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The price of a picket

THE cost of maintaining harmonious industrial relations can be really high and in most cases totally unnecessary. In last week's case where the Government had to defer the Employees Provident Fund's annuity scheme to prevent a nationwide picket by the Malaysian Trades Union Congress (MTUC), for example, the issue could have been resolved involving less dramatic economic consequences.

In giving in to the trade unions' demands, by suspending the annuity scheme pending a study, the insurance sector has found itself in a quandary. At best, it can expect to forgo millions of ringgit in lost opportunity during the suspension period; at worst, it could lose everything and on top of that would have to refund some RM2.7 billion the EPF has approved for the scheme. Takaful Nasional Sdn Bhd said yesterday it was looking at a 15-20 per cent shortfall in premiums this year because of the temporary stoppage alone. Some insurance companies will suffer less drastically pending the study but for certain none of them, as a result of the MTUC's dispute with the EPF, can now hope to see as good a year as they had earlier forecast. As for the Government, some adjustments would also have to be made to its projections for an insurance industry that would have performed strongly had the scheme been left alone.

In dealing with the unions' demands, however, the Government's options were sadly limited. It could have stopped the MTUC from staging the picket but such a move would have been construed as repressive and draconian by the union leaders and especially by their "brothers" in the international labour fraternity. Therefore Prime Minister Datuk Seri Dr Mahathir Mohamad chose a more peaceful solution, which in the immediate term is unfortunately at the expense of the insurance companies.

Ironically, the biggest victims of the MTUC-EPF dispute would be the individual contributors who had opted for the annuity scheme since its introduction last July. This newspaper reported last week that in the six months of 2000 alone premiums worth RM760 million were collected by insurance companies under this potentially lucrative scheme. According to another daily, 137,692 EPF contributors had applied to withdraw the relevant portion of their savings for the annuity scheme as at end of March 2001. The same report said the fund had approved applications worth RM2.7 billion from these contributors, some of whom could have been members of trade unions affiliated to the MTUC.

The MTUC and its leaders must be feeling triumphant over the issue. But whatever credibility they might have gained by pulling off this "victory", they must not forget that it had caused great inconvenience to certain quarters. For the next three months, the insurance sector will be anxiously awaiting the outcome of the Government's review of the annuity scheme. For some insurance companies, it could determine the colour of their bottomlines for the current year. It could also be the factor that will determine whether some companies can continue to compete for business, especially when the domestic insurance business is opened up to global competition under globalisation and liberalisation.

One fervent hope is that none of the insurance companies would be seriously hurt by the experience. Even without this problem, they were already operating in a fiercely competitive field and in often volatile conditions. With the slowdown in the US economy, the threat of globalisation, and a domestic economy that will grow but at a slower pace

this year, the insurance companies are fighting for survival. They will sorely miss the annuity scheme as would employees of these companies who may have to be laid off as a result of all these factors combined.

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