

Allowing excessive early EPF withdrawal risks contributors' future: PM

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PARLIAMENT | Allowing contributors to excessively withdraw their Employees Provident Fund (EPF) savings before maturity is like “punishing” depositors when they grow old and retire, said Prime Minister Anwar Ibrahim.

He said that for decades, including during his previous tenure as finance minister, the principle was to avoid excessive withdrawals as EPF savings are intended for retirement.

“EPF has made it clear that the majority of contributors, especially among the Malays, have very small savings. So, opening up this (early withdrawal) option will cause problems when they retire.

“Yes, sometimes, certain exceptions and relaxations are granted, and special consideration is given to some cases, particularly for those facing hardship or in a state of illness... but the government needs to strike a balance between addressing urgent, immediate needs and avoiding a situation where people are punished or left in hardship when they have no other means of support.”

Anwar said this in reply to Nurul Amin Hamid (PN-Padang Terap) on whether the government wanted to consider special EPF withdrawals for groups of contributors in need, such as those who have lost their jobs, to help them cope with life challenges, during the Minister's Question Time at the Dewan Rakyat sitting today.

However, Anwar, who is also the finance minister, said he believed the EPF could give due consideration to urgent cases even if they did not follow existing EPF regulations.

Meanwhile, in reply to Chiew Choon Man (Harapan-Miri) regarding EPF contribution for non-citizens, which was seen as burdening employers and diverting the EPF's attention from focusing specifically on Malaysians' retirement savings, Anwar said the move would not reduce the EPF's attention to the locals.

In fact, he said that the government has introduced various initiatives, such as voluntary contributions for self-employed individuals in 2024, with 1.2 million members already making voluntary contributions.

"We also have i-Saraan and i-Suri schemes to support the informal sector, especially housewives. The government incentives for these schemes have reached RM4.16 million," he said.

The prime minister said the minimum contribution of two percent imposed on non-citizen workers was also deemed not burdensome but instead allowed the government to register the number of foreign workers as a whole.

“We are also bound by international standards - Article 68 of Convention 102 of the International Labour Organisation (ILO). That is why we see almost 70 countries use the contribution method, although most countries set higher contribution rates,” he said.

Anwar said the EPF and the Finance Ministry had also engaged with all large companies and micro, small and medium enterprises (MSME) to discuss mandatory contributions for foreign workers.

In response to Isam Isa (BN-Tampin) on the same issue, the prime minister said the EPF contribution for foreign workers, among other things, aims to reduce the country’s dependence on migrant workers and provide space for local workers to fill job opportunities.

He said the move also encourages migrant workers to return to their country after the end of their period of service in Malaysia since the government will require them to state a record of leaving the country before they can withdraw their EPF contributions.

“Since we have started to restrict the entry of migrant workers, we will impose this contribution and this contribution will also determine the record and attraction so that when they return they know they have money.

“If they have to be hired in the current situation, let them be subject to the same methods, systems and regulations as local workers, including EPF contributions even though (the rate) is minimal,” he added.

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