

9% is compulsory

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Difficult to give EPF contributors the option to decide, says Mahathir

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KUALA LUMPUR, Thurs: The 2% reduction in EPF contribution for workers is compulsory, and it will begin next month.

It is difficult to allow workers the option of contributing either 11% or the new rate of 9%, the prime minister said today.

"That is why it is made compulsory," Datuk Seri Dr Mahathir Mohamad told reporters after opening a forum here.

He was responding to objections from the MTUC, which wants workers to continue remitting 11% to the EPF. It feels that the reduction, even though for only one year, will affect workers during their retirement.

Mahathir said the government is willing to review the reduction, made to encourage spending and boost a slowing economy, if there are objections.

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He had announced wide-ranging pre-emptive measures on Tuesday to keep economic growth at 5%-6% this year to counter a US slowdown expected to affect Malaysian exports and, consequently, the national economic growth.

Among the measures is the reduction in EPF contribution which effectively means about 9.7 million workers will have more money to spend.

The Sun reported today that the EPF management is studying whether contributors can be given the option to maintain a 11% contribution.

Elaborating on the issue, Mahathir said the government is willing to review the decision if many people object to it, but if this happens, "employees will then ask the government for salary increments which the government cannot afford to at the moment".

He said the EPF collects about RM1.6 billion a month from its contributors and that an increasing sum of money needs to be invested.

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"There are not too many areas in which you can invest and get something out of it. So, perhaps it is better to spend a little temporarily, not too much, and this will not affect our savings," he said.

Mahathir also said the country's savings is about 40% of the Gross Domestic Product and this is "very high" compared to other countries.

Meanwhile, EPF said the 2% reduction in workers contribution will amount to RM125 million a month or RM1.5 billion a year.

Its public relations man-

ager, Ahmad Fauzi Kamarudin, said this will not have "any bearing" on EPF's investment activities.

"EPF contributions for the April wage, payable not later than May 21, 2001, will be based on the new rate of 9% and will be effective until the March 2002 wage," he said.

The employers' contribution will remain at 12%.

Ahmad said that to facilitate the computation of the new rate, a revised schedule on the monthly contributions will be distributed to all employers soon. The new rate will also be on the EPF website, www.kwsp.gov.my/kwsp, from Sunday.