Employers say EPF withdrawals are no longer viable

NATION

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PETALING JAYA: The Malaysian Employers Federation (MEF) is backing the government's move to stop any more withdrawals from the Employees' Provident Fund (EPF) for the Covid-19 pandemic or floods, although this is not a popular move.

Its president, Datuk Dr Syed Hussain Syed Husman, said about 48% of EPF members aged below 55 now had critically low savings.

"To replenish the EPF savings that have been withdrawn (under the iCitra, iSinar and iLestari schemes), members need to work an additional four to six years.

"As it is unlikely that the retirement age of 60 years will be raised, these employees would not have enough EPF savings for their retirement," he said.

He told The Star that further withdrawals could also undermine Malaysia's equity and financial markets.

EPF's investments in the equity market stands at about 16% (or RM272bil) of total market capitalisation, which is about RM1.7 trillion, while investments in government bonds are 26% (or RM247bil), and 21% of corporate bonds (or RM166bil).

If further withdrawals are allowed, Syed Hussain said EPF would be forced to liquidate its holdings in equity and bonds, both domestically and abroad, creating market uncertainties. Investors' confidence would also be undermined.

He called on the government to think of other ways to assist the members instead of just passing the matter on to employers or employees.

"It is indeed very worrying to note that only 3% of Malaysians can now afford to retire comfortably," he said.

He added that there should be solutions like social safety net programmes, robust labour market policies, sustainable economic growth, and reskilling and upskilling of the labour force.

Syed Hussain said there should also be policies to encourage automation and digitalisation to increase productivity so employees can earn more and increase their EPF contributions.

While working, he said that most of the needs of employees including medical benefits are supported by employers.

He added that employees who enjoyed medical benefits provided by employers would also need funds to take care of their health needs after retirement.

“Society has become more complex with concepts like the extended family being no longer viable.

“Ageing parents have to depend on their own savings,” he said.

He added they could not expect their children or close family members to take care of them.

“Some ageing parents need home care. All these require adequate savings,” he said.