

PRESENTATION

TO

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MINISTER OF HUMAN RESOURCES

MALAYSIA

On issues Affecting Workers in Sarawak

- A** **EXEMPTION 1 – TIMBER WORKERS**
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15 MAY 2008

INTRODUCTION

- 1) Despite impressive economic Growth and rapid development since independence overall productivity of Malaysia remains low. The reason for these is not because Malaysian workers are not productive. It is due to the fact that employers were very successful in suppressing wages that there is no incentive to invest in research and development for productivity improvement. It is more profitable for employers to employ lowly paid workers (including foreign workers) than to invest in modern technology and machinery.
- 2) MTUC welcome the Government efforts to address the needs of civil servants and public sector employees. The up to 42% salary increase, payment of Cost Of Living Allowance and increase in retirement age has proven that the government is a caring employer to the civil servants.
- 3) MTUC would like to remind the government also has a responsibility to all Malaysian workers especially those in the private sector.
- 4) Private sector employees are left in the lurch over rising prices. Employers, led by MEF and STA are turning a blind eye. Salaries of lower ranked employees in privatized agencies and GLCs have lagged behind equivalent government employees.
- 5) The Government is the largest employer in the country. Apart from Civil servants, the Government also either directly through GLCs and indirectly through GLIC controls large portions of private sector employers – From plantations, to Banks, to Trading Corporations, SEDCs, privatized agencies, transport and heavy industries including airlines, oil & gas and infrastructure and hotels.
- 6) The government is therefore in a position to formulate policies for the private sector such as retirement age, minimum wage, and foreign workers & trade unions recognitions. It must also change our policy of suppressing wages to \$12 a day (according to STA) into high value economy.
- 7) It is common knowledge that most Ministers and members of parliament are also connected with employers through company directorship and shareholdings. As a result the government policy has always been very pro employers and at the detriment of workers and the long-term well being of the country.
- 8) The government must stop suppressing wages by reducing foreign workers, allow trade unions more influence and to create decent and high value jobs. There is no point to spend billions to produce graduates when they earn less than \$1000 when they enter the job market.

A EXEMPTIONS – TIMBER WORKERS

- 9) STA wants to deny workers in the timber industry fundamental rights to:
 - Public holidays,
 - Half an hour rest after 4 hours of work,
 - A rest day after working continuous for 6 days,
 - Overtime payment for working in excess of normal hours of work
 - Annual leave.
- 10) Their rationale that they need workers to work non stop from sunlight till sundown without break and to work everyday for months is the main reason why the workplace accidents and fatality rate of the timber industry is the highest. Workers are literally paying with their life and blood. Now they even want to deny payments like annual leave and overtime.
- 11) For daily paid workers they even want absolute right to determine the number of days work. This means that they can ask a daily paid worker to come only one day a week or if the weather is good. So in a wet season, the worker cannot even earn any wages at all. Business risk must rest with employers, not poor workers.
- 12) This is totally irresponsible of an industry that has made billions of ringgit and has spawned some of the country's richest billionaires. It is indicative of an industry that not only exploits the state's natural resources, but also its employees, who are mainly from kampongs and longhouses.
- 13) We fail to understand why timber employers, billionaires and millionaires should be exempted from these provisions, when other employers in other industries are willingly and gracefully granting to their employees.
 - What is the difference of a worker in a plywood factory in Demak Laut Industrial Estate compared to a metal factory?
 - What is the difference between workers in a furniture shop compared to a worker in a Computer shop?
 - And what is the difference between the timber industry in Sarawak compared to Sabah and West Malaysia, where employers there never seek exemption??

- 14) Please take note that these basic and fundamental provisions are legislated by parliament with the aim to provide protection to workers. The amendment was long overdue for 45 years and only just implemented recently.
- 15) **We call on the Honorable Minister to set up a Commission of Inquiry/Wage Council to look into the situation in the Timber Industry in Sarawak.**
(see Appendix A - MTUC Position paper dated 15 2008)

B EXEMPTION 2- ABOVE \$2000.00

- 16) After a blatantly misleading campaign and intense lobbying by MEF, the government granted exemption to employers in Sarawak & Sabah crucial provisions in the SLO for employees earning between \$2000 to \$2500 a month.
- 17) This exemption was granted on the day that the amended SLO was implemented on 1 October 2005. The Minister's order is currently under Judicial Review at the High Court so we do not wish to comment further except to appeal to the Honorable Minister rescind the order.
 • See Appendix B - MTUC PAPER DATED 10 DECEMBER 2005.
- 18) **We therefore all on the government to rescind the exemptions given to MEF & STA. We also call the government to increase the threshold in the Employment Act from \$1500 to \$2500**

CCOST OF LIVING – COLA

- 19) Daily wages are as low as \$12.00 a day in timber camps, which is below the poverty line of \$642. Many other workers' salaries are below the poverty line. Supermarkets girls earn less than \$400 in Kuching.
- 20) In Sarawak, cost of living is 15% TO 25% higher compared to West Malaysia. This is recognized by the Government by paying a regional allowance.
- 21) As the result of the higher cost in Sarawak, any subsequent increase in the cost of living the past 5 years is relative higher in Sarawak. Example Cost of New Strait Times was increased by 20% from \$1.00 to \$1.20 in West Malaysia. In Sarawak it was increased from \$1.20 to \$1.60- a 50% increase. Low cost house is \$62,000 compared with \$42,000 in West Malaysia.
- 22) **Accordingly the Government must also pay the COLA to public sector employees in Sarawak and introduce legislation to pay similar COLA to private sector employees.**

D MINIMUM WAGE/PRODUCTIVITY/WAGE COUNCIL

- 23) Contrary to popular belief, higher wages leads to higher productivity, not the other way around. Higher wages will encourage employers to invest in research and development to increase overall productivity and efficiency.
- 24) We must remember that employers will not invest in productivity improvement simply because it will be cheaper for them to continue to pay \$12 a day for foreign labour rather than invest in modern equipments, production processes and better human resources managements. It must be noted that spending on Research and Development by the private sector in Malaysia is extremely low.
- 25) MEF's view on productivity improvement is simplistic - the more a worker produces, the more he is paid. Question is how do you expect a rubber taper to produce more if he still uses the same tool his grandfather used?
- 26) The world's most productive nations are in Scandinavia - are all high wages countries with minimum wage policy in place. Even Singapore has higher productivity than us, despite higher wages. **Just compare Changi airport in Spore where Singaporeans in their late fifties and early sixties are efficiently maintaining the airport, while KLIA is flooded with Bangladeshis.**
- 27) **That is why MTUC call for a reasonable minimum wage, not just to offset cost of living increases, but also to spur the drive to increase productivity. Such minimum wages can be implemented on a staggered basis and may vary in different regions/sectors of the economy.**

- 28) We therefore urge the government to be serious and change our policy of being a low wage country, restructure employment to create decent and productive jobs. There is no point to spend billions to produce graduates when they earn less than \$1000 when they enter the job market.
- 29) An immediate benefit to the country is that higher wages will lead to higher purchasing power which in turn will lead to increase domestic demand and reduce our reliance on exports which are at the mercy of other countries economic performance.
- 30) MTUC agree with Senator Datuk Amirsham Amir (*see The star online 8 April 2008*) that the government planned to implement increase in wages through productivity improvement and restructuring employment itself.
- 31) MTUC agrees to the implementation of a performance pay system provided there are adequate safeguards and guidelines and that unions have a say in the system
- 32) WE would like to suggest that the Government give tax exemption to performance bonus/salaries/incentive to encourage the implementation of performance pay systems.
(*see Appendix C- MTUC Position Paper dated 16 April 2008*)

E RETIREMENT AGE

- 33) MTUC is pleased to note that the government has finally done the obvious and increased the retirement age for civil servants to 58 years. **We call on the Government to also increase retirement age for all workers to spur productivity and raising income levels and reduce foreign workers.**
- 34) **One way to reduce foreign workers is to ban recruitment agents who flood the country with workers even when there was no formal request for them.**
- 35) Empirical evidence and studies have shown overwhelming support for an increase in retirement age to address the following issues.
- Rapid Increase in the life expectancy. Decade by decade, life expectancy for older people has risen at unprecedented rates to more than 75 years.
 - Reducing cost of pension and burden on governments to provide healthcare.
 - Increasing the overall productivity of the workforce
 - Raising income levels of Malaysians
 - Ensuring adequate retirement savings when workers finally retire
 - Reducing reliance on Foreign workers
- (*see Appendix D & E - Position paper dated 19 April & 1 May 2008*)

F TRADE UNION RECOGNITION AND MEMBERSHIP SCOPE

- 36) The amendments to **S5 (2) (b) - Executive & Security Categories** is another example of the government being paranoid about Trade unions and see them as a threat, no doubt at the behest of employers.
- 37) The amendments to exclude those in executive and security categories to be members of officers of a trade union that caters for other workers is certainly regressive and is a further restriction to the progress and development of trade unions. It will further limit much-needed competent and knowledgeable employees in managing trade unions in a professional way.
- 38) It is contrary to the government's aim to have unions that are properly managed run to protect the interest of its members and contribute to nation building.
- 39) It is also not in line with modern human resources management in which job empowerment is being practiced to improve productivity. Employees will be more reluctant to go on job empowerment for fear that employers will now consider them executive and deny them union membership.
- 40) There is certainly no justification, 50 years after independence to continue to segregate the trade unions movement in almost a thousand unions. The communist treat is long gone.
- 41) **We call on the Honorable Minister to direct the Trade Unions department to be more liberal and not to be so restrictive in allowing trade unions to grow and progress and to evolve in a rapidly changing economy.**

(*See Appendix F - SBEU's Appeal to Minister on membership scope*)

G AMENDMENTS TO INDUSTRIAL RELATIONS ACT

- 42) The one year limit **probationers** and 24 months for other workers are contrary to the government's aim to create a highly mobile and productive workforce and to encourage **employability** instead of job security - people are now reluctant to change jobs. Please note that probationers could have left secure jobs to take up new employment on probations.
- 43) The real priority is to ensure that cases are disposed off speedily within 24 months so that the limit is no longer an issue. In this regard MTUC suggest that:
- To provide for an Industrial Appellate Tribunal or an Industrial Division of the High Court to hear appeals/judicial reviews of Industrial Court cases.
 - To remove the Conciliation proceedings for dismissal cases filed under Section 20 as these are individual disputes. The Human Resources Minister should not be concerned with individual disputes. It prolongs the process by at least 6 months to one year. Please note the conciliation proceedings were originally meant for section 18 - Trade Disputes, not section 20.
 - Cases should go direct to the Industrial Court which will have the power to screen cases through summary judgments, mediations before adjudicating the remaining dismissal.

(see Appendix G - Position paper dated 17 April & 1 May 2008)

H SERVICE CHARGE - HOTEL INDUSTRY

- 44) The Hotels refusal to recognize service charges as wages to avoid EPF, SOCSO and Overtime calculations and pay basic salary as low as \$250. As a result the EPF savings of workers in the hotel industry is very low and is certainly not enough for their retirement savings. This is despite the fact that the Hotel Industry is the second most competitive in the world.
- 45) We call on the Honorable Minister to define service charges as wages for all intent and purposes including for calculating EPF contributions

(see Appendix H - Chairman Speech 1 May 2008)

CONCLUSION

MTUC assure that we are prepared and always willing to work with the Honorable Minister to formulate policies that take into account the interest of First, our Country, then Employers & Workers. It is unfortunate that the previous administration has largely ignore the views and interest of workers and their trade unions, especially in the private sector. This is in the long term is detrimental to the development of Malaysia.

We again urge the Honorable Minister to mitigate the years of government policies that serve the interest of employers more than workers, especially in Sarawak. We call on the Minister not to bow to threats and lobby by super rich employers who has shown that they are only concerned with profits and not about national development.

Our final request is to call on your Ministry to set up a Tripartite Body similar to the National Labour Advisory Council for Sarawak.

ANDREW LO
SECRETARY
15 MAY 2008