

Rethink proposed pension fund: MEF

PETALING JAYA: The Malaysian Employers Federation (MEF) wants the Human Resources Ministry to reconsider its proposal to set up new pension and retrenchment funds.

The MEF is not in favour of the idea, which it says will have a major impact on the cost of doing business.

"Members of the MEF council were surprised at the the minister's announcement as there was no prior discussion of the matter between the ministry and MEF and other stakeholders," its executive director Shamsuddin Bardan said in a statement.

"The issue of the retrenchment fund was last raised at the National Labour Advisory Council meeting on July 23 last year and MEF requested for a copy of the terms of reference issued to consultants to undertake a study on the matter. Unfortunately, MEF has yet to receive the terms of reference despite the minister's promise at the meeting," he said.

"MEF is of the position that employees are entitled to their retrenchment benefits

and that failure to fulfil this requirement constitutes a serious breach of the law. Notwithstanding, we are of the view that reliable statistics should be made available to indicate the actual number of employers who had not paid retrenchment benefits over the years."

The MEF says the proposed retrenchment fund would serve to bail out recalcitrant and badly-managed companies.

"At the same time, the proposed retrenchment fund punishes good and well-managed companies which have to contribute to it on a monthly basis, and in the event of retrenchment, have to pay retrenchment and termination benefits from their own funds," Shamsuddin said.

"Such well-managed companies will never benefit from the proposed fund, only be punished by having to contribute to it on a monthly basis," he said, adding that employers should be allowed to manage and administer their own funds for retrenchment benefits.

"There is no need to collect retrenchment funds in a separate pool as the

present system works well and labour laws are adequate to deal with the issue of delinquent employers."

MEF said the setting up of a pension fund for the old and self-employed is a duplication of the fund under the Employees Provident Fund.

"It is mandatory for private sector employers to contribute 12% of their employees' monthly salary, with employees contributing 8%," Shamsuddin said.

He said that based on the 2007 MEF salary and benefits survey, about 50% of employers provide for retirement benefits/gratuity. About 65% of those providing retrenchment benefits contribute about 15% to 16% of the employee's monthly salary to the EPF.

"It is pertinent to note that the government as employer, and public servants who are under the pension scheme need not contribute to the EPF. It is unfair and costly for private sector employers to have to make a statutory contribution to the EPF and also to the proposed pension fund."