

# CrossTalk

## STAGGERING 40 per cent of private sector workers are foreigners

The economy, stimulus fund, outsourcing labour agents... ARMAN AHMAD sits in as MTUC secretary-general G. Rajasekaran and Malaysian Employers Federation executive director Shamsuddin Bardan chew on these topics and more

### THE ECONOMIC SITUATION

**Shamsuddin:** The government has come to terms with the fact that the economy is bad. It has revised the Gross Domestic Product from around four to five per cent to negative one to one per cent.

The figures are showing that recession has set in. Exports are down by 20 per cent for January and there is nothing we can do about the export market.

What is happening in Europe and Japan is beyond our control.

**Rajasekaran:** Our main problem is exports. Since it's down 20 per cent (in January), we expected some increased demand in the domestic market to make up for the loss.

But we don't see it. For example, there is no increase in local demand for building materials and steel.

I would have expected the low-cost housing construction industry to be given priority, not the construction of commercial property.

The government has plans to get rid of the squatter problem so it should put more money into building low-cost houses and helping the builders.

This will keep the construction business going and workers will get employed. The demand for construction and steel materials will increase.

**Shamsuddin:** To be fair to the government, there are some packages that help certain industries. For example, the auto industry, where cars more than 10 years old can be traded in for a RM5,000 discount when you buy Perodua or Proton cars.

To a certain extent, it will help these two companies to boost sales.

But from the perspective of the industry, why not open it up to the whole auto industry? Everyone is in bad shape. Incentives should be applied industry-wide.

There is also the issue of how the government gives incentives to re-engage retrenched employees.

For example, if a company employs a retrenched worker, it is eligible for double tax deduction.

If you pay RM10,000 to employ two or three retrenched workers, then you can claim RM20,000 as expenses.

The main issue here is who is able to engage employees at the moment?

From the employer's perspective, we would expect the government to give incentives to companies not to retrench.

But the problem here is, you are giving incentives to companies to employ retrenched workers, when the workers are already retrenched.

I would prefer a scheme where companies that are still in business and are using its workers be given an incentive to retain them for as long as possible.

For example, if you keep your workers and don't retrench them, then you are given an incentive of so many thousand ringgit to use for your working capital.

I would prefer this kind of incentive — it has been used in some parts of the world and has been known to work.

### RM60b ENOUGH?

**Rajasekaran:** RM60 billion is quite substantial for the country. But the government must get value for its money.

Very often, when the government pays RM20 for something, it can get (goods or services worth) RM10. The Accountant General has pointed this out many times in his reports.

**Even me, if I am asked to listen to lectures, I would fall asleep. I**

**doubt very much the effectiveness of this kind of training.**

**Shamsuddin Bardan**

**Shamsuddin:** I would like to add on to that. When you look at the delivery system, you wonder whether the economy will benefit from the stimulus package.

We have seen this happen when the first stimulus package of RM7 billion was announced earlier.

By January or February, they said 95 per cent had been distributed to agencies.

It took four months for the money to be disbursed to the agencies. I suppose it will take another four months for the agencies to distribute to the end users. And possibly, they are not sure how to disburse the money.

And nowadays, what with the



MEF executive director Shamsuddin Bardan (left) stressing a point to MTUC secretary-general G. Rajasekaran.

Malaysian Anti-Corruption commission being very strict, I am sure the government officers will be very careful how they disburse the money.

This causes a bottleneck, and in the end, the intended recipient will suffer.

Unfortunately, the second stimulus package doesn't give so much direct assistance to employers.

The only direct assistance given was a 0.5 per cent Human Resources Development Fund (HRDF) contribution reduction. That will give the employers back something like RM400 million for the next two years.

You don't have to depend on the agencies to give you money. It's your money that you retain. There should be more of this kind of assistance so the companies can use this as their capital.

But apart from the HRDF reduction, there is nothing else for the employers.

Will the stimulus be successful? It will depend very much on the implementing agency.

But how long do we take? Will it be four months or six months? Will the crisis be over before the stimulus works? This is our main worry.

The thing is the trickling down effect of the stimulus may be very, very little.

### EFFECTIVENESS OF TRAINING PROGRAMMES

**Shamsuddin:** Another issue we are hearing a lot is training for people who are retrenched and graduates who are entering the job market.

I think it's not that difficult to undergo training but to get a job placement is hard for the time being.

So, again, which company will say "yes, we can accept someone right now?" Possibly only the plantation industry. But how many Malaysians are willing to work there?

The problem with this kind of training is that it is done by training providers. I don't have anything against them, but if you ask me, a lot of the training will be based on theories.

These are school-leavers, graduates and ex-employees who have been retrenched. They will be uninterested to go back to the classroom.

Even me, if I am asked to listen to lectures, I would fall asleep. I doubt very much the effectiveness of this kind of training.

To me, the most effective kind of training would be to look at the viable companies.

Ask these companies to take as many of these "trainees" as possible. Not as employees but as trainees.

Give them hands-on training and channel the government's money to these people and pay them directly.

The government should support this kind of scheme.

In fact, the participating company should be given some kind of incentive to do this kind of training, instead of giving money to the training providers.

**Rajasekaran:** I, too, have a big question mark on these issues, especially on whether the government gets value for money.

Many of these outfits got into the act, especially when the HRDF was set up.

How good they are, how relevant the training is, has not been proven.

**Shamsuddin:** From the first stim-

ulus package, the government allocated RM100 million for training. In the second package, RM200 million was allocated.

On top of that, RM70 million has been set aside to train the unemployed. For me, this money is best utilised for hands-on training.

For example, if there is an unemployed graduate who was once attached to a public-listed or big company, then I, as a prospective employer, would think, "he has been attached there, surely he has some experience". I would want to engage him.

Employers would want to engage people with experience.

### RETRENCHMENT

**Rajasekaran:** But one thing that is interesting this time is that both employers and employees want to talk.

The employers are saying: "if possible, they don't want to retrench". They want to hold back.

Before, they would have been in a hurry to do it. But this time, most employers are saying that they don't want to retrench.

They are not certain how long the present situation will last. They wouldn't want to be without their experienced workers when the economy picks up.

Another thing is that retrenchment costs money. The employers will have to pay retrenchment benefits based on the number of years of service, etc. When they have cash-flow problems, this becomes a problem.

That's why we are seeing shorter working weeks and temporary layoffs.



**Shamsuddin:** For employers, it's a question of survival. How can we survive? How can we remain in business for as long as possible?

We have to accept the reality and start to take cost-cutting measures. Of course, part of the measures will affect the employees.

During the Chinese New Year, 40,000 workers were affected because of prolonged shutdowns. Some were asked to take leave.

Some of them who had no leave were asked to take unpaid leave.

I have met employers who have asked their employees not to come to work for something like three months. So then the question arises whether it is appropriate to do that.

For these three months, they were paid some wages, like 50 per cent.

But the question is, can people survive with 50 per cent pay? The car loan and rental or housing loan payments remain the same.

Many employees rely on overtime (OT) to supplement their income. It's interesting to note that in good times, 30-40 per cent of the income of many workers came from OT.

**It was fortunate that the Bangladeshi embassy made the statement about the 55,000 workers. Otherwise, we wouldn't have known about it, and the government wouldn't have made an attempt to stop it. MTUC supports the government move to stop them from coming. They will be better off in Bangladesh.**  
Rajasekaran Govindasamy

#### LOWER EPF PAYMENT

**Rajasekaran:** We proposed 10 years ago to set up a fund with small contributions from both employers and employees.

If our suggestion was accepted, we would have something like RM1.2 billion now and be in a position to pay retrenched workers.

But setting it up now is not going to happen. No employer will contribute to this fund now.

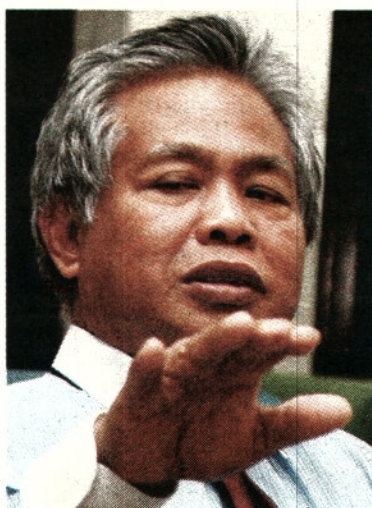
**Shamsuddin:** As an employers' body, we need more assistance that is direct to the employer. For example, the government could suspend EPF contribution during the bad times.

Cash flow is a problem. What we request is something like a two per cent waiver.

This translates into RM1.6 billion that employers retain directly into their working capital.

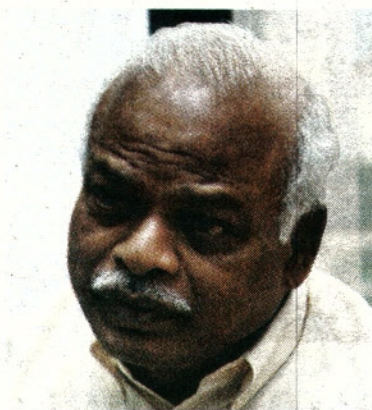
This amount can be used as a working capital for two years and when the economy recovers, the two per cent can be paid back.

**Rajasekaran:** I know it will help



**Shamsuddin Bardan, 52**

Formerly served with Bank Negara until 1983 and initially joined the Malaysian Employers Federation as an industrial relations adviser and has been serving as the executive director for the last nine years. Shamsuddin is a member of the National Labour Advisory Council, and board member of the National Institute of Occupational Safety and Health and the Socso Appellate Board.



**Rajasekaran Govindasamy, 67**

Rajasekaran established the Metal Industry Employees' Union in 1963 and became secretary-general of the Malaysian Trades Union Congress in 1993. The president of the International Trade Union Confederation, Asia Pacific since 2005, Rajasekaran represents the national centre at various tripartite bodies to discuss labour and other issues.

the companies in terms of working capital, but at MTUC, we think the rate of contribution is still quite low.

To reduce that will affect us in the long term. There are good employers who will pay back, but there are those who won't.

In the case of the HRDF, they should have suspended the entire one per cent rather than reduce 0.5 per cent.

After all, there is a huge reserve and they are not able to utilise it other than to increase the fund.

**Shamsuddin:** On the issue of the retrenchment fund, as an employers' body, we see one major flaw in the proposal.

As employers, you are expected to pay, whether you are a good employer or a bad one.

But if you are a well managed com-

pany, and you have your own funds, when you retrench, you pay the retrenchment benefits to the workers.

Whereas badly managed companies going into receivership don't have to pay retrenchment benefits and they can get this money from the retrenchment fund.

So as employers, we say it is not a fair scheme.

#### FOREIGN LABOUR RESTRICTIONS

**Rajasekaran:** We agree on the government stopping 55,000 Bangladeshi workers from coming to Malaysia.

When the downturn started affecting the country in December, the government said it would freeze all permits.

We told the government that there were people who applied for permits and they got it (before).

The government had also given licenses to 270 outsourcing companies. They are actually labour suppliers.

We told the government to suspend their permits.

This is a better option than letting tens of thousands of foreign workers land on our shores and not have jobs waiting for them.

It was fortunate that the Bangladeshi embassy made the statement about the 55,000 workers. Otherwise, we wouldn't have known about it, and the government wouldn't have made an attempt to stop it.

MTUC supports the government move to stop them from coming. They will be better off in Bangladesh.

**Shamsuddin:** The outsourcing agencies were meant to fill in gaps for certain areas of manufacturing.

For example, if my company is manufacturing air-conditioning units and right now there is a demand in Europe (because summer is around the corner), then there will be a high demand for our units and so we will want more workers.

We thought earlier that with a labour supplier, we could hire for three months, then, the supplier takes back the workers and supplies them to other employers.

If we have a pool of workers like this, then we don't have to have so many workers because these workers can be shared by many.

Basically, the workers can be employed for the whole year. But unfortunately, this is not happening.

Now, the labour suppliers are dictating to the employers — "if you want my workers, you have to take them for two or three years".

The permits of these 270 companies should be withdrawn.

If at all foreign workers are needed, it should be more on a government-to-government dealing or companies should go there and hire.

Most companies are responsible and they will take care of their workers, not like the labour suppliers.

Maybe in this downturn it is a blessing in disguise and we can use it as an opportunity to restructure our labour market.

Right now, there is far too much dependence on foreign workers. There are currently 2.1 to 2.2 million foreign workers in the country.