

## **KPRU Policy Paper**

# **Working and Unemployed: Suggestion by KPRU regarding Employment Insurance Scheme (EIS)**

By  
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## **PART I**

### **Introduction to Employment Insurance Scheme (EIS)**

Dewan Rakyat sitting will resume on 24 July 2017. The Human Resources Minister Datuk Seri Richard Riot Jaem said the Employment Insurance Scheme (EIS) will be tabled in the coming Parliament sitting.

On 23 March 2016, Prime Minister Dato' Seri Najib Tun Razak said that the government agreed to implement the EIS for 6.5 million local workers in the private sector.<sup>1</sup> The purpose of the EIS is to help working class people who lost their jobs to obtain financial aid and find a new job.

The workers will get a temporary financial aid and find a new job through employment service programmes which covers jobseekers' aid, career counselling and job matching. Besides that, workers who lose their jobs will be given training either in the form of retraining or skill enhancement in order to enhance their job ability.

Later, the Ministry of Human Resources (MOHR) said that the implementation of the EIS is to help those who are unemployed due to involuntary loss of job. Under this programme, they can receive a certain amount of unemployment allowance (based on their salary before unemployment) while it is compulsory for them to join a job seeking programme. The EIS will be administered by the Social Security Organisation (SOCSSO) which is an agency under the MOHR.

According to the MOHR<sup>2</sup>, although this employment insurance is similar to the

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<sup>1</sup> <http://www.bernama.com/bernama/v8/bm/newsindex.php?id=1340852>

<sup>2</sup>

unemployment insurance in some other countries, an unemployment insurance focuses on unemployment benefits, while employment insurance is attached with an active labour market programme which helps the unemployed to find a job, while they are receiving unemployment benefits. Therefore the EIS should not be seen as encouraging people to be lazy to work, but pressuring them to work.

According to the proposal of implementing EIS by the MOHR, the participation is compulsory for all employees who are Malaysian citizens and protected by the SOCSO. One must have contributed for a minimum of 12 months within 24 months in order to enjoy the benefits under EIS. Those who voluntarily resigned, those whose employment contract has expired, and those who are mandatorily retired, are ineligible.

The think tank Political Studies for Change (KPRU) wishes to emphasize in this article that the Social Security (Minimum Standards) Convention, 1952 (No. 102) of the International Labour Organisation (ILO) stated that there should be monetary benefits given to the unemployed who are capable and available to work.<sup>3</sup>

While the EIS proposal by the ministry limits the scope of unemployed to those who lost their jobs, KPRU is in the opinion that the concept of unemployed within the SIP should be extended to those who are jobless due to other factors. Such wider concept should be taken into account and given a clear definition so that workers will not face problems in enjoying the benefits under the EIS once this scheme is being in force.

Just as contributing to SOSCO and Employment Provident Fund (EPF) as usual, the employers and employees are required to contribute for the EIS. Each of both are required to contribute 0.25% of the employee's salary.

While an unemployed is enjoying the benefits under EIS, he or she is required to participate in a job seeking service and career counselling. They must frequently report themselves on their efforts in job findings.

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[http://www.unescap.org/sites/default/files/3-National-Experience-Proposals-for-implementing-18-Aug2015\\_0.pdf](http://www.unescap.org/sites/default/files/3-National-Experience-Proposals-for-implementing-18-Aug2015_0.pdf)

<sup>3</sup> <http://www.malaysiakini.com/letters/380963>

It is understood that while receiving the unemployment benefits, a person is qualified to receive a job search allowance (JSA) of 30-80% of the monthly salary for 3 to 6 months. The salary limit of JSA is RM4,000 per month. If they manage to get a new job before the end of the period of receiving JSA, they will continue receiving 25% of the JSA for the remaining period, similar to South Korea (which is 50%)<sup>4</sup>.

At the same time, except those with multiple employers, they are also qualified to receive a training allowance (TA) of 25% of the salary before unemployment, this allowance is at a minimum of RM300 and the maximum is RM600, and just as the JSA, the payment for TA is also 3 to 6 months.

In order to prevent laziness in job finding and abuse of this system, all benefits under EIS will be suspended for those who defy the orders and instructions by the authority, such as refusal of suitable job placement service and vocational training order.

The period of receiving benefits under EIS is determined based on the period of contribution being done, as below:

- 3 months of allowance: contribution of 12 months
- 4 months of allowance: contribution of 16 months
- 5 months of allowance: contribution of 20 months
- 6 months of allowance: contribution of 24 months

The JSA is reduced over time of a recipient:

- First month: 80% of the last salary
- Second month: 50% of the last salary
- Third and fourth month: 40% of the last salary
- Fifth and sixth month: 30% of the last salary

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<http://www.korea4expats.com/article-unemployment-insurance-foreign-employer-employee.html>

**KPRU table: Proposal for Job Search Allowance (JSA) under the Employment Insurance Scheme (EIS)**

Salary (RM)	Contribution	Allowance period	First month (80%) RM	Second month (50%) RM	Third month (40%) RM	Fourth month (40%) RM	Fifth month (30%) RM	Sixth month (30%) RM	Total RM
2000	12 months	3 months	1600	1000	800	-	-	-	3400
2000	16 months	4 months	1600	1000	800	800	-	-	4200
2000	20 months	5 months	1600	1000	800	800	600	-	4800
2000	24 months	6 months	1600	1000	800	800	600	600	5400
4000	12 months	3 months	3200	2000	1600	-	-	-	6800
4000	16 months	4 months	3200	2000	1600	1600	-	-	8400
4000	20 months	5 months	3200	2000	1600	1600	1200	-	9600
4000	24 months	6 months	3200	2000	1600	1600	1200	1200	10800

**Retrenchment is happening under this poor economy**

Recently, we keep receiving news about workers losing their jobs due to decline of certain industries. There were also factories being forced to shut down due to certain factors. Therefore, it is imperative to help the unemployed to face their difficulties in their lives as in their loss of income, and help them find a new job in order to carry on with their lives.

According to a news report on 2 May 2016 <sup>5</sup>, the executive director of the Malaysian Employers' Federation (MEF), Shamsuddin Bardan warned that if the Minimum Wage Order 2016 (MWO 2016) comes into force on 1 July 2016, there would be about 30,000 employees (especially in the lower level) being retrenched. This is because employers had to bear a high cost and have to retrench some employees before July in order to save cost and compensations for termination.

According to Shamsuddin, the workers who would be terminated would be from sectors such as the oil and gas (O&G) sector, banking and finance sector, insurance sector and retail sector. He also said that in 2015, many big companies faced a loss

<sup>5</sup>

<http://www.freemalaysiatoday.com/category/nation/2016/05/02/30000-may-be-retrenched-if-minimum-wages-enforced/>

of income by 30% to 40% and caused 38,000 people to be retrenched.

On 23 February 2017, MEF reported that 44,000 employees lost their jobs in 2015, while as for 2016, up to September there were 40,000 employees losing their jobs.

According to SOCSO <sup>6</sup>, in the past 10 to 20 years there were 30,000 to 40,000 being retrenched (employers with 5 employees and below are not obligated to report their retrenchment figures to the government), and according to the unemployment rate (up to 13 April 2017) at 3.5% or 500,000 people, the EIS will benefit 137,000 to 300,000 people.

Among the most shocking news was the sudden closure of the High-5 bread factory on 23 June 2016 <sup>7 8 9</sup> and had to vacate their premise by 3 July 2016) due to the court order obtained by AmanahRaya Real Estate Investment Trust (Amanahraya REIT) as the owner of the property. This sudden closure of the factory caused 60 workers there to lose their jobs. The workers claimed that their employment were terminated immediately with merely a notice being issued 24 hours before hand, and they only received half of their monthly salary as compensation. However this claim was denied by the factory, that the date of termination was 22 July 2016, and the other half of their salary would be paid before Hari Raya Aidilfitri.

Anyway, it was reported that <sup>10</sup> High-5 had not fulfilled their responsibilities in contributing for some employees into their EPF accounts for 8 to 12 months.

It seems that even after nearly a year, these terminated High-5 workers' problem are yet to be solved. On 20 May 2017 <sup>11</sup>, Mohd Manaf Mansor, a former worker

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<http://www.thestar.com.my/news/nation/2017/04/13/socso-defends-employment-insurance-scheme/>

7 <http://www.theedgemarkets.com/en/node/288220>

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<http://www.beritadaily.com/news/2016-06-25/45236/kilang-roti-high-five-pecat-pekerja-serta-merta>

9 <https://m.malaysiakini.com/news/346605>

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<http://www.freemalaysiatoday.com/category/nation/2017/05/20/former-high-5-workers-face-another-gloomy-raya/>

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who had been working there for 14 years, claimed that he had not received his compensation. Probably due to his age (45 years), he had difficulties in finding a new job, and being only able to survive by his wife's income as a bank clerk, while he himself became an Uber driver in order to earn extra income whenever he has the time to do so.

Another former High-5 worker, Mohd Dhani Yusoff, also faced difficulties in finding a job due to his age (45 years) as well and had to sell his house. He has 7 children.

It was reported that in 2015 <sup>12</sup> for the banking sector, Standard Chartered Bank retrenched 11% of their manpower, CIMB Group Holdings Bhd retrenched 3,599 employees who were 11% of their manpower, and RHB Capital Bhd retrenched 2,700 employees who were 15% of their manpower.

According to a news report on 8 January 2016 <sup>13</sup>, as for the O&G sector, 10 companies were planning to retrench 2,700 employees. It was said that Shell Malaysia wished to retrench 1,300 in 2 years, there were 7 other companies wishing to retrench 80 to 600 employees each, and 2 more companies intended to implement a voluntary separation scheme (VSS). After that, according to another news report on 21 January 2016 <sup>14</sup>, Petronas was considering to retrench 51,000 employees, as part of their measure to cut capital and cost by RM50 billion in 4 years time.

According to news report on 6 July 2015 <sup>15</sup>, JVC had to close down their factory in Shah Alam while relocating their operation to Thailand. This affected 300 employees here. Among the reason of the relocation was the low value of the Ringgit.

According to news report on 1 March 2016 <sup>16</sup>, Samsung Electronics Display (M)

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<http://www.freemalaysiatoday.com/category/nation/2017/05/20/former-high-5-workers-face-another-gloomy-roya/>

<sup>12</sup> <http://www.dailyexpress.com.my/news.cfm?NewsID=105655>

<sup>13</sup> <http://business.asiaone.com/news/more-layoffs-the-horizon-malaysian-oil-gas-sector>

<sup>14</sup> <https://www.malaysiakini.com/news/327674>

<sup>15</sup> <http://www.sinarharian.com.my/nasional/kilang-jvc-ditutup-pampasan-munasabah-1.407931>

<sup>16</sup>

<http://www.sinarharian.com.my/edisi/melaka-ns/pasaran-tak-stabil-punca-kilang-tutup-1.491135>

Sdn Bhd had to close down their television manufacturing plant in di Seremban on April 2016, due to challenging business environment and an unstable market. This resulted in 620 employees (475 Malaysians and 145 foreigners) affected.

### **Advantages of implementing EIS**

As opposed to the claim of “becoming lazy”, KPRU wishes to bring into attention upon a statement by social media manager of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), Jackie Tortora that an unemployed person who is enjoying benefits under an unemployment insurance programme would be more active in finding a job, as compared with one who does not enjoy such benefits. The allowance paid would also protect them from poverty due to loss of source of income. <sup>17</sup>

Furthermore, it was reported in the United States that such unemployment benefit is able to enhance economic growth, by generating US\$1.64 in demand out of every US\$1 spent in the unemployment benefit, because the recipients can spend their allowance to buy their daily goods. Studies by the Congressional Budget Office (CBO) showed that every US\$1 billion spent in this programme created 19,000 jobs, and without this assistance, market demand would decline, and retailers might have to retrench their employees, resulting in an increase unemployment. It was reported in the final quarter of 2008 that US\$34.9 billion was spent to benefit 8 million unemployed people, and enhanced economic growth by US\$57 billion. Even though each month would cost US\$10 billion from the taxpayers, this generated US\$16.4 billion in economic growth. <sup>18</sup>

The implementation of such unemployment benefits would enable unemployed people to spend more time in finding a job suitable for themselves, rather than getting an unsuitable job in a hurry. <sup>19</sup> <sup>20</sup> In fact in our opinion, such

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<http://www.aflcio.org/Blog/Economy/5-Reasons-Why-Extending-Unemployment-Insurance-Is-Good-for-the-Economy>

<sup>18</sup>

<http://useconomy.about.com/od/usfederaltaxesandtax/f/Why-Extended-Federal-Unemployment-Benefits-Are-The-Best-Way-To-Boost-The-Economy.htm>

<sup>19</sup> <http://next.ft.com/content/923c6d34-bf50-11dd-ae63-0000779fd18c>

<sup>20</sup>

[http://www.slate.com/articles/arts/the\\_undercover\\_economist/2008/12/on\\_the\\_dole\\_but\\_not\\_dol](http://www.slate.com/articles/arts/the_undercover_economist/2008/12/on_the_dole_but_not_dol)

unemployment benefits would give participants a chance to learn new skills, in order to have more choices in the labour market, instead of being restricted to their own working experience or what they have learned in their educational institutions.

Although the MEF claimed that the compensations under the existing legislations, which are the Employment (Termination and Lay-Off Benefits) Regulations 1980 (for Peninsular Malaysia), Labour (Termination and Lay-Off Benefits) (Sabah) Rules 2008, and the Labour (Termination and Lay-Off Benefits) (Sarawak) Rules 2008 are sufficient for the terminated and retrenched employees, we do not agree with this, because the compensation can be easily run out, especially under this situation where the value of the Ringgit is dwindling and goods prices are on the rise.

Under all the three subsidiary legislations above, the compensation for employment termination is as the following:

12 months of salary  $\div$  365 days  $\times$  term of service (year)  $\times$  eligibility (10, 15 or 20 days per year)

In respect to this formula, the “eligibility” is:

10 days per year: Those who served for less than 2 years

15 days per year: Those who served for 2 years to less than 5 years

20 days per year: Those who served for 5 years and above

Imagine if a person had served for 5 years and only earned the minimum wage of RM1,000 in Peninsular Malaysia, the compensation obtained would be:

$RM12,000 \div 365 \times 5 \times 20 = RM3,287.67$

Those who are terminated might not be able to rely on this compensation, because there are also companies which are accused of not fulfilling their responsibilities to pay the compensation, such as High-5 mentioned before. Besides that, Rayani Air which ceased operation out of a sudden after operating for merely three months, was accused of not paying their staff salary! <sup>21</sup> It is hard for us to blame these

employers for their failure in fulfilling their responsibilities, if they were really in financial difficulties. Therefore, even without termination compensation, the terminated employees can still enjoy the JSA under the EIS, where employers and employees only need to make a small contribution, as compared with the large amount of money which needs to be prepared by the employer as the compensation for the terminated employees.

Perhaps many do not know or do not realise that the Employment Act 1955 only protects employees with a monthly income of RM2,000 and below, and various high-risk workers such as manual labourers, transport operators, workers in vessels, domestic servants, and so on. The Labour Ordinance (Sabah Cap. 67) and Labour Ordinance (Sarawak Cap. 76) are protecting employees with a monthly income of RM2,500 and below, as well as high-risk workers as in the Employment Act 1955. Note needs to be taken that the three legislations regarding termination and lay-off benefits are subsidiary legislations of these three Acts and Ordinances. However the EIS will assist workers who meet the definition of unemployment with a salary ceiling up to RM4,000. This means that those who earn more than RM4,000 per month will also be benefited based on the calculation up to RM4,000. With this, more unemployed will be protected under EIS, as compared with the existing job loss compensation.

### **Workers will become lazy?**

Again, regarding the rhetoric against the unemployment benefits with the claim that this benefit will encourage employees to become lazy and choose not to work, in order to survive by merely the unemployment allowance paid by the government, we are in the opinion that the EIS in other countries have taken many measures to reduce or prevent such abuse of the system by the “lazy bums”.

As mentioned, the EIS will only be carried out up to 6 months per participant. Therefore it is impossible for a lazy bum to attempt relying on the EIS for the rest of their life, as in Australia. Most of the countries implementing such unemployment insurance generally impose a limit of 6 months to 2 years. Even in Australia where they do not impose a term limit, the reality is that it is quite hard for the unemployment benefit over there to be abused by unemployed people,

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<http://www.themalaymailonline.com/malaysia/article/rayani-air-employees-threaten-legal-action-over-salary-arrears>

because each recipient must report themselves to the authority regarding their own job searching progress, and the authority has to be satisfied that the recipient has done their best in finding a job but failed, in order to continue giving them the benefits. Furthermore, a participant of the EIS is required to follow whatever order such as attending job training and accepting job offers.

Other than that, the EIS is actually learning from the system in South Korea where participants are encouraged to get a new job as soon as possible, by paying them part of the JSA until the end of the benefit receiving period.

The EIS requires each person to work and contribute into the EIS fund for 12 months before being qualified for the benefits upon loss of job. Therefore we believe that the EIS might pressure each “lazy bum” to work, in order to be able to contribute into the fund for their future, instead of continuing being lazy and rely on others, or worse, committing crime. The concept of contribution has been implemented in most of the countries having unemployment benefits, except Australia<sup>22</sup> <sup>23</sup> where the unemployment benefit is funded by the collection of the Value Added Tax (VAT), known as Goods and Services Tax (GST) in Malaysia. Therefore in Malaysia there will not be the issue of “feeding the lazy bums with the taxpayers’ money”, but the qualified unemployed under the EIS will only be fed with contributed money by themselves, their own employers, other employees, and other employers, just as the existing protections by EPF and SOCSO.

Furthermore, the monthly contribution for the EIS (which is 0.25% each for employer and employee) is quite low, comparing with other countries. While the contribution rate in Malaysia is 0.25% each for both parties, the rate in France is 4% for employer and 2.4% for employee. The Socialist Party of Malaysia (PSM)<sup>24</sup> even suggested that the contribution can actually be reduced to 50 cents for each party, as they find the rate of 0.25% being high.

As mentioned, the allowance under EIS is reduced over time from 80% to 50% (of

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<sup>22</sup>

<http://www.dailytelegraph.com.au/news/nsw/australias-welfare-bill-to-top-190b-with-taxpayers-funding-240-million-payments-a-year/news-story/0e6be93c70fe359caa2b8e7ed4ae8312>

<sup>23</sup>

<http://www.ncoa.gov.au/report/appendix-vol-1/9-11-unemployment-benefits-minimum-wage.htm>

<sup>24</sup>

<http://www.malaysiakini.com/letters/380963>

the last drawn monthly salary). Therefore, as an example, one who earned the minimum wage of RM1,000 in Peninsular Malaysia will start receiving RM800 as the JSA for the first month, RM500 for the second month, RM400 for the third and fourth month, and finally RM300 for the fifth and sixth month. The JSA is lower for those who were receiving their respective minimum wage in Sabah, Sarawak and Labuan, which is being lower that is RM920. With such a little allowance, it is better that if an unemployed gets a new job as soon as possible, for the sake of a higher income.

Other than that, the EIS provides job training for the recipients. Probably due to lack of education, experience as well as other factors, we are not equipped with sufficient job skills, or we do not even realise our own skills and talents. Hence the job training should give us more opportunities to learn more skills and get to know ourselves better, thus increasing our own self-confidence into the labour market.

## **PART II**

### **Reducing potential social problems**

On 8 November 2013 <sup>25</sup>, Minister in the Prime Minister's Department, Dato' Sri Nancy Shukri claimed that poor Bumiputera will have to resort to theft, if they are not given economic assistance. At that time, she was attempting to defend the policies strenghtening Bumiputera economy which were accused of being one-sided favouring the Bumiputera. She said that such policies were needed to fix the wealth inequalities between races or ethnic groups, as this problem would bring social problems and crimes.

Although we do not agree with Nancy Shukri's statement which is being biased towards a certain race and even stigmatising the Bumiputera, the statement that Bumiputera needed those assistance has its basis where such problems are cross-racial and should be handled based on the class necessity approach or lower income social group necessity approach.

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<http://www.themalaymailonline.com/malaysia/article/bumiputera-will-steal-if-left-unaided-says-law-minister>

From the class perspective, actually social problems are not limited to Bumiputera but also other races especially Indians. According to news report on 15 May 2015<sup>26</sup>, the Indian society was still left behind in terms of socioeconomic development, despite us having only a few more years to achieve the developed nation status by Vision 2020. According to Yayasan Pemulihan Sosial (YPS), which is the social welfare arm of the Malaysian Indian Congress (MIC), there were 40% out of 2.6 million ethnic Indians in this country living in poverty. They were part of the urban poor and lower income group, and facing various challenges in socioeconomic development.

YPS also claimed that these 40% were backwards in the past 10 years, and fell below the national average, and not on par with the below 40% group among other ethnic groups in the urban area.

Income inequality among Indians is the highest if compared with other ethnicities (20% upper class and 40% middle class), and this situation is worsened by others such as violence and gang-related crimes, which are caused by family problems and marginalising of the Indians.

Therefore, we believe that the EIS (which is helping all unemployed who need help, regardless of race) not only help the unemployed to face their loss of income while preparing them to return to the labour market via job seeking assistance and job training, but also fix the problem of wealth inequality and potentially reduce social problems and crimes. After all, there was a study from the United States<sup>27</sup> showing that people who were jobless and not actively seeking a job might commit crimes such as theft and robbery. If an unemployed is able to survive on the unemployment allowance, they should have no reason to steal or rob.

Other than that, we have also received a few news report about unemployed people committing suicide due to difficulties in their livelihood. According to report on 11 February 2015<sup>28</sup>, a study published in the journal *Lancet Psychiatry* found that

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<http://www.themalaymailonline.com/malaysia/article/yps-40pc-of-indians-in-malaysia-still-at-bottom-rung-of-the-income-ladder>

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<http://journalistsresource.org/studies/government/criminal-justice/unemployment-property-crime-burglary>

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every year (from 2000 to 2011) there were 45,000 unemployed people from 63 countries committing suicide. Malaysia is also not free from this problem. For example, on 10 March 2016 <sup>29</sup>, an unemployed man of a few months killed himself by inhaling his own car smoke, near his former workplace in Petaling Jaya. On 28 April 2017 <sup>30</sup>, a 22 year old man attempted to commit suicide by jumping from the 20th floor of the Bukit Idaman Apartment in Selayang, Selangor, due to unemployment, breakup (loss of love), and also gambling debts. However at the end he was persuaded by firefighters and gave up his intention to die. He told the firefighters that he was having difficulties in his life because of being jobless and owning a huge gambling debt, therefore his girlfriend broke up with him.

Imagine if an unemployed who commits suicide already have their own family, how big the effect will be – isn't the livelihood of a few people going to be affected due to the loss of a family member, especially if the suicider is the breadwinner of the family? Sometimes we can hardly blame some people for gambling due to their "greeds", because they are usually from the lower income group and/or unemployed, who wish to try their luck for a huge income.

This is quite worrying. According to the teachings of a few religion such as Islam, Buddhism and Roman Catholicism, it is a grave sin to commit suicide and would be condemned to Hell, but it is hard for us to blame those who committed suicide due to hardships in their lives, especially the unemployed ones. Shouldn't we do something to prevent them from committing such sin?

In the long run, if the EIS manages to reduce social problems, the society will feel safer.

### **This is a question of humanity!**

This unemployment insurance is a form of social security which is in line with Article 23 of the United Nations' Universal Declaration of Human Rights: <sup>31</sup>

1. Everyone has the right to work, to free choice of employment, to just and

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<https://www.theguardian.com/society/2015/feb/11/unemployment-causes-45000-suicides-a-year-worldwide-finds-study>

<sup>29</sup> <http://www.orientaldaily.com.my/s/130482>

<sup>30</sup> <http://www.orientaldaily.com.my/s/194472>

<sup>31</sup> <http://www.ohchr.org/EN/UDHR/Pages/Language.aspx?LangID=eng>

- favourable conditions of work and to protection against unemployment.
2. Everyone, without any discrimination, has the right to equal pay for equal work.
  3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
  4. Everyone has the right to form and to join trade unions for the protection of his interests.

and also the Social Security (Minimum Standards) 1952 [Convention C102]<sup>32</sup>, Employment Promotion and Protection against Unemployment Convention 1988 [Convention C168]<sup>33</sup> serta Social Security Protection Floor Recommendation 2012 [Recommendation R202]<sup>34</sup> under the ILO.

The working class is a class of people who are quite easy to be bullied or exploited and need protection and defence by a social safety net.

We not only need unemployment assistance such as SIP to reduce crime, but we also need to realise that we need to try reducing whatever undesirable and saddening incidents, such as death by starvation and also suicide.

It is indeed right that if one loses their job, they should find a new job. But the job finding process may take a few months due to various factors such as skills, education background, location, and so on. Even if they wish to work, they do not necessarily get the desired job even after attending job interviews, since they have to compete with other applicants over the limited vacancies. Although venturing into entrepreneurship or starting your own business may be an alternative, running a business needs capital which is not small, and needs to take risk because no business can guarantee a certain amount of income – after all failure in business in

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[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:312247](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312247)

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[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:312313](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312313)

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[http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R202](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202)

something common, especially under this poor economic condition.

The statement by the President of Federation of Malaysian Manufacturers (FMM), Tan Sri Lim Wee Chai <sup>35</sup> that only 38,000 employees being retrenched in 2016 and we do not need a multi-billion public fund to help this small amount of unemployed, is very inconsiderate, because these unemployed people are also human beings like us who need a source of income to continue with their lives, not to mention that many have their own families. Unemployment is not only a problem of the unemployed themselves, but also a problem to their respective families and may potentially develop into a problem for the entire society, when some of them decide to take the risk to commit crimes in order to make a living.

If we oppose EIS, can we still blame the unemployed who become thieves, robbers, bandits and so on for harming others' safety? Can we still scold the unemployed who commit suicide for being “stupid”, “committing grave sin”, “inconsiderate for their family members” and so on? If these problems occur because of the absence of assistance for them, then we ourselves are to be blamed because we refused to help them!

### **Our suggestions – EIS should not only protect the retrenched ones**

In our opinion, the EIS protection should be extended to more people, by including those who resigned, those who voluntary retrenched, and some of those who were fired from their job (depending on situation).

Some countries allow those who voluntarily resigned to receive unemployment benefits under certain situations, and most countries impose a restriction on it. They might receive a lower rate of allowance. They might also be delayed by a few weeks before starting to get paid with their allowance.

The unemployment benefit in the United States <sup>36</sup> allows those who resigned “with a good cause” to get their unemployment benefits. However, the definition of “good cause” is depending on the respective states. Usually, reasons such as

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<sup>35</sup>

<http://www.thestar.com.my/business/business-news/2017/03/30/fmm-defer-and-review-employment-insurance-scheme/>

<sup>36</sup> <http://www.nolo.com/legal-encyclopedia/unemployment-benefits-when-quit-32450.html>

seeking for a better career opportunity, dissatisfaction towards their job, and wanting to pursue a different career path, are not accepted. On the other hand, reasons which are usually accepted in some states, are usually personal reasons such as joining their spouse who is working in a distant location, as well as family emergency. Besides that, other reasons that might be accepted are such as, forced to resign for personal safety from a dangerous working condition, health/medical reason, domestic violence, and care for family.

For the United Kingdom <sup>37</sup>, one who resigns “without a good reason” and applies for Jobseeker’s Allowance (JSA), may be delayed by a maximum of 26 weeks after resignation, before starting to receive JSA. “Good reasons” are such as a dangerous working condition and bad behaviour of the employer.

In Sweden <sup>38</sup>, those who resign “without a good reason” would be delayed by 45 days before receiving unemployment benefits.

In Thailand <sup>39</sup>, one who resigns is qualified for 30% of the last drawn salary as unemployment allowance, as opposed to 50% for those who were retrenched.

It may be surprising if we find that even being fired from job may qualify someone for receiving unemployment benefits.

In the US <sup>40</sup> <sup>41</sup> <sup>42</sup>, although one who is fired from their job is usually ineligible for unemployment benefits, if the reason of being fired is just a minor problem, the fired employee might get the benefits. We need to take note that the labour laws in the US is favouring the employers, and employees are only protected from being fired on ground of discrimination (such as race, gender, religion, and disabilities), while in Malaysia it is hard to fire someone under the existing laws. As for the

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<sup>37</sup> <https://www.nidirect.gov.uk/articles/resigning-job>

<sup>38</sup>

<http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market/Labour-Market/Unemployment-Benefit-Schemes/unem-ben-sanct-res/fileBinary/unem-ben-sanct-res.pdf>

<sup>39</sup> <http://www.sso.go.th/wpr/eng/unemployment.html>

<sup>40</sup>

<http://employment-law.freedvice.com/employment-law/firing/unemployment-after-being-fired.htm>

<sup>41</sup> <http://employment.findlaw.com/losing-a-job/unemployment-insurance-overview.html>

<sup>42</sup> <http://www.nolo.com/legal-encyclopedia/unemployment-benefits-when-fired-32449.html>

situation in the US, one might still be eligible for unemployment benefits for reasons such as unsatisfactory work performance, inability to perform a task, argument with employer or colleagues, poor attitude, and so on. One cannot be eligible for the benefits if they are fired for serious matters such as crime (e.g theft and fraud), harrassing colleagues or clients/customers, refusal to perform a task, fighting in workplace, sleeping in the job, owning drugs, and so on.

In Lithuania, <sup>43</sup> while an unemployed (whether retrenched or resigned) would usually start receiving unemployment benefits upon 8 days after registration with the authority, those who were fired on disciplinary grounds would be delayed by 3 months after registration, before getting the benefits.

In Sweden <sup>44</sup>, those who were fired on disciplinary grounds would be delayed by 60 days.

With these, we would like to suggest that those who resigned or voluntarily retrenched, as well as some of those who were fired, should be considered for EIS protection on a case-by-case basis.

Those who voluntarily retrenched, and those who were fired without a just cause and managed to settle their case in institutions such as the Industrial Court, should be treated as being retrenched, and should be given unemployment benefits immediately without delay. Those who resigned for certain reasons such as personal safety (from dangerous working conditions) and family matters, should apply to the authority for consideration to be given the benefits immediately. Those who resigned without a good reason, should have their benefits delayed by 3 weeks as in Denmark <sup>45</sup>.

We also wish to suggest that those who were fired from their job for disciplinary

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<http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market/Labour-Market/Unemployment-Benefit-Schemes/unem-ben-sanct-res/fileBinary/unem-ben-sanct-res.pdf>

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<http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market/Labour-Market/Unemployment-Benefit-Schemes/unem-ben-sanct-res/fileBinary/unem-ben-sanct-res.pdf>

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<http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market/Labour-Market/Unemployment-Benefit-Schemes/unem-ben-sanct-res/fileBinary/unem-ben-sanct-res.pdf>

reasons (including those who lost their case in institutions such as the Industrial Court), even still eligible for EIS benefits, should be delayed by 60 days as in Sweden. This should be considered as a reasonable “punishment” for them, and it is still better than nothing, for we should also try our best to prevent them from committing crime for a living.

Other than that, we also suggest that the EIS to be offered to self-employed people, on a voluntary basis.

In Ireland <sup>46</sup>, a self-employed person might be eligible for unemployment benefits under certain circumstances. Generally, those who are only working for 3 days and below per week are considered unemployed, for not having a full time job. Those who have made sufficient contribution into the social security insurance as an employee before hand, are qualified for the unemployment benefits known as Jobseeker’s Benefit. Those who are ineligible for this Benefit, may still get Jobseeker’s Allowance if their business revenue falls below a certain level. They must submit certain documents (such as receipts and audited accounts) to prove their own income and business operating cost, in order to be considered by the authority. They must also go through a “mean test” <sup>47</sup> in order to have their household income and various possible sources of income (such as property and investment) being assessed.

Therefore we suggest that a self-employed person should be given a chance to voluntarily join the EIS with a monthly contribution of RM7.5, based on the contribution rate of an employee with a monthly salary of RM3,000. The Employees' Social Security Act 1969 specifies that an employee who is getting a monthly salary of up to RM3,000 is protected by the Act. Those who are able to prove themselves jobless (such as closure of business) or getting a monthly income being lower than the minimum wage (as per MWO 2016) and have contributed for at least 12 months, should be eligible for benefits under EIS, and the period length of receiving the benefits would be subjected to the same rules for normal employees.

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<sup>46</sup>

[http://www.citizensinformation.ie/en/social\\_welfare/social\\_welfare\\_payments/unemployed\\_people/self-employed\\_and\\_unemployment.html](http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/unemployed_people/self-employed_and_unemployment.html)

<sup>47</sup>

[http://www.citizensinformation.ie/en/social\\_welfare/irish\\_social\\_welfare\\_system/means\\_test\\_for\\_social\\_welfare\\_payments/means\\_test\\_for\\_jobseekers\\_allowance.html](http://www.citizensinformation.ie/en/social_welfare/irish_social_welfare_system/means_test_for_social_welfare_payments/means_test_for_jobseekers_allowance.html)

## **The working class should be defended**

Without sufficient protection, the working class people can be easily bullied or exploited by their employers. For now we already have the EPF and SOCSO for such purpose as a protection against work illness, disabilities due to work, and also retirement. The EIS will be giving protection against unemployment.

Among the key of success for Donald Trump from the Republican Party to win as the US President is, his support obtained from some of the White working class people in northern United States.<sup>48</sup> He promised to bring them jobs (in the manufacturing and coal mining sectors), and also promised not to slash fundings for programmes such as Social Security, Medicare dan Medicaid. With these, Trump had won a few states such as Pennsylvania, Michigan and Wisconsin which have many of such working class people and used to be seen as strongholds of the Democratic Party which is being more worker-friendly (as compared with the Republicans. He also maintained Republican victories in West Virginia and Indiana, and also nabbed Ohio and Iowa which are swing states, often being competitive between the two parties in the Presidential Elections.

This showed that the employees' welfare should not be ignored and can be a good political capital. Now Donald Trump is seen as breaking his own promises and betraying his working class voters, as he and the Republican-controlled Congress are starting to slash budget for the Social Security and healthcare programmes mentioned earlier. We should not repeat their mistakes.

In conclusion, since the unemployment rate of Malaysia is at a level requiring attention, the implementation of EIS is important as a guarantee for the working class people in order to help unemployed people in facing their difficulties in their lives. Other than enhancing the employability of the workers, at the same time we also need to help unemployed people in their financial plight because most of them are breadwinners of their families. Therefore, the EIS can give them a certain amount of allowance as their living assistance while finding a job, and also help unemployed people in getting a new job.

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<http://www.chicagotribune.com/news/opinion/commentary/ct-trump-betray-white-working-class-20170223-story.html>

End.

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