MEF expects 30,000 employees to be retrenched this year, calls on government to reduce cost of doing business

(Petaling Jaya, 12th) The Malaysian Employers Federation (MEF) expects retrenchment figures to sharply increase to about 30,000 employees in 2019 from last year's 21,000 due to increasing cost of doing business.

The Federation has therefore urged the government to seek ways to assist employers to retain employees so that both parties are able to benefit when the economy recovers.

MEF executive director Datuk Hj. Shamsuddin Bardan stated that employers expect to face very difficult challenges this year due to the declining growth of the domestic and international economy.

“The most important thing for employers is the cost of doing business. In China, it is getting higher and higher. This year, West Malaysia is subjected to a minimum salary increase of about 10%, and employers are continually imposed with higher social costs. Employers are now required to pay SOCSO for foreign workers every month. We expect some companies will reorganize their business, and some layoffs will then occur.
“Many employers regard the significant increases in business costs as the most important factor.”

When Shamsuddin accepted an exclusive interview with the Nanyang Business Daily, he shared MEF views on the performance of the domestic economy and the challenges faced by employers this year.

**Difficult for SME business to survive**

Shamsuddin pointed out that about 21,000 employees were laid off in 2018. Compared with more than 30,000 in 2017, the situation is not terrible. However, it is estimated that about 30,000 people will be laid off this year. Smaller companies may not even survive.

“When we go shopping, we can find fewer and fewer kiosks, and we can see vacant units. These conditions show that small businesses face difficulty to survive.”

Shamsuddin: HARAPAN should fulfill its campaign promises as soon as possible to solve the problem of high cost of living.
New Deal does not increase costs

Shamsuddin added that in addition to the increases in business costs, consumers prefer the online shopping model based on price factors, which has caused businesses to face very fierce competition.

He stressed that employers need assistance during these difficult times, and therefore urged the government not to implement any more new policies that would further add to the cost of doing business.

Shamsuddin stated that the Federation had proposed to the government that employers should be given incentives to retain their employees during difficult times.

“For example, in Singapore when the economy is not very good, the government will allow companies that have not laid off employees claim rebate on the employers’ contributions to the Central Provident Fund. This would will help companies retain employees.”

Loss of expertise is not good for companies

Shamsuddin stressed that employers do not want to lay off senior employees because it will not be able to benefit once the economy recovers. It takes a lot of time to re-recruit and train employees.”

In terms of which economic sectors the layoffs would be more serious, Shamsuddin said the majority of industries will be affected with retrenchment occurring in all sectors, and not limited to any specific industry.

For example, the domestic tourism industry is in a difficult period in view of the decrease in the number of arrivals from China, especially Chinese tourists.

“The real estate industry is also facing problems as the total value of unsaleable units exceed RM20 billion, this will also impact the construction industry, which will eventually lead to problems in all related industries.”
People hope HARAPAN fulfil promises to abolish tolled roads, lower fuel prices

The HARAPAN government should fulfill its campaign pledges such as the abolition of tolled roads and to fix the price of RON95 fuel to RM1.50 liter per liter to help reduce the burden on the people and improve consumer confidence.

On the view of economists that private consumption would be the main driving force for economic growth, Shamsuddin said that private consumption involves consumers’ confidence, and he believes that in the current situation, consumers are becoming more cautious.

“I think in the current situation, consumers are more willing to save cash than buying a new car or a house.”

On how performance of the HARAPAN government so far, he said that based on the high cost of living, the people and industry players are in a state of unease.

"Today's RM100 cannot buy a lot of goods. The price per kilogram of ikan kembung is between 23 and 30 ringgit, which shows that the cost of living has increased a lot. At the same time, the salary does not correspond to the increases as salary increases is between 4 and 5% per year.

"In addition to school uniforms, the price of a pair of black shoes is now about RM40. Suppose you have several children studying. How much will it cost?"

He pointed out that in the case of reduced purchasing power, the people then become nervous about their future.

"When the people voted for the new government, they were actually excited about the many promises mentioned in the campaign declaration, especially the abolition of tolled roads and the reducing the price of fuel to RM1.50 per liter, but the current situation shows that they (HARAPAN) cannot fulfill their promises."

Minimum wage unsubsidized employer

Shamsuddin stressed that the HARAPAN campaign declaration clearly stated that the government would bear 50% of the minimum wage increases in order to reduce the hardships faced of the employers.
"This would mean that for every RM100 of increase, the government would have to bear RM50. But this has not happened, so to some extent it is unfair to the employer."

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