

# Defer levy increase, says federation

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**KUALA LUMPUR:** The Federation of Malaysian Manufacturers (FMM) has called for a deferral of the increase in foreign workers levy proposed in the second economic stimulus package.

FMM president Datuk Mustafa Mansur said levy changes in the present difficult economic conditions, without giving the industry sufficient time for adjustment, would adversely affect business and increase unemployment.

The government has proposed to double the levy for foreign workers from RM1,600 to RM3,600 a year in all sectors, except construction, plantation and domestic maids. Another proposal is that the levy, previously paid by the workers, would now be paid by the employers.

In a statement, Mustafa said FMM's second survey on the impact of the global economic crisis, conducted from Feb 18 to March 6, had shown that exports, domestic sales, production, new orders, profits, capital investments and expenditure are already badly affected.

They are expected to deteriorate further in the next six to nine months and immediate changes to the levy policy would only hasten the deterioration process.

Mustafa suggested that the policy and procedure changes should be pre-announced and implemented on a gradual basis, according to a set time-frame and in stages such as beginning with new recruitment and then renewals.

He said that while FMM supports the need to reduce the dependency on foreign workers and to move towards greater automation and modernisation up the value added chain, businesses must be given adequate time to adjust their manpower requirements and plan their operations to phase out foreign workers.

"Instead of doubling the levy immediately, the government should consider a gradual increase over time and in proportion to the percentage of foreign workers employed. Additionally, the levy policy must also be standard across all sectors," said Mustafa.

Since every business sector is facing financial difficulties, setting different levy rates for different sectors would be exploited, he said.

Foreign workers brought in officially for the lower levy sector could be deployed illegally as contract or temporary workers to employers in the higher levy sector. Therefore, policy and procedural changes, in particular those relating to foreign workers, should be more comprehensive.

"The operations of outsourcing companies should be terminated to address indiscriminate recruitment and over-supply. Levies should be used to help businesses finance their mechanisation efforts, such as investments in automation and in setting up childcare centres

to attract higher female labour force participation," Mustafa said.

He urged the government to review the proposed changes to the levy policy and defer the implementation on doubling the foreign workers levy until economic conditions improve and levy changes are appropriately planned.

**Bernama** reported yesterday 26,224 workers have been retrenched as of March 19.

It quoted Malaysian Employers Federation (MEF) executive director Shamsuddin Bardan as saying 12,674 Malaysians and 6,651 foreigners lost their jobs outright while the rest took part in voluntary separation schemes (VSS).

He expected more workers to be retrenched in the weeks ahead if there was no improvement in the economy.

He said the recent mini budget did not have much an impact on the companies nor was there immediate incentive for companies to retain their workers.

Except for the reduction in the contribution to the Human Resource Development Fund (HRDF) by 0.5%, there was nothing immediate to gain.

While it was true that the reduction would contribute some RM300 million a year to the manufacturing sector, it was insufficient as the companies were badly affected by the economic downturn.

He proposed that companies be given direct subsidies for retaining workers as was being done in a neighbouring country.

Shamsuddin said employers were doing their best to avoid retrenchment and to sustain their companies as long as they could.

On the proposal to increase the levy on foreign workers, he said it would not deter employers from employing foreigners because Malaysians were not keen to take up jobs in such establishments due to the environment and difficult nature of the job.

For example, in the glass manufacturing sector, the mould stripper's job was not taken up by Malaysians because it entailed working in a very hot and humid environment for long hours.

Shamsuddin said the government should be pragmatic and do away with the increase in levy as it would burden the already weak private sector.

The Malaysian Trades Union Congress (MTUC), while sympathising with the employers, called on them to improve the work conditions to attract locals.

Its vice-president, A. Balasubramaniam, said employers often gave the excuse that Malaysians were not interested in taking up jobs now being done by foreigners but they refuse to pay higher wages and provide better perks and incentives.

He reiterated the MTUC's long-standing call to the government to beef up its enforcement agencies to ensure that employers followed the country's laws in providing the basic minimum work conditions and benefits.