

Workers bear the brunt

Retrenchments and shutdowns are expected to be the norm over the next few months as the manufacturing sector faces cutbacks in production in the wake of the global economic slowdown.

By RASHVINJEET S. BEDI
sunday@thestar.com.my

SEVERAL workers at a semiconductor company got a rude shock when they were not allowed into their workplace recently.

When they complained, they were told of their retrenchment and escorted by security guards to collect their compensation and belongings.

This might sound cruel and inhumane, but it happened, says Harenthren (not his real name), an engineer in a semiconductor company in Seremban.

"They definitely have to be worried. Even if they try their luck at nearby companies, they are unlikely to get a job at this moment. Many of them have commitments," he says.

Harenthren, 27, has been spared the chop but several of his senior colleagues have been laid-off.

Over the next few months, the scenario might be the norm as many companies, especially those in the manufacturing sector, are expected to face production slowdowns.

When Western Digital closes its plant in the Sama Jaya Free Industrial Zone, Kuching in March, 1,500 employees will lose their jobs. The company is also closing down its plant in Thailand.

This phenomenon is not limited to Malaysia. Everywhere in the world companies are cutting down on their work force to deal with the economic slowdown.

Sony Corp, the world's second-biggest consumer-electronics maker, plans to eliminate 16,000 jobs in the largest reduction announced by a Japanese company.

Even Toyota Motor Corp, the world's second-largest automaker, expects its first operating loss in 71 years because of plunging North American and European car sales and the surging yen.

In Southern China, at least 2.7 million factory workers are expected to lose their jobs.

The situation in Malaysia is still unclear for now, with the full extent of the crisis to be known in the next few months, say industry experts.

Datuk Wong Siew Hai, the Malaysian-American Electronics Industry (MAEI) chairman says that it is not only the electronics sector which is affected by the economic crisis. Other industries said to be facing difficulties include those dealing with textiles and building materials.

"We are still uncertain about the future, other than the fact that there is going to be a slowdown. Different people have different forecasts but ours would depend on measures taken by the governments (American and Malaysian)," he says.

"Unemployment will go up and people will only spend money on the essentials," adds Wong.

M. Vivekanandan, the Malaysian Employers Federation (MEF) general manager of industrial relations, says as it is, the figures of those retrenched are relatively low.

He however expects the effects to show



In trouble: In Malaysia, the electronics and electrical sectors are the hardest hit, with possible far-reaching implications on the economy.

»They should not bring in any more foreign workers even if they have permits«



G. RAJASEKARAN

up in a few months, and slams those who are still singing the praises of the local economy.

"We are in dreamland if we think nothing is going to happen. We are an export-driven economy and are not insulated from the global economy," he says.

Currently, the manufacturing sector employs about 1.1 million people or 10% of the country's labour force.

One thing that is certain though is, in Malaysia the electronics and electrical sectors are the hardest hit, with possible far-reaching implications on the economy.

According to the Malaysian Industrial Development Authority (Mida), export sales of electronics in 2007 amounted to RM266.3 billion or 58.9% of Malaysia's manufactured exports and 44% of Malaysia's total exports.

G. Rajasekaran, secretary-general of the MTUC says overall demand in the manufacturing sector has gone down by about 40%. This caused factories to shut down for extended periods during the Christmas season.

"During recent shutdowns, companies told workers to take annual leave on non-public holidays. Those who didn't have any leave left were forced to take advanced leave," he says.

According to an AP report, financially struggling American universities, factories and even hospitals are asking employees to take unpaid "furloughs" — temporary layoffs that amount to one-time pay cuts for workers and a cost savings for employers. The report said the number of temporarily laid-off workers hit a 17-year high this year.

"One local semiconductor company is badly affected because GM (General Motors) is the main client and it is not buying anything from them. This company has cut the number of working days," says Vivekanandan.

GM and Chrysler were on the brink of shutting down until the American Government bailed them out with federal loans amounting to US\$13.4bil (RM46.2bil).

In a typical manufacturing factory, the cost of labour is 15-20% of operational cost says Vivekanandan.

"In the long run, it is not beneficial to lose skilled workers, especially when there is a turnaround. Companies will lose out after training them. Retrenchment should always be the last resort," he says.

Vivekanandan says that some compa-

nies have cut expenditure by cancelling dinners, company travels, publications, using less energy and even less stationery.

The Human Resources Ministry has told companies who are facing difficulties to stop hiring new workers, restrict overtime and work on public holidays, reduce number of working hours, temporary layoffs, providing alternate employment, transfers to other departments, pay cuts and terminating employees who have exceeded the retirement age. If all else fails, retrenchment is the last resort.

Under the Employment (Termination And Lay-off Benefits) Regulations, workers would be compensated a part of their salary for each year of service.

For workers who have been with a company for two years or less, compensation would be 10 days of salary per year of work. For those who clocked in between two and five years, it would be 15 days of salary per year and for those above five years, 20 days.

Syed Shahir Syed Mohamud, the president of the Malaysian Trade Union Congress (MTUC) says that if cuts are made, it should be across the board.

Rajasekaran says the Government should make a serious effort to restrict the hiring of foreign workers. The MTUC, he says has urged companies to lay-off migrant workers when their contracts end.

"After that, they should not bring in any more workers even if they have the permits."

Another area which should be looked into is the area of retraining, says Rajasekaran. The Cabinet had approved RM100mil to help re-train retrenched workers and RM70mil to provide skills training for single mothers and unemployed graduates.

"Usually the training is for unemployed graduates. How about the people who have worked for 10 years and have commitments such as mortgages. They won't be able to survive without a job," says Rajasekaran.

Vivekanandan says Malaysia must move from sunset industries such as producing textiles to sunrise industries.

"We are not a low-cost labour centre. We should go into the hi-technology industries such as biotechnology. The future is in these areas," he says.

He cites the example of the Singapore Wages Council which increased wages by 35% in 1979 to force all labour-intensive industries to move out.

Wong also stresses the importance of skills upgrade for workers but would ultimately like to see the Government being more competitive. He says, the current economic climate might be the best opportunity to start doing so.

"The Government should improve the delivery system and the ease of doing business. It is an opportunity for everyone to buck up. If a similar decision has to be made next time (to shut down factories), companies won't pull out of here. We can't stop unemployment but we can minimise it," he says.