



MEDIA STATEMENT

MINISTRY OF HUMAN RESOURCES

EMPLOYMENT INSURANCE SYSTEM

Referring to the statement made by the Federation of Malaysian Manufacturers (FMM) on the Employment Insurance System (EIS), the Ministry of Human Resources (MOHR) would like to emphasise that the EIS aims at providing a social safety net to workers who lose their jobs. EIS, among others, will provide assistance in terms of partial temporary income replacement and job search.

The EIS concept consists of two main components, namely Employment Insurance and Active Labour Market Policy (ALMP). Employment insurance provides temporary income to help workers who lose their jobs to meet their basic needs while the ALMP provides job search, job counselling, job placement, retraining and skills upgrading to improve the workers' employability so that they would have better prospects to secure other jobs.

The proposed EIS would cover workers who lose their jobs due retrenchment, force majeure, employers absconded, bankruptcy, closure of businesses, business restructuring, redundancy, automation and others.

During the Asian financial crisis in 1997 and 1998, a total of 121,222 local workers had lost their jobs. The retrenchment figures quoted by the FMM is half of the official figure. Meanwhile, a total of 154,000 local workers were laid off during the Sub Prime crisis between 2007 and 2009. In 2015, a total of 44,343 workers lost their jobs due to automation in the financial sector, restructuring of Malaysia Airlines Berhad, the fall of crude oil price in the global market and the volatility of ringgit.

MOHR would like to further clarify that retrenchment is only a part of loss of employment. According to the Labour Force Survey in 2010-2015, there were about 58-70% or roughly about 250,000 to 315,000 persons unemployed used to work before becoming unemployed. This is a better indicator about the number of workers who lose their jobs and represents the potential beneficiaries of the EIS.

Based on Labour Department's records, during the period of 2007-2016, the amount of compensation payable to the laid off workers was RM5.67 billion. Of these, a total of RM5.01 billion (89%) have been paid to the workers concerned and about RM650 million (11%) have yet to be paid. This means that an average of RM65 million a year is owed to the laid off workers. Although there has been court order, these employers do not pay compensation to the workers due to the winding up of their businesses or they have no financial resources to do so.

Payment of termination benefits under the Employment Act 1955 (ETLB) is limited to employees who earn RM2,000 and below, or manual workers irrespective of their salaries. There are cases of workers who are retrenched but do not receive compensation when the employers absconded, liquidation or bankruptcy. In addition, the lump sum payment for the laid off workers is not sufficient to cover their expenses while being unemployed, especially those who worked for less than 5 years. There will also be a long delay before the laid off workers receive the compensation if there is a dispute in the in the court.

MOHR is aware about the increase of cost of doing business to employers. However, the EIS will also yield significant economic benefits to the country and businesses as seen in other countries implementing EIS or equivalent schemes. Among others, employment service and training programmes of the EIS will facilitate creating more efficient and effective matching of supply and demand, which translate into better functioning of labour market and higher productivity. Experience of other countries also show that the EIS acts as an economic stimulus and stabiliser, especially during economic downturn. It must be noted that all OECD countries have implemented EIS. So have Thailand and Vietnam.

Being an open economy country, the implementation of the EIS is one the most important steps in preparing the Malaysian labour market to face the socio-economic challenges, particularly the imminent impacts of the Fourth Industrial Revolution. In other words, the EIS is a security buffer for business community against the economic volatility.

The Ministry of Human Resources will conduct regular and extensive consultations and engagements with the stakeholders to enhance their acceptance and ensure the smooth implementation of EIS especially the ALMP to increase the employability among the *rakyat*.

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**Corporate Communications Office
Ministry of Human Resources
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