

# HR's Role in Navigating Economic Uncertainty Amid US Tariffs on Malaysian SMEs

## Introduction

The recent 24% US tariffs on Malaysian exports pose significant challenges for SMEs, with workforce stability and HR policies becoming critical focal points in mitigating economic uncertainty. In times of trade disruptions and financial strain, HR leaders must step up as strategic partners who drive workforce resilience, operational efficiency, and employee well-being.

This article explores the **HR policies and strategies** that SME HR heads and business leaders can implement to **adapt, protect jobs, and strengthen their teams** while navigating turbulent trade conditions.

## HR's Strategic Role in Managing Tariff-Related Disruptions

HR needs to proactively anticipate risks, implement adaptive policies, and support employees is crucial in safeguarding businesses.

### 1. Workforce Planning & Employment Stability

The **impact of tariffs** on employment can range from **downsizing pressure to talent migration risks**. HR leaders must develop **structured workforce plans** to address these challenges while retaining key employees.

#### HR Strategies:

- **Talent Risk Assessment** – Identify roles most at risk due to **revenue loss** and create **redeployment solutions**.
- **Alternative Staffing Models** – Introduce flexible contracts, short-term project hires, or cross-functional training to optimize resources.
- **Layoff Prevention Strategies** – Explore internal job rotations, job-sharing programs, and temporary salary adjustments to reduce workforce reductions.

### 2. Employee Upskilling & Reskilling for Market Diversification

To mitigate tariff effects, SMEs must **shift focus to alternative markets and digital transformation**—meaning HR must **equip employees with new competencies** to thrive in emerging sectors.

#### HR Strategies:

- **Reskilling Initiatives** – Train employees in **e-commerce, supply chain management, and digital marketing** to diversify business operations.
- **Cross-Industry Skill Programs** – Partner with **government training programs** to prepare staff for roles in **non-export sectors**.
- **Continuous Learning Culture** – Encourage **micro-learning, certification courses, and industry networking** to adapt to evolving market needs.

### 3. Compensation & Benefits Adjustments During Economic Strain

During financial downturns, maintaining competitive wages and benefits is challenging. HR must balance cost-saving measures while preserving employee motivation and loyalty.

#### HR Strategies:

- **Performance-Based Incentives** – Shift towards **non-monetary incentives** like additional paid leave or career growth opportunities.

- **Flexible Salary Adjustments** – Introduce **tiered compensation structures** that align with **business recovery phases**.
- **Retention Bonuses & Well-being Perks** – Implement **mental health programs, childcare support, and wellness benefits** to retain employees despite economic fluctuations.

#### 4. Mental Health & Employee Engagement in Uncertain Times

Economic instability can lead to **employee anxiety, reduced morale, and burnout**. HR plays a crucial role in **ensuring psychological well-being** while fostering a **resilient workplace culture**.

##### HR Strategies:

- **Employee Assistance Programs (EAPs)** – Provide **counseling, financial planning support, and stress-management workshops**.
- **Transparent Communication Policies** – Keep employees informed on **business strategies, employment decisions, and future direction** to reduce uncertainty.
- **Engagement & Recognition Programs** – Implement **low-cost appreciation efforts**, like monthly acknowledgments, career development talks, and peer mentorship initiatives.

#### Government Support & Policy Integration: A Crucial Lifeline for SMEs

As Malaysian SMEs brace for the potential fallout of US tariffs, strategic government intervention will be essential—just as it was during the Movement Control Order (MCO) period. During that time, swift, people-focused policy responses helped thousands of SMEs stay afloat and preserve employment.

To weather this new wave of economic pressure, a similar blend of **HR-centered programs and policy integration** can make a meaningful difference. Just as the government partnered effectively with businesses and HR professionals during the pandemic, now is the time to **reinvigorate those partnerships**—this time, to tackle trade volatility. With the right policy tools, financial support, and HR strategy alignment, Malaysian SMEs can weather the tariff storm while retaining talent and adapting for the future.

##### Key Areas Where the Government Can Assist:

#### 1. Reinitiate HRDF Grants for Upskilling and Reskilling

The Human Resources Development Fund (HRDF) can be expanded to offer **greater access to subsidized training programs**, enabling SMEs to upskill employees in areas such as digital tools, automation, compliance, and new market readiness—preparing the workforce for diversification and resilience.

#### 2. SME Talent Enhancement Schemes

Building on successful models from the past, the government can introduce or reinforce programs focused on:

- **Job retention incentives**
- **Transition funding for redeployment**
- **Hiring support for re-skilled workers**

These schemes will be crucial in supporting businesses to maintain employment levels while realigning their talent to new business models or markets.

#### 3. Employment Protection & Wage Subsidies

During the MCO, wage subsidy programs played a vital role in curbing retrenchments. Reintroducing or adapting these **employment protection schemes** can:

- Help SMEs absorb short-term shocks in demand
- Avoid unnecessary layoffs

- Sustain employee morale and spending power

#### **4. Advisory and HR Policy Guidance**

SMEs often lack in-house HR policy infrastructure. The government, in collaboration with HR agencies and industry bodies, can offer **consulting support**, HR policy toolkits, and compliance training to ensure SMEs make informed workforce decisions.

#### **Conclusion: Turning Crisis into Workforce Resilience**

US tariffs present a formidable challenge, but Malaysian SMEs can combat instability through HR-led strategies in workforce planning, skills adaptation, compensation realignment, and mental health support.