

Budget 2012: Najib mulls hefty bonus or pay rise for civil servants
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KUALA LUMPUR, Sept 22 — Datuk Seri Najib Razak is considering a hefty bonus or a pay increase for all 1.3 million civil servants in Budget 2012, in what is seen as an attempt to counter rising costs and keep their support ahead of the next general election expected within a year.

The Malaysian Insider understands the prime minister has asked the Finance Ministry to work out the cost of either option. The move is similar to former Prime Minister Tun Abdullah Ahmad Badawi's move in 2007, a year before calling polls.

"Najib (picture) is considering give a 1½-month bonus at the end of this year or a pay increase when announcing the Budget 2012.

"It is a break-the-bank budget," a source told The Malaysian Insider. Najib is also the finance minister and is due to table the Budget 2012 proposals on October 7.

The source pointed out that the Najib administration had paid out a half-month bonus to all 1.3 million civil servants and RM500 to 600,000 government pensioners ahead of Hari Raya last month amid public concern over rising inflation. The payout cost Putrajaya RM2 billion although the government usually gives a one-month bonus at the end of the year.

The civil service has always been seen as a bedrock of support for Najib's ruling Barisan Nasional (BN) coalition but it lost badly in Election 2008 under Abdullah despite his overwhelming win of 91 per cent of Parliament four years earlier. Critics and analysts said a combination of rising inflation and a push for civil liberties cut BN's support in the polls.

Najib is determined to turn around the coalition's fortunes and recently restarted his reforms agenda by announcing the repeal and revision of several security and media laws last Thursday, including the replacement of the Internal Security Act (ISA) with two other security laws that focus on terrorism, race and religion issues.

"The PM knows he has to address fundamental issues including economic ones. The budget will address cost of living issues after the recent subsidy cuts," another source told The Malaysian Insider.

Putrajaya had said that the price hikes to fuel, sugar and electricity were necessary to keep a subsidy bill from doubling to RM21 billion this year, as it seeks to reduce its budget deficit that hit a two-decade peak of seven per cent in 2009.

In May 2007, then PM Abdullah announced a salary increase of between 7.5 per cent and 42 per cent from July 1, 2007 for civil servants, the police and the armed forces. Abdullah also announced a 100 per cent increase in the cost of living allowance (Cola) of RM300, RM200 and RM100 depending on location.

He had said the pay rise could be given because of the average growth rate of the Gross Domestic Product (GDP) of 5.6 per cent, the effect of fuel prices on lower-income groups,

trade volume that had reached RM1 trillion, positive trends of Bursa Malaysia which reached record highs and improved tax collection.

Najib is facing a similar situation but the world economy has taken a beating and Malaysia's GDP has slowed down this year to 4.4 per cent for the first half against the same period last year when it grew 9.5 per cent last year.

The official GDP growth target for the year was between 5 and 6 per cent.

The country's sixth prime minister is banking on his New Economic Model (NEM) pillars of Economic Transformation Programme (ETP) and Government Transformation Programme (GTP) to push the country to developed nation status in 2020 with some RM1.7 trillion in GDP.

His efforts have helped woo RM21.3 billion in foreign direct investments in the first half of this year compared to RM12.1 billion for the same period last year.

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