Persatuan Sahabat Wanita Selangor

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PRESS STATEMENT

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DIPPING INTO WORKERS' RETIREMENT SAVINGS IS A BAD HABIT PUTRAJAYA MUST DITCH

DIPPING into workers' retirement savings is becoming a bad habit Putrajaya must ditch and start to respect workers' golden years with serious consideration, as it will be a time when workers have no other income to depend on.

Putrajaya's announcement to allow Employees Provident Fund (EPF) contributors to start withdrawing RM500 a month from their Account 2, beginning 1 April, is a double deduction from retirement savings which starts on the same date for workers who have also opted to cut their respective minimum contribution rate to EPF by 4%.

The latter, is a measure that is part of the 2020 Economic Stimulus Package announced by Putrajaya earlier this month where workers will be given the option to cut their respective minimum contribution rate to by 4% in order to put more cash back into workers' pockets, during the Covid-19 crisis.

Persatuan Sahabat Wanita Selangor (PSWS) vehemently rejects both measures as dipping into a workers' future savings must never be a consideration taken to complement the country's stimulus package for the people.

PSWS is highly concerned that, although a short term measure, a stimulus package designed to boost the country's economy against the impacts of the Covid-19 and a measure to aid workers who have lost their source of income should not, "steal from workers' retirement savings" to increase the disposable income of consumers.

Although both schemes leave it to the personal financial judgement of a worker, the stimulus package should not make a worker choose between having a little more to spend now and suffer the consequences of having deficient savings in her retirement years.

Both schemes will be taken up, mostly by those in the lower wage bracket because they have little savings as it is and will then suffer the consequences of insufficient savings during their golden years when there is no other income to depend on.

These schemes have no long term benefits to workers and will adversely affect women workers, hence resorting to such tactics that reflect poor governance should be refrained from.

However, it is disheartening to consider how little thought and research went into this decision when a shocking statistic was revealed today by Christopher Choong, a deputy director of research at Khazanah Research Institute, that "the bottom 40% of contributors will not have enough to last 12 months".

The RM10 billion worth of private consumption which the reduced EPF deduction scheme could potentially release along with the RM40 billion accumulated from the RM500 monthly withdrawals will most likely be spent locally and is an easy fix to boost the country's economy against the impacts of the Covid-19 at the expense of workers.

The previous regime had demonstrated sufficient funds in our coffers to be shared among the nation and among its telling schemes announced in the Budget 2020 was RM500 monthly pay outs, for two years, to women between ages 30 and 50 who returned to the work.

The PH government's Budget 2020 also promised other two-year payout schemes - monthly payouts of RM300 to unemployed graduates, and RM500 monthly top-ups to the EPF accounts of newly-employed graduates and the Malaysia@Kerja scheme which would payout incentives between RM350 to RM500 a month to local workers who replaced migrant workers. This would have been in addition to the RM250 monthly payouts to employers who employ locals to replace migrant workers.

If this was not evident enough, Muhammed Abdul Khalid, who is the economic advisor to former Prime Minister, Tun Dr. Mahathir Mohamad, revealed in a statement today, that "the government could afford to dip into the country's reserves to finance the stimulus package". The economist revealed that the country has more than RM400 billion in its reserves, to be spent on its people.

Funds to stimulate the economy can also be raised through tax rate hikes on the highest-income tax payers and a modest wealth tax plan combined with measures to stifle tax avoidances.

We are especially concerned with the plight of women workers in the B40 group (bottom 40%) who are already struggling to make ends meet with their meagre minimum wages, who will definitely opt to reduce their current contributions into their retirement savings.

Women workers in the informal sector are especially at risk of falling into employment traps that strip them of their dignity and while the stimulus package looks at the country's economy, the respective government labour departments need to get creative and step up their enforcement units to be vigilant of errant businesses that keep women workers in precarious employment.

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Persatuan Sahabat Wanita Selangor (PSWS) is a non-governmental organisation that has been committed to the concerns and interest of women workers as well as to the larger issues of democracy, justice and equality in the Malaysian society, since 1984.