

MEF: Employment Insurance Scheme may encourage retrenchment

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Insurance scheme for retrenched workers might be 'abused' by employers and employees when it comes into effect, says employers group.



PETALING JAYA: The Malaysian Employers Federation (MEF) has expressed reservations over the proposed Employment Insurance Scheme (EIS), saying it might lead to further retrenchments instead of retaining current workers.

MEF executive director Shamsuddin Bardan said if the bill is approved and becomes law, it might encourage both workers and employers to abuse it.

“The workers would consider ‘forced’ retrenchments and just collect money from the scheme.

“The employers, since they know there is such a scheme, would likely think the same, to benefit from the scheme by laying off workers easily,” he told FMT.

“If we look at business best practices, we should avoid retrenchments because once you retrench, you are losing talent in your company.”

Shamsuddin was commenting on a new bill to implement an insurance scheme for retrenched workers, tabled in the Dewan Rakyat on Tuesday.

Parti Sosialis Malaysia (PSM) central committee member S Arutchelvan meanwhile, hailed the first reading of the EIS bill yesterday, saying the party hopes it will be tabled for the second reading in the next parliamentary sitting.

“We’re also going to have a meeting with the minister tomorrow (Wednesday) at 11am to discuss further and to urge them to push the matter for a second reading because the EIS will only become law after the bill has been passed in the second reading,” he said.

PSM has been pushing for the workers’ retrenchment insurance bill for years, saying it would help employees get compensation if their companies go bankrupt.

Currently, a company that goes bankrupt has no obligation to resolve salary arrears or compensation payments, leading to concerns over the victimisation of retrenched workers.

Under the EIS bill, employers are to contribute a minimum rate based on the amount of an employee’s monthly wages.

The system, to be managed by the national social security organisation (Socso), is expected to come into force on Jan 1, 2018, with payouts starting in 2019.

The scheme covers monthly wages of up to RM4,000, with both the employers and employees contributions ranging from 10 sen to RM29.65 a month.

The system will not be applicable to those who stop work voluntarily.

According to the bill, any employee meeting the conditions of termination which allows for the insurance to be activated, must submit an application within 60 days from the day the employee lost his/her job.

A job search allowance can be paid to the insured person but on the condition that the person shall not be under any employment during the job search period.

According to statistics revealed during the tabling of the bill, the average retrenchment rate over the past 10 years has been 30,000-40,000 workers a year.