JOINT MEMORANDUM ON ISSUES AND RECOMMENDATIONS FOLLOWING ANNOUNCEMENT OF SECOND ECONOMIC STIMULUS PACKAGE (PRIHATIN)

Please find herein the issues and recommendations of industry and business associations following the announcement of the Second Stimulus Package (PRIHATIN) by YAB Prime Minister on 27 March 2020:

1. **General Observations:**

   (a) Payment of RM600 a month to front liners including medical staff, RM200 to PDRM, RELA, Army personnel involved in MCO duties, and the one-off payment of RM500 to Grab drivers and RM600 to taxi drivers were viewed as fair.

   (b) The provision of one-off payment of RM500 to 1.5 million government employees (in Gred 56 and below) and to 850,000 pensioners is not necessary and viewed as a ‘reward’ as their salaries during MCO remained intact and their incomes are not affected during the MCO period.

   (c) The Stimulus Package does not address issues of staff retention and avoidance of possible retrenchment of 2.4 million employees. The Stimulus Package provides temporary relief for hardcore poor B40 but failed to address employers’ cash flow and staff retention issues.

   (d) It is perceived that the government had not in fact dispensed RM250 billion in Stimulus Package as the deferred loan payments to financial institutions, EPF withdrawal scheme and deferment of employers’ contributions to EPF and HRDF for six months does not represent funds from the government’s coffers - RM40 billion from EPF withdrawals and RM100 billion from the loan moratorium.
2. Employee Retention Programme (ERP)

A. Issues:

(a) The RM600 one-off payment is nominal and does not help employers due to the many strict conditions attached to it.

(b) Companies that are unable to generate any income would still embark on retrenchment as the RM600 wages subsidy per month for three months is insufficient for them to continue to pay wages.

(c) ERP includes concerns on calculation of drop in revenue by 50% since January and February 2020 were not affected by MCO.

3. Compulsory payment of employees' full wages and allowances during MCO period

A. Issues:

(a) The government’s policy of forcing employers to make payment of full wages and allowances to employees during MCO had caused a lot of misunderstanding. The principle of ‘no work no pay’ should be implemented during the MCO.

(b) Governments of other countries have provided wage subsidies to help businesses ease their employment cost and keep the workforce during this hardship period. For example:

(i) The UK government will cover 80% of lost wages (up to £2,500/month);

(ii) The Danish government provides 75% support of the monthly pay.
(iii) The Canadian government announced a 60% - 70% (range from C$50-C$1,300/week) cover for those having or being exposed to Covid-19; and

(iv) The Singapore government provided an offset of 25% of the wages for every local worker in employment, up to a monthly wage cap of S$4,600, for three-quarter months, given to employers.

(v) In Singapore, those with loss of income are provided SGD800 (RM2,400) per month for three months. For the business owners, the Singapore government provided SGD1,000 (RM3,000) per employee per month for nine months.

(vi) Australia’s Job Keeper allowance

- Worth up to $1,500 a fortnight, per employee.
- If employee earns under $1,500 a fortnight, the government will effectively be subsidising the entire wages.
- If employee earns over $1,500 a fortnight, the employer would have to top up.
- Employers are encouraged to keep paying employees, with the understanding the government will reimburse them $1,500 a fortnight, per employee.
- Full time staff, part time staff and full time staff are all eligible. Casuasls who worked for more than 12 months at the business are also eligible.
- It will cost $130bn over six months.

(vii) The proposed condition as set by the government that the claim is limited to maximum of 100 employees with wages of RM4,000 and less per employer as stated in
SOCSO’s FAQ published on 31st March 2020, was not part of the conditions stated in the 2nd stimulus package as announced by YAB PM, is limiting the scope of the wage subsidy.

B. Recommendations:

(a) The JTK guideline making it “compulsory” for employers to pay full salaries and allowances during the MCO period should be reviewed to “encouraged”. Discretionary powers to decide on wages payment for the days covered by MCO be given to individual employers based on their ability to pay. The Government to establish clear policies to ensure the continued survival of the businesses.

(b) The discretionary power will be helpful to keep afloat those employers who are not in the financial position to pay full salaries and allowances during MCO.

(c) Employers should be given the flexibility to make arrangements with employees on payment of wages and allowances during the MCO period.

(d) (i) It is proposed that the government should allocate a sum equivalent to 30% of the wages bill in the private sector’s monthly salary of all employees irrespective of wages as wages subsidy.

(ii) Approximately, the allocated sum will be as follows:

RM 27.6 bil x 70% = RM 19.320 billion per month

RM 19.320 bil divided by 7.6 mil employees
= RM 2,542 per employee per month
(iii) The above wages subsidy is to be paid to the employers for a period of at least nine months with effect from April 2020.

(iv) The conditions that limit the applicability of the wages subsidy scheme as follows:

- That employer’s revenue dropped by 50% for the months of February and March 2020 compared to the revenue in January 2020.

- Employees with wages of RM4000 and below per month and limited to 100 employees per employer and applicable to all sectors of the economy.

- Employer to ensure
  - Not to retrench
  - Not directing employee to go on unpaid leave
  - Not to deduct the wages of employees

  During the period the employer is receiving the wages subsidy and 3 months thereafter should all be reviewed and waived.

(e) The employees’ (11%) and employers’ (12%) contributions to EPF totalling 23% to be suspended for those working as well as those prevented from working during this MCO period and for the following six months thereafter.

(f) Contributions to SOCSO should be suspended in consideration of expected reduced incidences of industrial accidents during MCO and thereafter.

(g) Government should advocate pay cuts of 10% for those earning RM5,000 and above and 15% for the higher income levels during difficult times.
(h) Conduct a quick study on the percentage of Covid-19 patients from the manufacturing sector and if the impact is low then 50% of the staff in factories in the non essential sectors and offices should be allowed to work alternatively to promote greater social distancing while allowing economic activities to continue.

(i) E-commerce should be promoted to encourage social distancing. However, logistics companies are restricted to handle only essential goods, and not other E-commerce goods like electrical items or garments. Movements with minimal social contact of such goods promote economic activity and should not be restricted by the Ministry of Transport.

4. Companies in the Essential Services Sector

A. Issues:

(a) Employees of companies in the essential services sector that are allowed to operate during the MCO period, especially the foreign workers, have refused to come to work as scheduled because they are of the view that they are not supposed to work and entitled to be paid full wages.

(b) Companies that have received exemptions from MITI to operate at 50% capacity are facing problems to get workers back to work. The workers perceive that they are entitled to full wages and allowances by staying at home during MCO and are demanding extra payments to return to work.
B. Recommendations:

(a) Employers should be allowed to utilize the employees’ annual leave/ unpaid leave/ reduced working hours to reduce the cost of doing business. Employees under these circumstances should be prepared to make sacrifices in order to ensure that their employers retain their jobs.

(b) Companies with MITI’s approval were informed that only the workers listed in the companies’ applications that have been approved by MITI, which constitute less than 50% of the total workforce of these companies are permitted to continue working.

C. Issues:

(a) The workers approved by MITI constitute less than 50% of the total workforce of applicant companies, which means that the balance workers are not working while the current team has to work. This has caused unhappiness amongst the workers. Companies with unions are facing issues over why some workers are being made to work and others are still paid (as per the Government’s directive) but are not required to work.

D. Recommendation:

(a) MITI to allow the team of workers to rotate - keeping the same number of workers as per the application, which is below 50% of the total workforce. On the basis of the above, it is proposed that the current team (Team A) be rotated with the second team (Team B) midway through the MCO period. In this regard, Team A would work up to 31 March and Team B would work from 1 April to 14 April.
5. **Tourism and Hotel Industry**

A. **Issues:**

**(a)** The travel and tourism industry were the hardest hit even before the MCO. The tourism industry that employs 3.5 million people and contributes 15.2% to GDP has seen revenues fall by a staggering 90% in March and faces near total-loss in business for the months of April, May and June 2020. Many businesses especially SMEs may have no choice but to start retrenching employees.

**(b)** The Malaysian Association of Tourism and Travel Agents (MATTA) indicated a possible downsizing of staff from between 70-90% in the coming months in order to survive. Many tourism businesses are hesitant to take up any of the 'special loans' being offered by banks to keep staff on the payroll for fear that they will be saddled with additional debts, especially since recovery is expected to take much longer than expected.

**(c)** Despite the Stimulus Package, it appears that businesses are still required to bear the brunt of the fallout and are restricted by inflexible and unyielding labour laws and a lack of any real financial relief.

**(d)** The Malaysian Budget Hotels Association (MyBHA) reported that many budget hoteliers have ceased operation because they are required to pay full wages and allowances although not getting any business and experiencing loss of revenue.

**(e)** Local industry stakeholders are not confident that the nation's economy will be able to spring back competitively once the crisis is over. Many are on the verge of throwing-in the towel.
B. Recommendations:

(a) Many countries are assisting businesses by subsidizing wages. E.g. Singapore provides up to 75% in wage subsidies for tourism businesses.

(b) There should be equitable burden-sharing during these difficult times. The government should provide expanded social protection at such times while employers should do their best to take care of their employees, and the employees making reasonable sacrifices.

(c) Social safety nets must be expanded to support the vulnerable self-employed and informal sector workers who are not covered by social insurance schemes.

6. Small and Medium Enterprises (SMEs)

A. Issues:

(a) Though the Ministry of Finance does not expect Malaysia’s economic growth to dip below 0%, economists have predicted imminent recession and more than one million loss of jobs. The Malaysian Institute of Economic Research (MIER) forecasted that 2.4 million jobs would be lost in 2020.

(b) SMEs currently make up 98.5% of total business establishments in Malaysia; 38.3% of GDP; 17.3% of total exports and 66.1% of total employment. Considering that 93% of SMEs are facing difficulties by the government’s own estimation, the pool of funds looks very small for sharing.

(c) More than half a million SMEs had been experiencing 50% revenue loss since January 2020.
(d) The economic and business disruptions aggravated by the initial 14-day MCO, which has been extended to April 14, have caused companies with low cash reserves or unstable cash flows to be particularly vulnerable, given the persistent sharp economic slowdown expected this year.

(e) With no revenue and sales for the non-essential services and slower sales for essential services, this poses serious challenges for the cash-strapped SMEs to meet the payroll checks in addition to rental expenses and utilities bills.

(f) Companies that appear to be in good financial shape may not be immune, depending on the situation and how long it takes for demand and supply shocks to subside and markets to return to normalcy.

(g) SMEs will run out of cash within two to three months, and will not be in financial good shape for the next six months to a year if the crisis and the Covid-19 pandemic do not abate.

(h) The biggest problem is cash flow, especially for the payment of wages and salaries to prevent massive retrenchments.

(i) SMEs in Sabah and Sarawak are not optimistic about being able to access the Stimulus Package initiatives based on past experiences.

B. Recommendations:

(a) SMEs employ about 66% of the workforce and are critical in ensuring the supply chain of production. Therefore direct fiscal spending and focus on the SMEs to ease cash flows and operating costs while helping to save jobs and support workers to preserve wages.
(b) The government should provide a 70% wage subsidy to employers per employee up to a period of six months to ease their employment cost and help to retain employees.

(c) Companies provide proof to banks of payroll statements for the past six months and be given an immediate loan facility for an amount equivalent to 12 months’ payroll to help employers retain their employees for a minimum of one year. The government to provide guarantee on the loan and Bank Negara Malaysia to implement KPI for the financial institutions to facilitate this loan facility.

(d) Less stringent credit risk assessment. The loan facility will be approved based on the proof of payroll statement of the applicant.

7. Wage subsidy

A. Issue:

(a) The Ministry of Human Resources announced Wage Subsidy of RM600 a month to employers for each employee (limited to 100 employees) earning RM4,000 and below for a period of three months. The limitation to 100 employees earning RM4,000 and below would cause a lot of resentment among the bigger companies.

B. Recommendation

(a) There should not be a limit to the number of employees eligible for Wage Subsidy.
8. **Looking ahead**

(a) Social distancing will increasingly be the norm in future with education and work activities to be increasingly conducted via online platforms. Productivity would not dip when the employee works from home as long as he/she is kept accountable for the work completed which would make employers more comfortable with work-from-home arrangements.

(b) Many events will start migrating online as people realise the cost savings and greatly minimised risk associated with it, including meetings which will now be deemed more efficient if conducted online via niche technology such as virtual reality (VR).

(c) The rigid labour laws must be reviewed to provide the required flexibility to allow such work arrangements.
List of Associations

1. MALAYSIAN EMPLOYERS FEDERATION (MEF)
2. ASSOCIATION OF HOTEL EMPLOYERS – PENINSULAR MALAYSIA
3. ASSOCIATION OF INSURANCE EMPLOYERS (AIE)
4. BANGI INDUSTRY ADMINISTRATIVE ASSOCIATION (BIAA)
5. COMMERCIAL EMPLOYERS ASSOCIATION OF PENINSULAR MALAYSIA (CEAPM)
6. MALAYSIAN COMMERCIAL BANKS ASSOCIATION (MCBA)
7. MALAYSIAN FRENCH CHAMBER OF COMMERCE AND INDUSTRY (MFCCI)
8. PERSATUAN INDUSTRI KESELAMATAN MALAYSIA (PIKM)
9. PERSATUAN PENGUSAHA JURUGAYA RAMBUT INDIA MALAYSIA (PPJRM)
10. SABAH EMPLOYERS ASSOCIATION (SEA)
11. SABAH EMPLOYERS CONSULTATIVE ASSOCIATION (SECA)
12. SABAH TIMBER INDUSTRIES ASSOCIATION (STIA)
13. SARAWAK CHAMBER OF COMMERCE AND INDUSTRY (SCCI)
14. SARAWAK MANUFACTURERS’ ASSOCIATION (SMA)
15. SARAWAK TIMBER ASSOCIATION (STA)
16. THE MALAYAN AGRICULTURAL PRODUCERS ASSOCIATION (MAPA)
17. THE STEVEDORE EMPLOYERS ASSOCIATION (SEA)
18. MALAYSIAN RETAIL ASSOCIATION (MRA)
19. MALAYSIAN TEXTILE MANUFACTURERS ASSOCIATION (MTMA)
20. FEDERATION OF MALAYSIAN FASHION, TEXTILE AND APPAREL,
21. FEDERATION OF SABAH INDUSTRIES (FSI)
22. MALAYSIAN GARMENTS MARKETERS ASSOCIATIONS
23. MALAYSIAN KNITTING MANUFACTURERS ASSOCIATIONS (MKMA)
24. MALAYSIAN PLASTICS MANUFACTURERS ASSOCIATION (MPMA)
25. MALAYSIAN FOOTWEAR MANUFACTURERS ASSOCIATION (MFMA)
26. MALAYSIA TEA ASSOCIATION (MYTA)
27. MALAYSIA SINGAPORE COFFEE SHOP PROPRIETORS' GENERAL ASSOCIATION (MSCSPGA)
28. KL AND SELANGOR INDIAN CHAMBER OF COMMERCE AND INDUSTRY (KLSICCI)
29. THE ELECTRICAL & ELECTRONIC ASSOCIATION MALAYSIA (TEEAM)
30. BRANDING ASSOCIATION OF MALAYSIA
31. MALACCA FOUNDRY & ENGINEERING INDUSTRIES ASSOCIATION (MFEIA)
32. MALAYSIAN IRON & STEEL INDUSTRY FEDERATION (MISIF)
33. THE FEDERATION OF STATIONERS AND BOOKSELLERS ASSOCIATION OF MALAYSIA
34. MALAYSIA CROSS BORDER ECOMMERCE ASSOCIATION
35. MALAYSIAN AUTOMOTIVE COMPONENTS PARTS MANUFACTURERS ASSOCIATION
36. MALAYSIAN FURNITURE COUNCIL (MFC)
37. MALAYSIA SHOPPING MALL ASSOCIATION (MSMA)
38. BUILDING MANAGEMENT ASSOCIATION OF MALAYSIA (BMAM)
39. MALAYSIAN INDIAN RESTAURANT OWNERS ASSOCIATION (PRIMAS)
40. MALAYSIAN INTERNATIONAL CHAMBER OF COMMERCE AND INDUSTRY (MICCI)
41. SARAWAK BUSINESS FEDERATION (SBF)
42. KUALA LUMPUR & SELANGOR FRUITS FARMER ASSOCIATION
43. MALAYSIAN ASSOCIATION OF HOTEL OWNERS (MAHO)
44. FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY MALAYSIA (FICCIM)
45. MASTER BUILDERS ASSOCIATION MALAYSIA (MBAM)
46. MALAYSIAN ASSOCIATION OF HOTELS
47. MALAYSIAN PLASTIC MANUFACTURERS ASSOCIATION (MPMA)
48. MALAYSIA CONSORTIUM OF MID TIER COMPANIES (MTCMC)
49. MALAYSIAN ASSOCIATION OF RUBBER GLOVE MANUFACTURERS (MARGMA)
50. MASTER BUILDERS ASSOCIATION OF MALAYSIA
51. ENTREPRENEURS' ORGANIZATION, MALAYSIA CHAPTER (EO MALAYSIA)