



MALAYSIA VS SINGAPORE

The impact of the Covid-19 virus is unprecedented. Many countries have revealed stimulus packages as part of its national budget to mitigate the economic fallout from the outbreak. The stimulus packages announced by the Malaysian and Singaporean governments have topped the list of stimulus packages rolled out by governments in ASEAN countries in terms of its monetary size, valued at approximately USD64.6bil (or RM260bil amounting to 18.1% of Malaysia's Gross Domestic Product ("GDP")) and USD42.1bil (or SGD59.9bil amounting to 12% of Singapore's GDP) respectively.

Both stimulus packages rolled out by Malaysia and Singapore have catered for different types of assistance to businesses, such as loans and financing, operating cash flow, tax relief, employees upskilling and wage subsidy. It is imperative to note that stimulus packages are difficult to be compared accurately across countries due to their respective legal and economic institution, facilities and response in each country. It is also insufficient to only compare each stimulus package based on its quantum expressed as percentage of GDP owing to the different economic conditions in each country.

Wage subsidy/co-funding by the government effectively buys time for businesses to brave through the storm to emerge stronger thereafter. For the purposes of this commentary, we will focus our discussion on the wage subsidy/co-funding provided by the respective government which is seen to have the most direct and strongest effect to prevent short-term unemployment, during and after Movement Control Order ("MCO") (Malaysia)/ Circuit Breaker (Singapore) period by compensating businesses directly. The Wage Subsidy Programme (Malaysia) VS The Jobs Support Scheme (Singapore)

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The Malaysian government has allocated USD3.21bil (RM13.8 billion) and the Singapore government has allocated USD14.6bil (SGD20.6bil) to help businesses to retain their local employees by subsidizing or co-funding wages during this period of economic uncertainty. The salient characteristics of both programmes/schemes are as follows –

Malaysia's Wage Subsidy Programme ("WSP")			Aspects of Comparison	Singapore's Jobs Support Scheme ("JSS")
RM4,000 and below			Employee wages	SGD4,600 and below
≤75 employees	76-200 employees	201≤ employees	Size of enterprise	No limit
***The definition of Enterprise Size is based on the total number of Malaysian and non-citizen employees				
Not eligible			Eligibility to foreign worker/expatriates	Not eligible
RM 1,200 / employee / month	RM 800 /employee /month	RM 600 /employee /month	Subsidy amount	<ul style="list-style-type: none"> 25% of the first \$4,600 gross monthly wages per local employee. Licensed food shops and food stalls (including hawkker stalls) will receive 50% of the first \$4,600 gross monthly wages per local employee The aviation and tourism sectors will continue to receive 75% wage support for all applicable months <p>Wage support for the months of April and May 2020 will be topped-up to 75% for all sectors.</p>
3 months			Subsidy period	9 months
1 April 2020 until 31 December 2020 (Subject to availability of fund and subsequent decision by government)			Programme period	April 2020 to December 2020
Up to 75 employees	Up to 200 employees	200 employees	Number of eligible employees	All local employees
Not required	50% or more decline in revenue or income compared to January 2020 or the subsequent months		Proof of decline in revenue or income	Not required
Applications can be submitted through prihatin.perkeso.gov.my starting from 9 April 2020, subject to approval. Application deadline: 15 September 2020			Proof of decline in revenue or income	Employers are not required to apply for the JSS
Employers to retain their employees for at least 6 months (3 months subsidy period and 3 months post-subsidy period) Employers are not allowed to retrench, instruct employees to take unpaid leave or deduct any amount from the employees' salary during the 6-month period			Other Conditions	Subsequent JSS pay-outs reduced correspondingly to any pay-cut exercise. Employers are strongly urged not to resort to retrenchments or prolonged no-pay leave (NPL) to manage business costs during Circuit Breaker.

Wage Subsidy Programme in Malaysia – Effective to Prevent Job Loss?

Malaysia has observed toughened measures or initiatives announced by the government (including the enhanced WSP) as the MCO period prolonged. However, as set out in the table above, we will lay down a few notable shortcomings of the WSP in comparison to the Singapore's JSS as follows –

- **Application is subject to approval by the government.** Unlike Malaysia, Singaporean employers who are eligible under the scheme will automatically be entitled to the benefits. This will prevent any unforeseen hiccups in between the application process to ensure that all eligible employers will benefit from the government's plan.
- **To prove 50% or more decline in revenue or income.** Under the WSP, businesses with 76 employees and above must prove 50% or more decline in revenue or income compared to January 2020 or the subsequent months to be eligible for the subsidy. Almost an impossible condition to be fulfilled by majority of companies.
- **Limited number of eligible employees.** Regardless of how big a company is, the number of eligible employees will be capped at maximum 200 employees. It may have little to no impact on large enterprises and companies which are supposed to be responsible for the employment of hundreds or thousands of people. To many large companies, this may appear insignificant and negligible.
- **No special subsidy rate for heavily impacted industries.** Aviation, travel and retail industries which potentially bore the brunt of the economic fallout clearly require huge reliefs from the government, without which they could end up insolvent due to almost zero revenue and cash flow.
- **Subsidy period is only for 3 months.** Experts opine that it may take months or even years before the world economy finds its feet. Therefore, a longer subsidy or co-funding period from the government appears to be crucial. By subsidising employees' wages for only 3 months may not be able to rescue businesses from massive downturn. In contrast, the JSS provides co-funding of wages until the end of the year. In furtherance to that, the enhanced JSS announced on 6 April 2020 has increased government's co-funding to 75% for the first SGD4,600 monthly salary of all local employees of all industries for April and May 2020.
- **To retain employees for 6 months.** Despite the shorter subsidy period, the WSP has a stricter requirement which specifies that employers are not allowed to retrench, instruct employees to take unpaid leave or deduct any amount from the employees' salary during a 6-month period. Under such circumstances, genuine cost-cutting measures, i.e. salary reduction or temporary unpaid leave for employees may seem to be more practical for some companies to stay afloat in the long run. In contrast, JSS provides a 9-month subsidy and there is no strict requirement save for strongly advising.

It is not difficult to realise that the WSP imposes stricter criteria for employers to be eligible for the subsidy and the subsidy amount is lower for a shorter period. A stimulus package will only achieve its purpose to stimulate economic growth when companies are truly benefiting from it.

The JSS constitutes approximately one-third of Singapore's budget, with a clear focus on employment support. The Prihatin package may sound significantly large, but only a small portion is actual fiscal spending, with the rest coming in the form of release of retirement savings and extension of credit. The WSP for employment support only takes up approximately 5% of the entire package. Perhaps, the Malaysian government ought to shift its primary focus towards employment support for the livelihood of its people. Despite the enhanced initiative by the Malaysian government, people should not be too surprised to see that the actual reliefs received by businesses in term of employees' wage subsidy may not be very substantial.

The Covid-19 outbreak has indeed slapped a stress test on Malaysian economy. In turbulent times, the Government of the day has the power to influence our behaviour and priorities by having policies and incentives which govern how businesses make decisions. Despite having lesser focus on employment support, Malaysians can surely take comfort in the government's toughened measures to cushion the effect of Covid-19 outbreak.

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