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The case for employers, employees to contribute more to Socso

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HAVING to pay more for something which you have been paying all this while can be extremely annoying. And not many are willing to do so if the benefits are "unseen".

Take social security coverage for instance.

All workers in the private sector and statutory bodies earning less than RM2,000 a month are required by law to contribute to Socso.

And since Socso's inception in 1971, the contribution has been set at an equivalent of 2.25 per cent of a worker's salary. This is paid in return for social security coverage.

Of the amount, 1.75 per cent is paid by the employer and the rest by the employee.

Socso should be commended not only for not increasing the quantum since then, but also introducing several other benefits for members and their beneficiaries.

Over the past few years, it has been paying out hundreds of millions of ringgit each year to workers who were no longer able to work. In the event a worker dies, his or her beneficiaries are given some form of compensation or pension.

In short, Socso has generally been doing a good job.

However, an announcement by Human Resources Minister Datuk Fong Chan Onn on Thursday that workers and employers alike may have to up their contribution to Socso in the immediate future needs some serious discussion.

The announcement may not go down well with workers, more so their bosses.

Looking back, workers' representatives at one time had even proposed that if they had not received any compensation from Socso in their working years, the organisation should return their contributions when they reach the mandatory retirement age of 55 years.

They felt that like in an insurance scheme, the money contributed by an individual would eventually be returned when the policy matures.

However, Socso differs from an insurance scheme and the idea was dropped.

As for employers, they had suggested that Socso stop collecting contributions as it had assets worth billions of ringgit.

That was in 1997, when the Federation of Malaysian Manufacturers had during the 1998 Budget dialogue said that as Socso already had RM5 billion in its coffers, it should have sufficient funds to pay pensions or compensation to workers.

But the then Human Resources Minister Datuk Lim Ah Lek had stated that as Socso must invest at least 50 per cent of its monies in government securities or bonds, its earnings from investments would eventually be insufficient to pay pensions or other forms of compensation.

(Socso paid out RM139 million in compensation and benefits in 1992 compared with RM650 million last year).

Given all these developments, there is some justification to Fong's statement that workers and employers may eventually have to pay more to Socso.

Let us now look at the proposed National Retrenchment Scheme.

The scheme was mooted by the Malaysian Trades Union Congress at the height of the economic crisis in 1998.

At a Workers' Day gathering two weeks ago, Prime Minister Datuk Seri Dr Mahathir Mohamad urged employers to support the scheme.

Under the scheme, workers of companies which go bust will be paid some form of compensation from this fund. The MTUC had proposed that Socso be entrusted to manage the fund.

The only drawback is that employers and workers will have to make contributions towards this national retrenchment fund too.

The idea has been well received by workers but objected to by employers.

What the Human Resources Ministry can do now is to convince the Cabinet that Socso be allowed to manage the national retrenchment scheme.

Secondly, the ministry should propose a minimal increase in Socso contributions to be paid by employers and workers - the quantum had not been increased for almost 30 years.

Thirdly, if the quantum of contribution is increased to say, 2.5 per cent from the present 2.25 per cent, then Socso could replenish its coffers and a retrenchment fund could also be set up.

At present, in the case of a worker earning RM1,500 a month, a sum of RM33.75 has to be paid every month to Socso. Of the amount, RM26.25 is paid by the employer.

If the Socso rates are increased to 2.5 per cent, the contribution will go up to RM37.50 every month - an extra RM3.75 from some five million active contributors every month or almost RM19 million going into Socso's coffers.

Based on a formula, the ministry can then propose to the Cabinet that some of the money be put into the national retrenchment fund while the rest be put into Socso's coffers. Then sell this idea to employers.

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