

## MTUC POSITION ON BUDGET 2009

### Don't Neglect Private Sector Workers, Again

- A DO NOT TOUCH EPF**
- B INCREASE PRODUCTIVITY, FAIR WAGE & COLA**
- C RETIREMENT AGE**
- D TAX INCENTIVE FOR PERFORMANCE PAY**
- E REDUCE FOREIGN WORKERS**

- 1) The Federal Government Budget for 2009 will be tabled in Parliament on 29 August 2009. The government has engaged the private sectors and business in pre budget discussion and sessions. It is regrettable that the government has not engaged trade unions and workers representatives.
- 2) This has compounded our fears that once again the budget will neglect private sector wage earners especially those in the low income group.
- 3) We don't need reminding of the crippling impact on our meager income caused by the fuel price hike that escalated into price increase in everything.

#### **DO NOT TOUCH EPF**

- 4) We are very concerned that private sector business organisation and employers have been calling for a reduction in the EPF contribution rate. This is another example knee jeck reaction and making poor workers bear the brunt of the economic mismanagement. A 2% reduction in EPF contribution on a salary of \$500 means only a \$10 difference.

This is not going to help the poor workers except maybe us the \$10 to buy lottery hoping to strike it big.

5) We are sacrificing the future retirement income (which is already inadequate) of Malaysian workers. We are already very disappointed that EPF members will also loss out at least \$500 million annually because of the change in the tax treatment on dividends earned on EPF investment in the equity markets.

**6) INCREASE PRODUCTIVITY, FAIR WAGE & COLA**

7) Despite impressive economic Growth and rapid development since independence overall productivity and wages of Malaysian workers remains low. The real reason is not because Malaysian workers are not productive. It is due to the fact that employers were very successful in suppressing wages that there is no incentive to invest in research and development for productivity improvement. It is more profitable for employers to employ lowly paid workers (including foreign workers) than to invest in modern technology and machinery.

8) MTUC welcome the Government efforts to address the needs of **civil servants** and public sector employees. The up to 42% salary increase, payment of Cost Of Living Allowance and increase in retirement age has proven that the government is a caring employer to the civil servants.

9) Private sector employees are left in the lurch over rising prices. Employers are turning a blind eye. Salaries of lower ranked employees in privatized agencies and GLCs have lagged behind equivalent government employees.

10) The Government is the largest employer in the country. Apart from Civil servants, the Government also either directly through GLCs and indirectly through GLIC controls large portions of private sector employers – From plantations, to Banks, to Trading Corporations, SEDCs, privatized agencies, transport and heavy industries including airlines, oil & gas and infrastructure and hotels.

- 11) The government is therefore in a position to formulate policies for the private sector such as retirement age, minimum wage, Cost of Living Allowance and foreign workers.

### **COST OF LIVING – COLA**

- 12) Daily wages are as low as \$12.00 a day in timber camps, which is below the poverty line of \$642. Many other workers' salaries are below the poverty line. Supermarkets girls earn less than \$400 in Kuching.
- 13) In Sarawak, cost of living is 15% TO 25% higher compared to West Malaysia. This is recognized by the Government by paying a regional allowance.
- 14) As the result of the higher cost in Sarawak, any subsequent increase in the cost of living the past 5 years is relative higher in Sarawak. Example Cost of New Strait Times was increased by 20% from \$1.00 to \$1.20 in West Malaysia. In Sarawak it was increased from \$1.20 to \$1.60- a 50% increase. Low cost house is \$62,000 compared with \$42,000 in West Malaysia.
- 15) **Accordingly the Government must also pay the COLA to public sector employees in Sarawak and introduce legislation to pay similar COLA to private sector employees.**

### **FAIR WAGE**

- 16) Contrary to popular belief, higher wages leads to higher productivity, not the other way around. Higher wages will encourage employers to invest in research and development to increase overall productivity and efficiency.
- 17) We must remember that employers will not invest in productivity improvement simply because it will be cheaper for them to continue to pay \$12 a day for foreign labour rather than invest in modern equipments, production processes and better human resources managements. It must be noted that spending on Research and Development by the private sector in Malaysia is extremely low.

- 18) Employers' view on productivity improvement is simplistic - the more a worker produces, the more he is paid. Question is how do you expect a rubber taper to produce more if he still uses the same tool his grandfather used?
- 19) The world's most productive nations are in Scandinavia - are all high wages countries with minimum wage policy in place. Even Singapore has higher productivity than us, despite higher wages. **Just compare Changi airport in Spore where Singaporeans in their late fifties and early sixties are efficiently maintaining the airport, while KLIA is flooded with Bangladeshis.**
- 20) **That is why MTUC call for a reasonable fair wage, not just to offset cost of living increases, but also to spur the drive to increase productivity. Such minimum wages can be implemented on a staggered basis and may vary in different regions/sectors of the economy.**
- 21) We therefore urge the government to be serious and change our policy of being a low wage country, restructure employment to create decent and productive jobs. There is no point to spend billions to produce graduates when they earn less than \$1000 when they enter the job market.
- 22) An immediate benefit to the country is that higher wages will lead to higher purchasing power which in turn will lead to increase domestic demand and reduce our reliance on exports which are at the mercy of other countries economic performance.

#### **PERFORMANCE PAY SYSTEM**

- 23) MTUC agrees to the implementation of a performance pay system provided there are adequate safeguards and guidelines and that unions have a say in the system.
- 24) **We call on the Government give tax exemption to performance bonus/salaries/incentive to encourage the implementation of performance pay systems.**

#### **E RETIREMENT AGE**

- 25) MTUC is pleased to note that the government has finally done the obvious and increased the retirement age for civil servants to 58 years. **We call on the Government to also increase retirement age for all workers to spur productivity and raising income levels and reduce foreign workers.**
- 26) Empirical evidence and studies have shown overwhelming support for an increase in retirement age to address the following issues.
- Rapid Increase in the life expectancy.
  - Reducing cost of pension and burden on governments to provide healthcare.
  - Increasing the overall productivity of the workforce
  - Raising income levels of Malaysians
  - Ensuring adequate retirement savings when workers finally retire
  - Reducing reliance on Foreign workers

## **REDUCE FOREIGN WORKERS**

- 27) We call on the government not to let vested interest groups decide on policies for the nation. For example, employment agencies decide on foreign labour policy. **One way to reduce foreign workers is to ban recruitment agents who flood the country with workers even when there was no formal request for them.**
- 28) The government must stop suppressing wages by reducing foreign workers, allow trade unions more influence and to create decent and high value jobs. There is no point to spend billions to produce graduates when they earn less than \$1000 when they enter the job market.

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