

MALAYSIA (/MALAYSIA)

Employers: Why collect RM1.6b in jobless benefits when retrenchment costs RM300m?

BY BOO SU-LYN

Published: August 2, 2017 06:53 PM GMT+8



MEF executive director Datuk Shamsuddin Bardan said the estimated RM1.6 billion to be collected annually for the Employment Insurance System would be excessive. — Picture courtesy of www.mtuc.org.my

KUALA LUMPUR, Aug 2 — The Malaysian Employers Federation (MEF) has questioned the rationale of collecting an estimated RM1.6 billion annually for the Employment Insurance System (EIS) or over 5 times the compensation for all workers retrenched in the Asian Financial Crisis.

MEF executive director Datuk Shamsuddin Bardan based his calculations on contributions of 1 per cent from both the employer and employee (0.5 per cent each) for an average monthly salary of RM2,000 from 6.8 million private sector workers.

This would amount to about RM1.6 billion a year, while he estimated that unemployment benefits for 50,000 Malaysian workers retrenched during the 1997 crisis would total RM300 million assuming that they received half-month wages based on a RM2,000 salary for six months.

“So you collect RM1.6 billion per year, pay RM300 million a year, left with RM1.3 billion in your kitty for what?” Shamsuddin told *Malay Mail Online*.

“The government wants to portray that it’s a very affordable and cheap scheme, where the contribution only starts from 20 sen. This is bordering on ridiculousness. No employer would pay that kind of wages where the pay is RM30 a month,” he added.

The EIS Bill, which allows retrenched workers to claim a portion of their insured salary for between three and six months of unemployment as well as allowances, was tabled for the first reading in the Dewan Rakyat yesterday.

Contributions to the Employment Insurance Fund, which will be based on the worker’s salary, are split equally between the employee and the employer. The contributions based on fixed rates range from 20 sen for workers earning RM30 monthly to RM59.30 for employees earning RM4,000 and above a month.

Shamsuddin claimed that the cost of running the EIS, which would be managed by the Social Security Organisation (Socso), would amount to RM300 million a year, citing a study by the International Labour Organisation (ILO).

Instead of creating an EIS, he suggested that employees contribute extra to the Employees Provident Fund (EPF), such as 1 per cent more, so that a month's wage can be accumulated in eight years, after which contributions can stop. Employers and the government could also set aside one month's wage each.

"So if someone gets retrenched, go to EPF, go to employer and go to government, you get three months' [wages]," said Shamsuddin. "But this EIS is forever, from day one you work until you retire."

He also claimed that "99.3 per cent" of workers were highly unlikely to face retrenchment, but they would still be required to contribute to the EIS.

"If die die cannot avoid retrenchment scheme, don't convert it to insurance. Convert it to a savings scheme. You and I contribute. When I retire and don't want to work and I never collect anything from the scheme, give me back the money. Give some interest and dividend if you're kind enough," said Shamsuddin.

The MEF head highlighted the lack of a risk impact assessment before the Bill was tabled in Parliament.

"As far as the Human Resources Ministry is concerned, I would say there's very little consultation done with the industry before this Bill was introduced," he said.

He also questioned why employers would have to contribute to the EIS when they were already required to provide unemployment benefits for retrenched workers under existing legislation.

Shamsuddin pointed out that the EIS's other functions were redundant, such as training for retrenched workers that was already done by the Human Resources Development Fund (HRDF), job matching and job searches currently provided by Jobs Malaysia, and research on the labour market currently undertaken by the Institute of Labour Market Information and Analysis (ILMIA).

"Why ask employer and employee to pay for such services?" Shamsuddin questioned.

Shamsuddin also pointed out that in the UK, workers cannot contest the validity of their retrenchment if they receive unemployment benefits, but the EIS in Malaysia did not have similar provisions.

"You're maintaining the same environment, but asking employers to bear more cost," he said.

"Currently, employers are up against many challenges in trying to remain in business. This is something that they wouldn't want to incur additional cost on."