EIS: Safety net or unnecessary cost, asks MEF

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The Malaysian Employers Federation raises concerns over how the EIS was pushed through and its implications on Malaysia as an investment destination.

PETALING JAYA: The contentious Employment Insurance System (EIS) Bill was finally passed on Wednesday night, leaving Malaysia's largest private sector employer group fuming over Putrajaya's lack of proper consultation in developing policies.

Though it has been nearly 20 years since the idea of a "safety net" for retrenched workers was first mooted, notably after over 50,000 people loss their jobs following the 1997 Asian financial crisis, the Malaysian Employers Federation (MEF) feels the federal government pushed through the policy without taking into account the views of employers.

On the other side of the fence, the Malaysian Trades Union Congress (MTUC), which represents over 500,000 private sector employees sees the EIS as a "win", but for some, like event executive Lily, the passing of the EIS bill comes a little too late.

Lily (not her real name) is scrambling to find a job after her company announced they are going out of business by the end of the month.

“We were given a month’s notice and I myself only received one month’s extra pay. I’m lucky because I live with my family, but I still have to pay for my study and car loan.

“If the EIS was already in effect, then it would definitely be helpful. Losing my job at the end of the year is tough, because many companies aren’t hiring during this period and there are so many people looking for jobs.”

Under the bill, employers and employees will each contribute 0.2% of an employee’s salary which will go towards an accumulated fund, which retrenched workers could claim financial assistance from.

The scheme will involve 430,000 employers and 6.6 million employees.

Flaws in the bill

MEF executive director Shamsuddin Bardan said some of the provisions in the bill were flawed, including the part about the power vested on the human resources minister to change the combined 0.4% contribution rate to 1.5% without having to go through Parliament.

At 0.4%, Shamsuddin said some RM650 million a year would be collected, 10 times more than the average amount of retrenchment compensation paid out per year.

This amount of money, he said, was unnecessarily being diverted away from the market.

“There’s no cap or mechanism for freezing contribution so employers could end up continuing forking out money when there’s no need to.

“It also seems like the EIS is duplicating a number of roles of government agencies like the Human Resources Development Fund, particularly by carrying out job matching, research and retraining activities.”

Shamsuddin added that the final form of the bill, which was “very different” from what was discussed with Putrajaya, included employees who opted for Voluntary Separation Schemes (VSS).

Shamsuddin said unlike retrenched workers, those who took VSS already benefited from severance packages and this would only serve to deplete the EIS fund at a faster rate.

“But the bigger concern is that when policies are developed without enough meaningful consultation and consensus, it makes Malaysia less attractive as an investment destination.

Small cost, big impact

MTUC president Abdul Halim Mansor defended the EIS, particularly the 0.2% contribution rate from both employers and employees, noting this was a figure agreed to by the triparte management body of the EIS, made up of employee and employer groups and Putrajaya.

He told FMT that the inclusion of employees who opted for VSS was also fair, seeing as how these workers were also contributors to the EIS.

“Under the Employment Act 1955, the only retrenchment benefits workers are entitled to receive are 10 days salary for under two years of service, 15 days salary for under five years of service and 20 days salary for anything above that.

"But currently, this is lopsided because if an employee suddenly quits his job without serving notice, he would be expected to pay the company a month's wages."

So, Abdul Halim said, considering the soft job market and tough global economic climate, the introduction of the EIS was timely. According to the human resources ministry, some 38,000 people lost their jobs last year, while in 2015 the figure was 44,000.

He also said under the Employment Act, companies were required to have reserves for retrenchment benefits, though this hadn't been enforced by the federal government.

"At the end of the day, it's a fund for protection. Just like automotive insurance. You pay for insurance but only claim when there's an accident, and the contribution rate of 0.2% is a small and fair amount for this protection."