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Recognising the contribution of civil servants

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THE RM600 special payment from the Government to civil servants and pensioners is not expected to have any major impact either way on Malaysia's economic growth. Economists say the amount is not large enough to aggressively fuel faster recovery, or to significantly erode the Government's financial position.

The Government can afford to make the payment, they say, considering the amount of money that will be raised from the US\$2 billion bonds issued recently, coupled with other loans from external sources including Japan. Malaysia is among the major recipients of funds from Japan's Miyazawa Initiative - a US\$30 billion (US\$1 = RM3.80) two-year aid package for Asia announced last October by Japan's Finance Minister Kiichi Miyazawa. And because the payments will be made in six instalments, the impact on both the economy and the Government's coffers will be gradual and minimal. "The Government can more than afford to make the payment. This is really a gesture in recognition of the services of civil servants, as well as to help ease their financial burden following the economic crisis," one economist said.

About 350,000 pensioners or their beneficiaries will each receive a RM600 special payment from the Government beginning July, costing the Government about RM210 million.

Add to this the RM480 million to be paid to more than 800,000 civil servants in a similar payment announced by First Finance Minister Tun Daim Zainuddin in early June, and the Government will be spending a total of RM690 million.

The special payment excludes senior officers in the Civil Service Top Management Group as well as pensioners who were in the group comprising those in super scale C and above.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in a statement released by his office on Tuesday, said the Government decided to make the special payment based on the economic situation and inflation.

The economy has been showing signs of recovery, with positive growth expected for the second quarter of the year. In the first quarter 1999, there was a smaller contraction of less than 2 per cent against first quarter 1998's contraction of about 10 per cent.

The Consumer Price Index for May 1999 was 2.9 per cent, unchanged from April, but in much better shape than the 5.2 per cent recorded for January 1999.

The special payment to pensioners has already been well received by civil servants, with Cuepacs calling it an unprecedented gesture by the Government. The RM600 is expected to make a lot of difference particularly to those receiving the minimum RM180 a month pension.

According to Cuepacs, about 50 per cent of pensioners receive less than RM200 a month. The Association of Pensioners Malaysia, meanwhile, claims that about 70 per cent of pensioners are below the poverty line with income less than RM500 a month.

Its secretary general Nordin Aphyandy Abu Bakar, in welcoming the special payment for pensioners, said it showed that the Government values the contribution made by former civil servants.

The association is expected to appeal for the special payment to be extended to all pensioners, including those who were in top management. This group is said to represent only 2 per cent of total pensioners and

would involve an additional RM300,000.

Last December, Dr Mahathir announced that civil servants will be given a sum of RM400 each as financial aid, particularly for their children's schooling and other expenditure. This cost the Government RM340 million. The Government first gave civil servants a bonus of half a month's salary or a minimum of RM400 in 1993, followed by one month's salary or a minimum of RM600 in 1994 and 1995.

In 1996, the bonus was also a month's salary or minimum of RM700 for the lowest category and last year it was a month's salary or a minimum of RM700 paid out in two instalments.

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