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True test for industrial relations in 1998

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ALTHOUGH issues pertaining to labour shortage, foreign workers, productivity and wage increases marked the 1997 labour market scenario, the current economic problem dominated the country's agenda especially towards the second half year.

The current economic environment, which traced back to July, when the ripple in the regional's financial market started to show up in Thailand, has created public awareness of the "rouge speculators".

Being the pillar of economic growth, workers in the country, some nine million of them, were also affected by the current economic and financial developments.

The workers, who make up about half of the country's total consumers, have been directly, or indirectly, affected by the uncertainties in the country's economy.

When the economic situation led producers or manufacturers to increase the prices of everyday goods, and given that workers have to buy the same quantity of goods, they have to pay more for them; hence a loss of their purchasing power.

The workers' purchasing power were also weakened when the real income or the value of their salaries were lowered.

However, it was heartening to note that when 1997 came to a close, workers' unions in the public and private sectors have pledged their support for the Government and the leadership of the Prime Minister Datuk Seri Dr Mahathir Mohamad in tackling the country's economic problems.

Human Resources Minister Datuk Lim Ah Lek said that from the feedback he has received from union leaders, they were more concerned with keeping the workers' jobs rather than making situation more difficult by demanding unreasonable wage increases.

The workers' unions were also among other Malaysians who shared Dr Mahathir's belief that the acceptance of a International Monetary Fund (IMF) bailout package to overcome the current difficult situation will make Malaysia to lose its sovereignty to foreigners' demands.

Backed by some 500,000-strong members, the Malaysian Trades Union Congress (MTUC) has openly rejected any IMF bailout.

As the year drew closer to its end, the workers' unions' support were put to the acid test, when on the first Friday in December, the Government announced several belt-tightening measures and revised the economic growth rate.

Analysts believed that the measures were targeted at the non-productive sectors which may not affect consumers directly.

However, should any company go on a downsizing exercise, the workers will be affected, either by being laid off or by having their salaries trimmed.

The Government believes that the workers who are made redundant in certain sectors of the economy can be re-employed by other sectors of the economy, such as in agriculture.

Some argue that since the country is at full employment, the labour market will be less tight and wage pressure will dampen.

The Malaysian Institute of Economic Research forecast that 1998 as well as 1999 will experience a slight increase in unemployment but the figure will still be below 3 per cent, which is still considered as full employment.

So far, the country's harmonious industrial relations climate has been able to weather these challenges.

As Encik Zainal Rampak told Business Times, there was hardly any strike or picket against employers during the 1970s and mid-1980s economic crisis. As such, he does not foresee any turmoil in the country's industrial relations climate during the current economic situation.

Zainal, however, has called for the revival of the Special Relief Allowance and the Cost of Living Allowance, which were introduced in the 1970s and mid-1980s to supplement workers' wages, which have dropped in real value.

Lim, has time and time again, stressed that the country's industrial relations climate is the seventh best in the world.

The ranking was given in the 1997 Global Competitiveness Report by the Geneva-based World Economic Forum. The report attributed the good industrial relations climate in Malaysia to good practices at the workplace, higher comparative wages, attractive labour regulations and employees with a good educational background.

Malaysia is also recognised as a "no-strike" country, and with only 2.59 per cent unemployment, one of the lowest in the world.

Economic development and the education system have brought down the level of unemployment from 6.9 per cent in 1985 to 2.5 per cent in 1997.

The report has also given due recognition to the role of the Human Resource Development Fund (HRDF) in improving workers' skills and knowledge.

In 1997, a total of 518,325 workers have participated in several training programmes under the HRDF involving an expenditure of RM158.94 million.

In 1996, the fourth year of HRDF's operation, there was a tremendous increase in the number of workers being retrained and having their skills upgraded.

The number of workers who participated in the various HRDF programmes in 1996 saw an increase of 62.1 per cent, when compared with 319,710 in 1995.

While employers have fussed about the difficulties in getting local workers, the Government, on the other hand, has introduced various measures to curb the country's dependency on foreign workers.

The Cabinet's recent directive has imposed upon employers to register with the Home Ministry, all foreign workers that they intend to retrench before they let the workers go. This will enable other industries facing labour shortage to absorb the redundant workers.

The ministry will also make permit renewals more stringent for some 140,000 registered domestic maids.

The recent proposal of one foreign maid per household has received mixed response from the public.

It is estimated that about 2 million foreign workers are working in the country, bringing the total workforce in the country to more than 9 million.

Last year the guidelines on the Wage Reform System was introduced.

These guidelines had earlier on August 1 1996 been endorsed by the National Labour Advisory Council (NLAC) - a tripartite body comprising representatives from the Government, employers and workers.

According to Lim, its response was poor. He attributed it to the lack of understanding on the benefits of the system, lack of employers' transparency and openness in implementing it as well as the workers' attitude towards the change.

However, he said the Government will continue to promote the wage reform which pegged productivity to wage increase. He added that the Government has no intention as yet to make the system compulsory.

Meanwhile, the Malaysian Employers Federation (MEF) has proposed a guideline which set a ceiling for any salary increase under the productivity-linked wage system.

MEF executive director Zain Majid had told Business Times that if a ceiling of 10 per cent is set at the national level, both employers and employees can then negotiate for any salary increase within that framework.

Both Zain and Lim believed that firms which have adopted the wage reform system have shown better productivity.

Zain meanwhile, has called for more transparency from firms in revealing their financial results for the wage reform system to be accepted by the workers.

The Employment Act 1955 will also be given more bite when proposed amendments to the Act are passed by Parliament.

The proposed amendments include a maximum jail sentence of 10 years and a fine of RM10,000 for employers on all offences under the Act. This is about five times more than the current RM2,000 fine for all penalties. There is no provision for any custodial sentence in the existing Act.

The amendments also seek to encourage employers to implement the flexi-wage system which will increase the productivity and workers' income without involving extra liabilities to the employers in terms of statutory benefit payments.

The amendments will also give more power to the Labour Court to hear and decide claims by white-collar workers whose salaries range between RM1,501 to RM5,000 a month. Currently, only those earning less than RM1,500 can file claims through the Industrial Court.

The proposed amendments, scheduled to be tabled during the March session of the Parliament, will also see employers having to lay off foreign workers first under any retrenchment exercise.

On the safety front, more can be done by everybody, including employers, workers and the Government.

It is estimated that the country has incurred a loss of productive manhours worth RM1.2 billion in 1995 due to industrial accidents.

The construction industry has been identified to having registered most of fatalities in industrial accidents.

The year 1998 will be a true test for the country's industrial relations climate. Will it be able to maintain its strong facade against any economic typhoon or will it crumble to the regional economic flu?

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