Flexible Work Arrangement Income Tax Deduction Initiative by TalentCorp, <https://www.talentcorp.com.my/fwatax>

References:

1. Malaysian Industrial Relations and Employment Law
2. euronews.next article, <https://www.euronews.com/next/2022/06/06/the-four-day-week-which-countries-have-embraced-it-and-how-s-it-going-so-far>, 2022
3. Survey on Malaysia employees prefer flexible ways of working post-COVID-19 pandemic by EY in 2021
4. The Star article, "Employers: No to four-day work week", April 2022
5. A Global Skills Report by Coursera, 2021
6. 12th Malaysia Plan document
7. Flexible Work Arrangement Income Tax Deduction Initiative by TalentCorp, <https://www.talentcorp.com.my/fwatax>
8. HRD Corp Training Needs Analysis Survey, 2019