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Work Hard, Play Fair: 2024 Amendments to Sabah Labour Ordinance

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ABSTRACT

On October 14, 2024, the Malaysian Dewan Rakyat passed amendments to the Sabah Labour Ordinance, which were subsequently approved by Dewan Negara on December 2, 2024. The amendments, which were last amended in 2005, include significant changes such as lowering weekly working hours to 45, increasing maternity leave to 98 days, introducing seven days of paternity leave, and allowing for flexible work arrangements. Penalties for violations have also been raised from RM10,000 to RM50,000. This study uses doctrinal methodology to analyse the legal provisions of the Sabah Labour Ordinance, supported by pertinent cases from Lexis Nexis, CLJ, and eLaw, as well as existing literature, and assessing the amendment's compliance with international labour standards. The findings suggest that the change is a vital step to protect workers' rights and dignity, guaranteeing that Sabah's labour laws continue to be progressive and adaptable to the needs of the modern workplace. The amendment demonstrates a dedication to creating a just and equitable workplace by tackling important issues like gender equality and work-life balance.

Keywords: Sabah Labour Ordinance, Labour Law Amendments, Employee Rights, Organisational Behaviour.

INTRODUCTION

Labour law, also known as employment law, is a set of rules that govern the relationship between the employer and employees (Krishnan et al., 2022). In Malaysia, the Employment Act 1995 applies to Peninsular Malaysia and the Federal Territories, whereas the Labour Ordinance of Sabah (Cap 67) governs employment matters in Sabah, and the Labour Ordinance of Sarawak (Cap 76) is enforced in Sarawak (Che Shaari, 2020). The primary purpose of these labour laws is to safeguard the rights and interests of the employees and employers (Ikhsan & Kamaruddin, 2023), while also guaranteeing certain minimum standards in relation to employment in the private sector (Krishnan et al., 2022). In Sabah, the Labour Ordinance was initially introduced on 1 January 1950, and its most recent amendment occurred in 2005, prior to the latest revision nearly 20 years later in 2024 (Bernama, 2024).

The Sabah Labour Ordinance (SLO) illustrates a situation where a federal law is adopted at the State level; thus, the authority to legislate on this matter resides within Parliament's legislative scope. Article 76 of the Federal Constitution grants Parliament the power, with either the consent of the State or at the State's request, to legislate on issues typically falling under state jurisdiction, particularly in cases where uniformity of the law is deemed necessary (Jayakumar, 1967). The stipulation that such laws must first be enacted by the State Legislature before they can be enforced ensures the preservation of the distinction between Federal and State powers (Lee, 1976). Article 76 reflects the principle of cooperative federalism, acknowledging that in certain circumstances, the overlapping jurisdictions of Federal and State governments are an unavoidable reality (Khalid & Jalil, 2018). With regard to labour law, Malaysia's approach strongly favours uniformity, a legacy of the British colonial period, which placed a focus on centralising authority in the Federal government (Harahap et al., 2024).



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The SLO's amendment in 2024 was finally materialised after 14 engagement sessions involving the Ministry of Human Resources, Sabah's State officials, and representatives from workers and trade unions. The Bill was passed by Dewan Rakyat on 14 October 2024 (Mohamed Radhi & Sallehuddin, 2024) and received a greenlight from Dewan Negara on 2 December 2024 (Bernama, 2024). The amendments to the SLO aimed to align the statute with the Employment Act 1955, ensuring that employees in Sabah receive the same level of protection and rights as those employed in Peninsular Malaysia (Daily Express, 2024). This study aims to explore the reforms in SLO and its potential impacts on organisational behaviour including leadership, employee motivation, job satisfaction, productivity, and team dynamics. This study also examines the importance of legal compliance in the context of labour laws to ensure organisational justice in the workplace.

LITERATURE REVIEW

Much of the literature on Malaysian labour law focuses on the Employment Act 1955, which applies only in Peninsular Malaysia. For example, Ponniah (1988) traces back the history of labour laws in Malaysia during colonial period and post-independence era, including the introduction of the Employment Act 1955 and the Industrial Act 1967 to protect workers' rights even in the wake of emergency. Mohd Nadzri (2012) outlines key changes introduced by the Employment (Amendment) Act 2012, such as expanding the coverage of the Act, introducing sexual harassment offences, defining the contractor for labour's role, extending employer liability to company officers, recognising Malaysia Day as a compulsory holiday, and requiring reports to the Director General of Labour on foreign domestic servant employment and termination.

Similarly, while Kasmuri et al. (2021) conduct a comparative review of employment law in Malaysia and other commonwealth jurisdictions such as Australia, Canada, and the United Kingdom, the discussion on Malaysian labour law is confined to the Employment Act 1955. In Harahap et al. (2024), the authors conduct a comparative analysis of labour laws in Malaysia and Indonesia and highlight that the law in Malaysia is more centralised as compared to Indonesia. However, the authors do not discuss the fact that in Sabah and Sarawak, specific employment statutes apply respectively. More recently, Hassan et al. (2023) analyse the recent 2022 amendments to the Employment Act 1955, by benchmarking the statute with the international labour standards. While the paper does not discuss the employment law in Sabah, in the concluding remark, the authors suggest that the lawmakers must ensure that the same amendments be implemented in Sabah and Sarawak to ensure equal protection towards employees throughout the Federation. With the lack of literature written on labour laws in Sabah, particularly the SLO, it is the aim of this study to explore the recent changes to the law in 2024 in alleviating the dignity and rights of the workers in Sabah private sector.

As regards the relationship between employment law and organisational behaviour, literature found is mostly from other jurisdictions. For instance, Red and Teng-Calleja (2021) examine how legal compliance with labour laws affects organisational justice and outcomes such as organisational citizenship behaviour, commitment, and turnover intention. Meanwhile, Nadiv and Feldman (2021) discuss how behavioural ethics can inform employment law, focusing on issues like workplace bullying, remote work, and minor daily violations. Sustein (2001) explores the relationship between human behaviour, cognitive psychology, and employment law. The article highlights important aspects of employment law that affect employees' behaviour that include occupational safety and health, age discrimination, vacation, leave time, healthcare, parental leave, workers' union, and compensation. Golovina and Ivanchina (2021) explore the social values of labour law towards organisational and individual needs. The study emphasises that labour law is essential for employees in helping them to meet their basic needs, ensures decent working conditions, and provides social security through various types of insurance. For employers, labour law allows employers to manage the labour process effectively, ensuring the appropriate use of labour in line with enterprise objectives. Besides, for society, labour law contributes to social peace by balancing the needs of employees and employers and supporting economic development.

Storm (2007) discusses two conflicting views on labour laws and organisational growth. On the one hand, they are seen as rigid and believed to hinder productivity growth by increasing adjustment costs and reducing incentives for innovation. On the other hand, labour regulations can enhance productivity by improving worker motivation and fostering a cooperative industrial relations system. The study concludes that labour market



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regulation can positively impact productivity growth by fostering a cooperative industrial relations system and enhancing worker motivation. Despite the extensive literature from other regions on the relationship between labour law and organisational behaviour, this topic is less explored in Malaysia. Therefore, this paper seeks to examine the issue within the context of the recently amended Sabah Labour Ordinance and its potential impact on employees in Sabah.

METHODOLOGY

This research adopts a doctrinal methodology to thoroughly evaluate the legal structure surrounding labour law in Sabah. This approach is particularly effective for conducting a detailed examination of relevant legal documents, including statutes, regulations, and policies related to labour law. The study includes an in-depth analysis of case law sourced from reputable online databases like Lexis Nexis, CLJ, and eLaw, alongside a careful review of scholarly articles on the topic. In addition to the doctrinal analysis, the research also takes a comparative benchmarking approach. This entails a detailed comparison of labour laws in other regions that share similarities with the provisions of the Sabah Labour Ordinance. The goal is to identify the benefits and challenges of labour regulations in these areas. This comparative perspective not only enriches the understanding of the Sabah Labour Ordinance but also provides useful insights into best practices and possible issues in labour law enforcement. By employing this dual approach, the study aims to add to the academic discussion on labour law and its practical impact on workers in Sabah.

FINDINGS & DISCUSSIONS

Amendment to Sabah Labour Ordinance (SLO)

The amendment to the Sabah Labour Ordinance (SLO) in October 2024 has been hailed as a transformative step in aligning Sabah's labour laws with the Employment Act 1955, which governs Peninsular Malaysia. This Bill, which passed in Parliament with unanimous support, marks a historic moment as it seeks to enhance the protection of over two million private-sector workers in Sabah (Sokial, 2024).

This section explores the major changes introduced by the 2024 amendments to the SLO and examines their potential implications for organisational behaviour. The analysis begins by outlining the original provisions of the SLO prior to the 2024 changes, highlighting the rights and responsibilities of both employers and employees under the previous legal framework. It then goes on to detail the specific amendments, explaining the reasoning behind each change and the areas of labour law they address. Key areas such as employment contracts, working conditions, employee benefits, and compliance obligations are thoroughly examined.

Additionally, the section explores the potential impact of these amendments on organisational behaviour. It considers how the legal changes may influence employer-employee dynamics, workplace practices, and the overall culture within organisations operating in Sabah. This includes both the potential benefits such as increased employee satisfaction and productivity, and the challenges businesses might face in adapting to the new legal landscape.

The Explanatory Statement for the Amendment

The 2024 SLO Amendment Bill contains an explanatory statement at the end of the Bill which underscores the purpose of the amendment to bring SLO in line with the international standards and practices as required by the Trans-Pacific Partnership Agreement, the Malaysia-United States Labour Consistency Plan and the International Labour Organisation (ILO). To date, Malaysia has ratified 19 ILO conventions and one protocol, including the Forced Labour Convention, 1930 (No. 29), the Equal Remuneration Convention, 1951 (No. 100), the Minimum Age Convention, 1973 (No. 138), the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187), the Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144), the Employment Service Convention, 1948 (No. 88), and the Protection of Wages Convention, 1949 (No. 95) (ILO, 2024). By being a member of the ILO and ratification of the above conventions, Malaysia has a duty to comply with the provisions of the conventions and reform the local laws to bring them in line with the ILO standards (Abd Razak & Nik Mahmod, 2021).



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Besides, the amendment was introduced as a commitment in fulfilling Malaysia Agreement 1963 (MA63) obligations and to standardise the labour laws in Sabah and Peninsular Malaysia, such as the Employment Act 1955, the Children and Young Persons (Employment) Act 1966, and the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990. MA63 is a pivotal foundational document which led to the formation of the Federation of Malaysia, granting autonomous rights to Sabah and Sarawak, but sadly the two Borneo States are still left behind in developmental aspect compared to the States in the peninsula (Abdullah & Mulia, 2018). The issue of under-development despite their rich natural resources such as oil, gas, and timber, becomes the root of grievances among Sabahans and Sarawakians. For instance, Sabah is entitled to 40% of the net revenue collected under MA63's 'Special Grants to the State of Sabah and Sarawak,' but this provision has never been implemented, and it is unrealistic for the Federal Government to pay such an amount (Chin, 2019).

According to the Human Resource Minister, the 2024 amendment is a testament to the government's commitment to ensure equal treatment and protection to more than two million private sector employees in Sabah with those in peninsula (Mohamed Radhi & Sallehuddin, 2024). The Malaysian Trades Union Congress (MTUC) Sabah also welcome the amendment and described it as a gift to private sector employees in Sabah, major step towards improving working conditions across the State (Sokial, 2024). Ensuring equal protection and treatment before the law is a constitutional right enshrined under Article 8(1) of the Federal Constitution (Amin & Afandi, 2021). It prohibits discrimination based on race, gender, religion, descent or place of birth (Chin, 2019). Therefore, this study submits that ensuring equal protection for employees in Sabah falls within the ambit of the equality clause. Besides, the right to work can also be invoked under Article 5(1) of the Constitution which guarantees the right to life and personal liberty (Nik Saleh, 2020). In the case of *Tan Tek Seng v. Suruhanjaya Perkhidmatan* [1996] 1 MLJ 261, the majority of the Court of Appeal ruled that the term 'life' in the right to life under Article 5(1) of the Federal Constitution encompasses all aspects essential to life and its quality, including the right to pursue and engage in lawful and gainful employment.

Nevertheless, it was commented that, in line with the spirit of MA63, Sabah requires its own labour laws because national policies are often inflexible and do not adequately address the unique socio-economic conditions in Sabah, particularly in remote areas such as the plantation, construction, and service industries. The absence of a dedicated State Ministry of Human Resources, the applicability of uniform minimum wage order that burdens small and medium enterprises, and the lack of protection for workers in the informal sector are among the issues that necessitate specific regulations (FMT Reporters, 2025).

Scope of Coverage of the Act

The primary change in the 2024 amendment to the SLO is in term of the scope of the applicability of the Act. The original provision stipulates that overtime pay, work on public holidays, and rest days are limited to employees earning below RM2,001.00 per month. The new provision increases the wage cap to RM4,000.00. The increase of wage gap greatly benefits those who are previously earning more than RM2,001.00 as they are now entitled to statutory protections which are previously unavailable to them (Hassan et al., 2023). As far as Sabah is concerned, this study submits that it reflects the current economic reality in Sabah that many employees are earning more than RM2,000.01 monthly. In the Sabah Employment Report 2019-2020, the data of average monthly salary based on experience and qualification shows that those with STPM qualification and 4 to 5 years' experience earn an average of RM2,077.00 monthly and RM3,000.00 monthly with above 5 years' experience. Meanwhile, for diploma graduates, they start earning an average of RM2,219.00 monthly with 3 to 4 years' experience, RM2,828.00 (4-5 years), and RM3,437.00 (above 5 years). On the other hand, those with a bachelor's degree qualification earn on average RM2,215.00 with 2 to 3 years' experience, RM2,465.00 (3-4 years), RM3,169.00 (4-5 years), and RM3,874.00 (above 5 years) (Sabahjob.com, 2020).

The data indicate that a significant portion of employees in Sabah are earning more than RM2,001.00. Thus, amendment is essential in ensuring that they are also protected by the labour laws. From an organisational behaviour perspective, fair and equal treatment contributes positively to productivity, creativity, and morale (Osei, 2024). Conversely, unequal treatment of employees in the workplace inevitably leads to significant problems such as diminished job satisfaction, increased stress, and reduced loyalty and commitment to



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employers (Ensher et al., 2001) Nevertheless, it is suggested that the wage cap should be removed altogether, to cover all employees despite their monthly wage. This is because ILO conventions and standards do not impose any wage cap for the applicability of the labour laws (Hassan et al., 2023). The current wage cap of RM4,000.00 still discriminates against those who earn more than that amount monthly.

Working Hours

The original provision in the SLO mandated a 48-hour workweek, but the 2024 amendment revises this to a 45-hour workweek. This is similar to the provision in the amended Employment Act 1955. This can be seen as a move in the right direction as the ILO Hours of Work (Industry) Convention 1919 (No. 1) and the Hours of Work (Commerce and Offices) Convention, 1930 (No. 30) provide for a maximum of 48 hours of work per week. Working hours have changed rapidly from the agrarian era and still continue to this day. Working time regulation is enforced to curb excessive working hours and to safeguard the welfare of the employees (Rasmussen, 2023). Excessive working hours is also linked to adverse health effects such as increase the risks of cardiovascular diseases, chronic fatigue, stress, depression, anxiety, poor sleep quality, all-cause mortality, alcohol use, smoking, self-perceived health issues, mental health problems, hypertension, poor health behaviours, poor physical health, injuries, physical inactivity, and depression (Wong et al., 2023). Besides, after working for a certain number of hours, worker fatigue may set in, causing the additional productivity gained from each extra hour of work to diminish (Collewet & Sauermann, 2017).

In comparing Malaysia's 45-hour workweek policy with other countries, in Indonesia, the Manpower Law 2023 stipulates for a maximum of 40 hours workweek (Welgaputri & Surahmad, 2024) while section 38 of the Singapore's Employment 1968 provides for 44 hours workweek for common arrangements (Ministry of Manpower, Singapore, 2024). In Brunei, under the Employment Order 2009, the maximum hours of work per week is 44 (Bipo Times, 2022). Thus, while the reduction of work hours in the amended SLO is a positive step, it still falls behind other neighbouring countries. Some jurisdictions go even further by implementing a four-days' work policy, which is growing in popularity. The movement is part of a larger discussion of worklife balance where the supporters of the four-day workweek argue that employees, businesses, and society at large would be better off with one less day at work (Abrams, 2025). In a recent report surveyed over 5,000 professionals and companies across 11 Asian countries, it was found that 94% of Malaysian professionals want to try a 4-day work week, with 50% believing it would boost productivity. However, while 79% of employers see it as feasible, only 29% have plans or are considering transitioning to a 4-day work week within the next two years, compared to the Southeast Asian average of 37% (Walters, 2024). Although implementing a fourday work policy seems unfitting due to the unreadiness of the Malaysian employers, it is suggested that the reduction of working hours should be aligned with other Asian counterparts to promote work-life balance in Malaysia.

Maternity Benefits & Protection

Maternity protection in the workplace is a legal safeguard for female employees, recognising their dual responsibilities of being productive at work and thriving in their family roles (Harooni, n.d.). According to Article 4 of the International Labour Organisation's (ILO) Maternity Protection Convention, 2000 (No. 183), women are entitled to a minimum of 14 weeks of paid maternity leave. Initially, Section 83(1) of the SLO limited maternity leave to 60 days. However, the 2024 amendment aligns this provision with the ILO Convention, extending the paid maternity leave period to 98 days, equivalent to 14 weeks. This change ensures that the paid maternity leave duration in Sabah meets international standards, providing better support for working mothers.

From a social welfare standpoint, maternity benefits, such as paid maternity leave, provide women with the assurance that they will continue to receive their monthly salary even while they are away from work after giving birth (Lavael & Kirubagaran, 2022). Additionally, this will ensure that career women do not have to choose between their professional aspirations and their family life. With the security of paid maternity leave, they can confidently pursue both career and family goals without the fear of losing their income or having to



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resign. This support allows women to maintain their professional pursuit while also embracing the responsibilities and joys of motherhood, fostering a more balanced and fulfilling life (Mulitharan, 2022-2023).

In Indonesia, Law 4/2024 grants working mothers a minimum of three months of paid maternity leave, with the possibility of extending it for an additional three months under special circumstances, such as health issues or complications that endanger the mother or child's health during pregnancy or after childbirth, with a doctor's authorisation. During this maternity leave, mothers will receive their full salary for the first four months and 75% of their salary for the fifth and sixth months. This marks a significant improvement for employees, as the previous Law No. 13 of 2003 on Manpower, amended by Government Regulation in Lieu of Law No. 2 of 2022, only allowed for up to six weeks of maternity leave after childbirth (Lovells, 2024).

In Singapore, a woman is eligible for 16 weeks of paid maternity leave if the following conditions are met: (Ministry of Manpower Singapore, 2024)

- The child is a Singapore citizen.
- For employees: The individual has served their employer for a continuous period of at least 3 months before the child's birth.
- For self-employed individuals: The individual has been engaged in their work for at least 3 continuous months and has experienced a loss of income during the maternity leave period.
- The individual has given their employer at least one week's notice before commencing maternity leave and informed them as soon as possible of the delivery. If this notice is not given, the individual is only entitled to half the payment during maternity leave, unless there is a valid reason for not providing the notice.
- During the leave period, the employer will pay the individual, and they can then claim reimbursement from the Government under the Government-Paid Maternity Leave (GPML) scheme.

When comparing the maternity leave duration in Indonesia and Singapore, the 98 days mandated under the SLO still falls short compared to neighbouring countries.

Paternity Leave

Given the evolving domestic arrangements in many families, where both spouses are employed, paid parental leave is crucial to support employees following the birth of a child (Pizarro & Gartzia, 2024). Paternity leave is introduced to enhance a father's involvement with his newborn, fostering a stronger bond between father and child from the earliest stages of life. This leave acknowledges and promotes the shared responsibility of child-rearing between both parents, ensuring that fathers have the opportunity to actively participate in nurturing and caring for their infants. By supporting fathers in taking time off work, paternity leave helps to balance the caregiving duties, contributing to a more equitable distribution of parental responsibilities (Petts & Knoester, 2018).

In Sabah, prior to the SLO amendment, there was no provision for paternity leave. As a result, fathers had to use their paid leave or take unpaid leave to care for their newborn and support their wife after childbirth. This lack of formal paternity leaves often placed additional financial and emotional strain on families, as fathers had to balance their work responsibilities with the need to be present during the crucial early days of their child's life. The introduction of seven days' paternity leave in the 2024 amendment marks a significant step forward in recognising the importance of a father's role in child-rearing and providing much-needed support to families during this critical period (Sofiah, 2024).

Currently, there is no established ILO standard for the duration of paternity leave. However, the European Parliament and Council have adopted Directive 2019/1158 on work-life balance for parents and carers, which



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mandates ten days of paternity leave in member states (Booth, 2020). In Indonesia, under Law 4/24, male employees are eligible for two days of paternity leave, with the option to extend it by an additional three days (Lovells, 2024). In Singapore, from 1 January 2017, eligible working fathers, including those who are self-employed, are entitled to two weeks of paid paternity leave funded by the Government (Minister of Manpower, Singapore, 2024). When comparing the duration of paternity leave in Sabah, Indonesia, and Singapore, it becomes evident that seven days is a promising beginning, especially considering that the concept of paternity leave was previously non-existent in Sabah. This initiative not only aligns Sabah with the practice in Peninsular Malaysia, but also promotes a more balanced approach to parenting, ensuring that fathers could actively participate in nurturing and caring for their newborns.

Flexible Working Arrangements

The COVID-19 outbreak has necessitated significant innovation within industries and organisations to accommodate more flexible working arrangements (FWAs). As the pandemic disrupted traditional work environments, businesses had to quickly adapt to ensure continuity and productivity while prioritising the health and safety of their employees. This shift has led to the widespread adoption of remote work, hybrid models, and flexible hours, allowing employees to balance their professional responsibilities with personal and family needs more effectively (Rahman et al., 2020). Driven by social trends and technological advancements, FWAs allow employees to continue their careers while starting families or avoiding relocation for temporary positions, with benefits such as improved productivity and creativity. Surveys indicate that a significant majority of companies have adopted flexible working policies, reporting enhanced productivity and reduced stress (Borrell-Damian & Haeussler, 2018).

The 2024 SLO amendment introduces flexible working arrangements (FWAs) in Sabah through Chapter XIVB. Employees can apply in writing to adjust their work hours, days, or location. Employers must respond within 60 days, either approving or providing written reasons for any refusal. In Peninsular Malaysia, the Department of Labour has published the "Guidelines for Implementation of Flexible Work Arrangements". The guidelines define FWAs as flexibility in working hours, days, or location, and provide examples such as flexible start and end times, working fewer days per week, and remote or hybrid work options. These changes aim to support work-life balance and adapt to modern work environments (Alagaratham et al., 2024). With the implementation of FWAs in the SLO, it is reasonable to anticipate that similar guidelines will be adopted in Sabah. The adoption is essential to create a more consistent regulatory framework across the region, simplifying compliance for businesses operating in both areas. This consistency would also enhance the attractiveness of Sabah as a place to work and invest, contributing to its economic growth and development.

Sexual Harassment

The 2024 SLO amendment also introduces a new Chapter IIB on sexual harassment. The Ordinance defines "sexual harassment" as "any unwanted conduct of a sexual nature, whether verbal, non-verbal, visual, gestural or physical, directed at a person which is offensive or humiliating or is a threat to his well-being, arising out of and in the course of his employment". The Chapter also provides guidelines for inquiry procedure following sexual harassment complaints. Prior to the inclusion of sexual harassment offence in the SLO, Code of Practice on the Prevention and Eradication of Sexual Harassment in the Workplace 1999 published by the Ministry of Human Resources, applies. However, since the Code is only a guideline, it does not carry the weight of law, allowing individual companies the discretion to choose whether to implement it (Kaur, 2009).

With the introduction of a special chapter on sexual harassment in the SLO, employers are now under the obligations to comply with the law. According to section 7W of the new SLO, any employer who fails to inquire into complaints of sexual harassment, to inform the complainant about the refusal to inquire the complaints, to submit report of inquiry to the Director General of Labour, or to exhibit notice of awareness on sexual harassment, shall be subject to a fine not exceeding RM50,000. This study submits that this penal provision could act as a deterrence to ensure employers' compliance with their obligations under Chapter IIB of the SLO. This is also aligned with the Violence and Harassment Convention, 2019 (No. 190) which aims to eliminate violence and harassment in the world of work, recognising it as a human rights violation and a threat



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to equal opportunities. highlights the need for a comprehensive approach involving laws, policies, and programs to protect workers and promote a safe and healthy working environment.

While the 2024 amendment addresses sexual harassment, it should be considered alongside the Anti-Sexual Harassment Act 2022, which has broader coverage beyond workplace harassment. The Act establishes a twelve-member tribunal to handle sexual harassment complaints (section 4) and is gender-neutral (section 7). If the Tribunal is already addressing a complaint involving the same parties, the court lacks jurisdiction, with some exceptions (section 8). Legal representation is only provided for complex legal issues (section 13). Tribunal hearings are private (section 14), and decisions must be made within sixty days of the first hearing (section 19(1)). Non-compliance with the Tribunal's decision can result in fines or jail time (section 21). Appeals to the High Court are permitted only for serious irregularities (section 23(1)). An Administrator is tasked with creating policies, issuing guidelines, and promoting awareness activities. However, the legislation has been criticized for not adequately protecting against victimisation, hostile environments, and lacking employer obligations to prevent and address such conduct (Hamin et al., 2023).

Employment among Children

One of the issues that are encountered by developing economies, including Sabah, is child labour. Unlike West Malaysia, Sabah is unique as it has a long history of allowing international migrant workers, mainly from Indonesia and the Philippines, to bring their families under a special permit. However, ineffective regulatory implementation and irregular migration lead to some workers and their children becoming "irregular workers and dependents." Additionally, the long migration history of Indonesians and Filipinos in Sabah contributes to children lacking identity documents and the risk of statelessness, exacerbate the problem of child labour (Wahab & Dollah, 2023). The ILO Minimum Age Convention, 1973 (No. 138) requires state parties to establish a minimum age for entry into work or employment; and to establish national policies for the elimination of child labour. The Worst Forms of Child Labour Convention, 1999 (No. 182), which has received universal ratification, The Convention emphasizes the urgent need to prioritize eliminating the worst forms of child labour while maintaining the long-term goal of eradicating all child labour. It mandates countries to take immediate, effective, and time-bound actions to address this issue.

Clause 17 of the SLO Amendment Act aims to revise section 72 of the Ordinance to prohibit children and young persons from engaging in hazardous work and to set the minimum working age at thirteen years. Previously, the SLO did not specify an age limit for children to work. Additionally, Clauses 18 and 19 propose amendments to paragraphs 73b(1)(a) and 73c(1)(a) of the Ordinance to restrict the working hours of employed children and young persons. Under the original provisions, children were not allowed to work between 8 PM and 7 AM. The amendment changes this to prohibit work from 6 PM to 7 AM. For young persons, the original rule barred them from working between 8 PM and 6 AM. The amendment extends this restriction to 6 PM to 7 AM. These changes aim to provide better protection for children and young persons in the workforce, ensuring their safety and well-being. Further protection towards children and young people is accorded under the new Second Schedule of the SLO. They are not permitted to engage in prostitution, gambling and lotteries, sale of alcoholic beverages, social escorts, hosts, massage or reflexology services, pornography, and prohibited substances. These restrictions are a clear statement of prioritising the rights and safety of children, providing legal boundaries that ensure they are not thrust into adult, potentially dangerous, or exploitative situations. The inclusion of areas like social escorts, massage services, and prohibited substances reflects a broader concern for young people's overall well-being, recognising that exposure to these sectors can lead to long-term psychological or physical harm.

Alignment of SLO with Employment Act 1955, Prospects & Challenges

The 2024 amendment to the SLO is intended to bring the labour law in the Sabah in line with the Employment Act 1955 which applies only in West Malaysia (Sandosam, 2025). The amendment largely standardises labour law in Malaysia to ensure equal rights and protection for employees throughout the Federation. Similar provisions that are applicable in Peninsular Malaysia are introduced via the SLO amendment. By reducing the gaps between the labour laws in Sabah and Peninsular Malaysia, it promotes fairer industrial practices and



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greater employer's liability and accountability (Lau & Ying, 2025). The amendment is also regarded as an important step to encourage more foreign companies to invest in Sabah with greater confidence and ease, supported by proper labour legislation (Bernama, 2024). It is also seen as a significant move to fulfil Malaysia's obligations towards the international labour law standards, especially the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work 1998. The Ministry of Human Resources is also hopeful that the amendment would improve Malaysia's reputation worldwide (Bernama, 2025).

While the amendment is largely supported by various stakeholders, there are concerns over the implementation of the SLO. First, while the amendment come into force on 1 May 2025, section IVA on minimum standards for workers' housing, accommodation, and facilities are exempted (Bernama, 2025). With such an exception, many local and foreign workers, particularly in the plantation, construction, and manufacturing sectors in Sabah may continue to live in overcrowded, unsafe, and unsanitary housing conditions. Past studies have shown that poor living standards contribute to health risks, disease outbreaks, and reduced productivity (Iqbal, 2016; Wahab, 2020). Besides, lack of protections for workers' accommodation may undermine investor confidence, especially among multinational corporations that prioritise Environmental, Social, and Governance (ESG) compliance (O'Connor, 2022).

Another concern as regards the amendment to the SLO is the compliance cost faced by small and medium enterprises (SMEs) that are struggling to absorb the rising production costs without affecting their profitability. The Federation of Malaysian Manufacturers (FMM) Sabah branch highlighted that the amendment to the law must consider the realities and gaps of the regional economies between Sabah and Peninsular Malaysia. For instance, in manufacturing sector in Sabah which operate around the clock, many SMEs still rely heavily on manual and semi-automated processes. Thus, the reduction of standard working hours poses a serious challenge to those SMEs. The extension of maternity leave and the introduction of paternity leave would significantly lower productivity output and increase operational costs (Wong, 2025).

The introduction of the national Minimum Wages Order 2024 which raised the minimum monthly wage to RM1,700 starting 1 February 2025 may also put a strain on SMEs. Many businesses have frozen new hiring to contain operational costs and pass the burden on to consumers by increasing the prices of their products (Wong, 2025). By enforcing a uniform wage standard, it may cause serious disruption to Sabah's economic development. There are still substantial differences in the economic structure and cost of living between Sabah and West Malaysia. For instance, in Sabah, there are still many rural areas with lower cost of living and weaker economic structure. SMEs in agriculture, retail and service sectors face immense pressure to comply with the RM1,700 minimum wage policy. Besides, the labour market in Sabah is predominantly low-skilled thereby raising question as to whether the RM1,700 minimum wage is justified (Borneo Post, 2025). The increased minimum wage may cause businesses to reduce their workforce or hire foreign workers instead of locals with lower wages due to their illegal immigration status (Geetha et al., 2024).

Another point of contention is that uniform standard law is inappropriate for Sabah due to its diverse economic conditions. While companies in urban areas may afford to pay higher wages and spend more on compliance costs, businesses in rural areas could not afford to do the same (Geetha et al., 2024). The implementation of the SLO irrespective of urban-rural disparities mya exacerbate inequalities between urban and rural areas. Besides, a significant portion of Sabah's economy is still dominated by informal sectors. Thus, enforcing compliance in such sectors can be difficult (Geetha et al., 2024). Sabah's unique economic profile with dominant informal sector warrants a departure from a standardised national wage policy where a regional-based State's framework should be implemented instead (Beliku, 2025). In term of access and facilities, logistical linkage in Sabah relies only on shippinh, while businesses in Peninsular Malaysia enjoy benefits from world class ports, train system and efficient highway network (Borneo Post, 2024). A sustainable approach that supports both businesses and employees must be introduced (Sokial, 2025).

Weak enforcement is regarded as another major setback to the SLO implementation. Despite the increase in penalties via the amended SLO, it is forecasted that only 10 percent of those in the formal workforce would see the benefits of the new law. The law is weakly enforced in key segment of the workforce especially migrant



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workers in plantation sectors who work in remote areas beyond the reach of the authorities. Currently, Malaysia has about 400 labour inspectors, with less than 100 officers in Sabah, to monitor the 1.63 million hectares of plantations in Sabah alone (Al-Ayubby, 2025). This clearly shows that the Labour Department is understaffed to enforce labour laws and ensure business compliance with the laws. The absence of a Sabah Ministry of Labour or Human Resources Ministry as agreed under the Malaysia Agreement 1963 also makes enforcement more challenging. This is because Federal Government's policies are often rigid and misaligned to meet the actual needs of the Sabah labour market. The need to get Federal approval for foreign labour quotas and permits often lead to delays and seasonal labour shortages in plantation industry. Currently, the State Ministry of Science, Technology, and Innovation holds responsibility for manpower matters, though its core priorities lie in education, library administration, and technological initiatives ranging from space exploration to artificial intelligence (AI) (Thien, 2025).

On flexible working arrangements (FWAs) introduced in the SLO's amendment, it may force businesses, especially SMEs, to hire additional staff as not all industries can adopt to FWAs. Those in the manufacturing and retail industries or those requiring direct customer interaction may find difficulty to implement flexible working hours. A proper guideline is needed to specify which industries are permitted to implement FWAs. Among the jobs that are suitable for such arrangement are graphic designers, call centre operators, draftsmen, and computer programmers. (Nunis, 2024). Another challenge to implement FWAs in Sabah is the disparity in access to and usage of digital technology, particularly in rural areas. In Sabah, Significant digital inequality exists between urban and rural communities. Residents in rural areas face far poorer access to the internet and digital tools compared to those in urban setting. Besides, lower levels of education strongly correlate with limited digital access and usage. Individuals with minimal formal education are particularly affected (Salleh et al., 2023). This presents a challenge to implement FWAs as technological tools such as cloud computing, high-speed internet, mobile connectivity, collaboration tools, and cybersecurity solutions are essential to support FWAs (Staytion, 2024).

CONCLUSIONS

The amendment to the Sabah Labour Ordinance (SLO) in 2024 marks a significant and progressive step towards aligning labour regulations in Sabah with those of Peninsular Malaysia, particularly the Employment Act 1955. This legislative effort is monumental as it not only harmonises labour laws across Malaysia but also acknowledges the unique socio-economic landscape of Sabah, addressing the need for fairer and more comprehensive labour protections for workers in the region. By bringing Sabah's labour laws in line with the Employment Act 1955, the amendment strengthens workers' rights, safeguards against exploitation, and ensures more uniform standards in areas such as wages, working hours, benefits, and employment conditions. For businesses operating in Sabah, this alignment reduces the disparity between the labour laws in the two regions, allowing for clearer regulations and smoother inter-state business operations. Additionally, it promotes better working conditions and provides an essential framework for addressing employee grievances, which could lead to an overall improvement in workplace environments and employee satisfaction.

The potential effects of this amendment on organisational behaviour are vast and multi-dimensional. First, organisations will need to adapt to the more stringent labour laws, which may require adjustments in existing practices related to worker treatment, contracts, compensation, and work-life balance policies. Businesses will likely need to implement more structured human resource management systems to ensure compliance with the new legal standards. This could lead to a greater emphasis on administrative processes, documentation, and internal audits, as organisations ensure they meet the newly standardised requirements. In the short term, companies may face challenges in adjusting to the new regulations, especially small and medium enterprises (SMEs) that may not have the resources to immediately overhaul their policies and practices. However, in the long run, the new legal framework can foster a more positive organisational culture. Clearer labour protections can lead to a more motivated and engaged workforce, as employees may feel safer, more valued, and more secure in their jobs. This could improve productivity, reduce turnover rates, and promote a stronger sense of loyalty and commitment among employees.



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