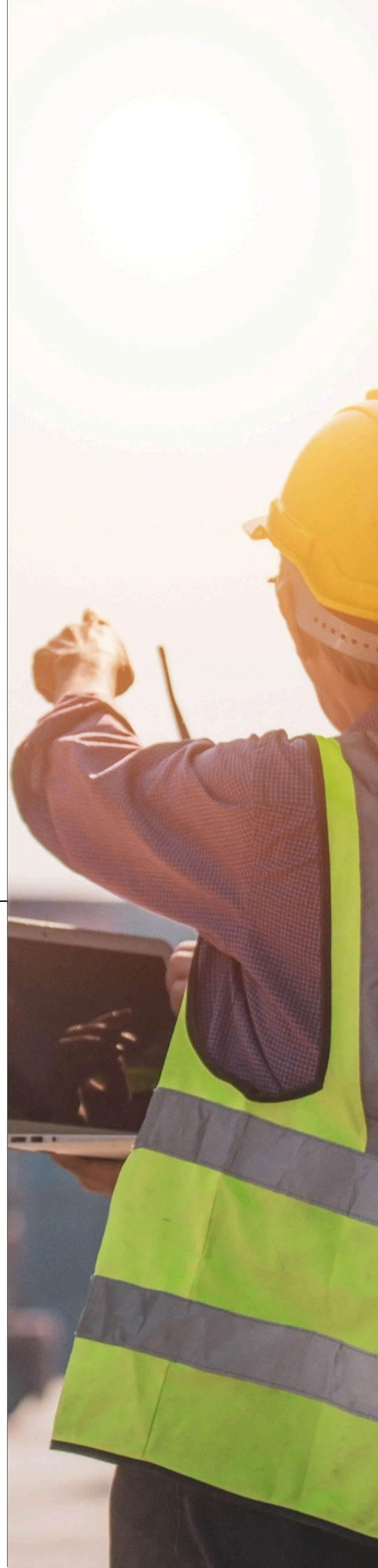


How the Extension of the Invalidity Scheme to Foreign Employees Aligns with ESG

The extension of the Invalidity Scheme under Malaysia's Social Security Organisation ("SOCSO") to foreign employees¹, effective 1 July 2024, should not merely be viewed as an additional legal obligation for employers. Instead, it can be seen as an initiative that encourages companies and businesses to align with ESG principles.

“[T]he extension of the Invalidity Scheme ... demonstrates a commitment to social equity and the protection of vulnerable groups [and] drives improved governance practices.”



Since 2019, foreign employees in Malaysia have been covered only by the Employment Injury Scheme under SOCSO, which mandates employers to contribute to the said scheme in respect of each foreign worker hired. The Employment Injury Scheme provides protection to employees against accidents or occupational diseases arising out of and in the course of their employment².

Now, both employers and foreign employees in Malaysia must also contribute to the Invalidity Scheme, which was previously available only to local employees below the age of 60³. The Invalidity Scheme provides 24-hour coverage to employees who suffer from invalidity or death due to any cause⁴.



[1] As covered by the Employees' Social Security Act 1969.

[2] <https://www.perkeso.gov.my/en/our-services/protection/employment-injury-scheme.html>

[3] Except where the local employee has attained 55 years of age with no prior contributions before age 55.

[4] <https://www.perkeso.gov.my/en/our-services/protection/invalidity-scheme.html>

The extension of the Invalidity Scheme to foreign employees, particularly foreign workers who are typically in blue-collar jobs, demonstrates Malaysia's commitment to social equity and the protection of vulnerable groups. This change ensures that foreign employees receive support in the event of invalidity or death, fostering a safer and more inclusive work environment.

The expansion also drives improved governance practices by ensuring that businesses operating in Malaysia adhere to higher standards of worker protection. This move would also encourage companies to adopt more responsible labour practices and align with global standards for worker welfare.

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