

Where are the incentives to prevent retrenchment of staff, ask employers

Ainaa Aiman - March 28, 2020 9:09 AM

PETALING JAYA: Employers claim the RM250 billion economic stimulus package lacks clear-cut incentives for businesses to retain their staff and continue their operations.

The financial aid package was announced by Prime Minister Muhyiddin Yassin yesterday to cushion the economic impact of the Covid-19 outbreak which has resulted in a four-week movement control order (MCO), which has crippled all but essential business concerns.

Malaysian Employers Federation (MEF) executive director Shamsudin Bardan said even though the allocation was on an unprecedented scale, employers were still confused about the next step forward.

“They have tried to cover everybody within this stimulus package, but what is lacking is how this package is actually going to incentivise employers not to retrench their staff.

“What we have seen in this package is basically the so-called ‘wages subsidy’,” he told FMT.

Under the stimulus package, the government will be giving RM600 a month for three months for workers earning below RM4,000 whose companies’ revenue has dropped more than 50% since Jan 1.

“There are limits imposed. Firstly, their salary has to be below RM4,000. Secondly, you must show a particular drop in revenue for the employer of more than 50%.

“That will not cover all employees, I am very sure,” he said.

Giving the example of the significant slash in revenue suffered by MAS, Malindo and AirAsia, Shamsuddin said: “With that kind of drop in business, how are these companies expected to maintain their staff?

“Surely these are not SMEs. Surely, they can’t get any subsidy from the government during this period?



Shamsuddin Bardan

“And, of course, when talking about Malaysia Airlines, they have tens of thousands of employees, the same as AirAsia and Malindo.”

He said these bigger companies must receive some assistance for them to retain their human capital.

He cited calls by the human resources ministry for employers to pay the wages of employees in full during the MCO.

“When you give the subsidy, does it mean that the employees will get their full wages plus this RM600, or what? That, I think, is something that has not really been resolved.

“This kind of thing has created a lot of confusion among employers, and my main worry is if it is so complicated to do business during this period, we might as well call it a day.”

He added that without the right implementation of the stimulus package, the forecast by the Malaysian Institute of Economic Research (MIER) that 2.4 million employees will lose their jobs may become a reality.

‘Industries will take 6 months to a year to recover’

The president of the Federation of Malaysian Manufacturers (FMM), Soh Thian Lai, said the stimulus package has not addressed critical business needs during this time.

“This package is comparatively higher than the allocation by other countries that have already announced their stimulus packages.”

However, FMM said industries were presently facing a catastrophic situation that would risk the continuity or viability of their business.

“Recovery from this situation is easily going to take industries six months to a year at the very least.”



Soh Thian Lai

Soh said the RM600 wage subsidy introduced should have been extended to all employees, regardless of their wage level, and should be an automatic subsidy without the need for companies to prove a 50% drop in revenue.

“FMM had in fact proposed for a 30% wage subsidy by the government on a tripartite-shared basis, together with employers and employees.”

FMM had hoped for a complete exemption from contributions to the Employees Provident Fund (EPF) for nine months, he added.

The economic stimulus package instead only allowed employers to defer, restructure and reschedule their contributions to EPF.

This would still be a burden to employers suffering during this time, he said.

FMM also said the increase in electricity discounts appeared to benefit only domestic and low-voltage users, and does not seem to cover major industrial users who would be impacted most by the interruptions to operations due to the MCO.