

# Cut in EPF may be reviewed if many disagree

Bt 3.0 MAR 2001

THE Government is prepared to review the proposed 2 per cent cut in employees' contributions to the Employees Provident Fund (EPF) if many contributors are against it, says Prime Minister Datuk Seri Dr Mahathir Mohamad.

In the meantime, he said, the reduction from 11 per cent to 9 per cent will take effect from April 1.

"It (the cut in EPF contribution) is compulsory because it is hard to make it voluntary. If they do not want the 2 per cent cut in contribution, we can review it," he told a news conference after opening MSC-Lucent Bell Labs Technology Forum in Kuala Lumpur.

Dr Mahathir was asked to comment on the mixed response from the public, including the trade unions, on the proposal to cut employees' EPF contributions by 2 per cent for a one-year period.

It was one of the steps outlined in Tuesday's announcement of expansionary fiscal measures to stimulate domestic consumption and activities to offset the possible impact of the US slowdown on the Malaysian economy.

The move will see workers contributing 9 per cent of their monthly pay starting April 1 this year for 12 months. However, employers' contribution for each worker every month is maintained at 12 per cent.

The Prime Minister, however, said the Government will face a problem when employees, who disagree with the cut in their EPF contribution, ask for a pay rise. "As of now, we can't afford to do so," he said.

Dr Mahathir said the EPF has a large fund as it collects about RM1.6 billion a month.

The fund is growing and the EPF needs to invest the

money but there are limited opportunities for it to make investments that bring good returns.

"So, it is better perhaps, (for the workers) to spend a little, not too much. It is only temporary. It won't affect the savings. Our savings are 40 per cent of the gross domestic product and that is very high compared to other countries," he said.

With a contributor base of nearly 9.7 million people in the private and public sectors, the EPF, Malaysia's largest pension fund, is expected to collect more than RM200 billion this year.

Analysts do not see the reduction in employees' contribution to have any impact on the agency's funds.

They said a shrinking fund would be the least concern of the EPF as it is backed with ample liquidity, and is more concerned with limited safe

and profitable avenues to invest in.

On Wednesday, Bank Negara Malaysia Governor Datuk Dr Zeti Akhtar Aziz said the 2 per cent cut in EPF contributions will have a multiplier effect on the whole domestic economic activities when the workers spend their extra take-home pay. She advised consumers to spend productively, instead of cautiously.

Malaysian Trades Union Congress leaders, meanwhile, are against the cut as they see the EPF contributions as workers' old-age savings.

The union had earlier suggested for a rise in both employers' and employees' contributions to the EPF.

There are also quarters who suggested that the cut be made optional and not compulsory. Others are suggesting that the cut be made compulsory to workers who earn more than RM5,000 a month. — *By Hamisah Hamid*