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Employers reject revised plan for retrenchment fund

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EMPLOYERS have again rejected the proposal to set up a retrenchment fund to help workers whose services are terminated without compensation even after the Human Resources Ministry has fine-tuned the original plan.

Sources said employers are not agreeable to the setting up of the fund, citing high operational costs, as one of the reasons. They expressed their reservations about the fund in their paper on the National Retrenchment Scheme (NRS) submitted to the ministry last month.

"Besides citing high costs, they also said that not many employers fail to pay compensation when they lay off their workers," a source close to the ministry told Business Times in Kuala Lumpur.

It is understood that the paper was prepared by the Malaysian Employers Federation (MEF), the Federation of Malaysian Manufacturers (FMM) and the Malaysian International Chamber of Commerce and Industry.

Employer associations took two months to study the ministry's proposals, which were forwarded to them at a tripartite meeting (among representatives from the Government, unions and employers) in March.

Employers have maintained their stand against the fund from the time it was proposed by the Malaysian Trades Union Congress (MTUC) at the height of the Asian financial crisis that caused more than 150,000 workers in the country to lose their jobs.

When some employees were laid off by their employers without any compensation and mandatory benefits, the MTUC suggested that a retrenchment fund be set up to ease the financial burden of the affected workers.

It was proposed that an employee contribute RM1 to the fund every month, with the employer chipping in the same amount.

As the scheme would not be similar to unemployment funds in Western countries, the MTUC proposed that retrenched workers be allowed to get assistance from the fund only if they had been jobless for more than three months.

It also suggested that the Social Security Organisation (Socso) should manage the NRS.

Groups such as the MEF, the FMM and the Malayan Agricultural Producers' Association reacted unfavourably towards the proposal as they said it would increase costs and force responsible employers to bear the burden created by the "black sheep".

However, Prime Minister Datuk Seri Dr Mahathir Mohamad, on Workers' Day in May last year, said the Government was willing to implement the NRS if employers agreed to it.

After a Cabinet directive, Human Resources Minister Datuk Dr Fong Chan On set up a tripartite committee to study the scheme, taking into account employers' reservations. Subsequently, the original proposal was fine tuned and circulated to employers' representatives.

Under the revised proposals, contributions for the fund, to be managed by Socso, are 0.15 per cent of an employee's monthly pay and matched by a similar amount from employers.

It is understood that another proposal is to make the NRS a revolving fund whereby workers will return the contributions to the fund once they have secured retrenchment benefits from former employers through court action.

Nevertheless, the source said employers disagreed with all the

ministry's proposals, including the role of Socso in managing the fund. "They only gave excuses but have not come out with counter-proposals on the fund," the source said.

Ministry officials are now studying the employers' views and the next tripartite meeting in August is expected to discuss the issue.

According to another source, if there is a stalemate on any issue, the ministry will normally submit the views of both sides to the Cabinet. "The Cabinet will then make a decision," he said.

The source, however, added that the ministry would rather try to get all parties to reach a consensus on any proposed scheme.

In another development, the International Labour Organisation (ILO) said alarmist predictions about the costs of social protection, to a large extent, are unjustified.

The ILO World Labour Report 2000 cited research which proves that there is no systematic relationship between social protection expenditure and economic performance indicators such as unemployment and labour productivity.

Instead, the report said, countries with the best social protection systems, such as social security contributions or payroll taxes, are those with extremely high levels of productivity.

"By offering good protection to their workforce, these countries also enhance the productive potential of their economies.

"This is particularly the case of healthcare schemes, and benefits and services to help the unemployed overcome their circumstances and find new jobs," said the report, which is available on the ILO website.

The report said a higher level of social security will be positive for a country's competitiveness. It also accommodates necessary changes in production and technology.

If workers are well insured against unemployment, the ILO report added, dynamic technological and structural changes will be met with less suspicion and resistance from them.

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