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Nine per cent next month (HL)

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KUALA LUMPUR, Thurs. - The Employees Provident Fund will begin reducing the employees' portion of the monthly contributions by two per cent - from 11 to nine - from next month, in line with the Government's efforts to stimulate the economy.

In a statement issued today, EPF's acting manager (public relations), Ahmad Fauzi Kamarudin, said the move will result in a reduction in contributions of about RM125 million per month.

This is equivalent to about RM1.5 billion for the one-year period (until the March 2002 wage) the ruling would be in force.

On Tuesday, Prime Minister Datuk Seri Dr Mahathir Mohamad had announced that the workers' portion of their EPF contributions would be temporarily reduced by two per cent from next month for a period of one year in a move to encourage consumption.

This was part of the several pre-emptive measures to be taken by the Government to counter the impact of a US economic slowdown.

However, employers' portion of the contributions for their workers will remain at 12 per cent.

Earlier in the day, Dr Mahathir said the Government was willing to rescind the directive if that is what the people wanted. He was speaking after opening the MSC-Lucent Bell Labs Technology Forum at the Mandarin Oriental Hotel.

Dr Mahathir was asked to comment on requests from the Malaysian Trades Union Congress and the Malaysian Employers' Federation that the Government review its decision, and whether the reductions were compulsory or voluntarily.

The MTUC and MEF felt the move would affect workers' savings in the EPF which were meant for their retirement.

Dr Mahathir said while the Government's decision was compulsory, it was willing to review the measure.

"If they do not want the two per cent reduction, we are willing to review it. But our problem is that while they do not want a reduction, they want the government to increase their salaries and so on.

"We will not be able to afford that (if the amount is not reduced)," he added.

Elaborating, Dr Mahathir said as the EPF was collecting almost RM1.6 billion in contributions each month, there were fewer places it could make beneficial investments.

"The fund is growing. We need to invest it and there are not too many places where you can invest and get something out of it.

"So, it is better perhaps, to spend a little - not too much - for a temporary period.

"It doesn't affect the savings ... our savings are 40 per cent of the GDP. It is very high compared to any other country," he said.

Ahmad Fauzi, in the statement, also said that to facilitate the computation of the new rate, a revised schedule on the monthly contributions will be distributed to employers soon.

The new rates can also be viewed at the EPF website at www.kwsp.gov.my/kwsp from April 1.

He said with the new directive, employers must remit their workers' contributions not later than May 21, 2001, for the April wage.

Ahmad Fauzi said the reduction in monthly contributions would not have

any bearing on the fund's investment activities.