



MIER POLICY BRIEF

Preserving Workers' Jobs, Sidelining Their Voice? Tripartite Dysfunction Amidst Covid-19 Crisis

BY LEE HWOK-AUN

Tripartite discord has been brewing in Malaysia, surrounding the impact of the Covid-19 crisis, the state of jobs and wages, and the government's responses. When Putrajaya announces a programme or a notification on the labour market situation, trade unions swiftly object to those policies or cast doubt on the claims. This does not happen to all policy measures and updates, but to quite a few major pronouncements.

It is normal, somewhat inevitable, and even a sign of healthy democracy, for employers and employees to publicly spar over wages, work and welfare, with government mediating in between to round out the tripartite relationship. The system is supposed to facilitate bargaining and compromise amidst the adversarial interests of capitalists and workers.

But Covid-19 has thrust the world into abnormal times. And public sparring over the past three months, largely triggered by labour representatives' objection to government decisions or venting of their dismissed concerns, has not served Malaysia well.

The Muhyiddin administration has shown a resolve to preserve jobs, but it has also consistently sidelined workers' voice. To an extent, MCO regulations may have precluded frequent tripartite engagements. However, even at present, as the country proceeds into recovery and reform mode and lays plans for high-level committees, there is still no clear acknowledgment of workers' specific concerns and the imperative of having their voice represented. This Policy Brief recalls the salient episodes of recent tripartite strife, and probes the potential gains from more consultative and authoritative engagement.

As Malaysia restarts the economy, workers and wage earners remain economically vulnerable. A general consensus on the need to balance growth and reform, to revive established sectors and kindle new ones, entails greater cooperation and coordination on many fronts – including the interests of workers, employers, the self-employed, and the nation's development path overall.

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More productive and authoritative engagement, in this crisis period and beyond, potentially yields benefits in terms of recognising the workers' voice and sharing labour market information, enhancing efficacy and accountability of policy implementation, and fostering long term reforms.

Crisis-Time Tripartite Dysfunction

This historic passage through pandemic has called for cooperation and inclusion, but Malaysia's tripartite system has shown dysfunction. Three examples stand out.

The first concerns policy formulation. In April, the Malaysian Trades Union Congress (MTUC) strenuously objected to the proposal to allow EPF Account 2 withdrawals, on the grounds that workers' old age income should not be tapped for emergency consumption. Those concerns were disregarded; the i-Lestari plan proceeded. On 17 June, news swirled around the revelation that 4.1 million EPF account holders have made i-Lestari withdrawals and some have emptied their Account 2, prompting MTUC to reiterate their misgivings and called for the programme to be rescinded and replaced with direct cash assistance.

The second relates to the adequacy of remedial measures and reliability of information. The employment retention and wage subsidy programmes (ERP and PSU, the latter more widely known by its Malay acronym) have received broad approval, but voices on both employer and employee sides have questioned the quantum, terms and coverage. In mid-May, MTUC demanded more transparency on PSU recipients, as well as special relief funds disbursed by Bank Negara. SOCSO has published a PSU list online, but data on loan beneficiaries remain undisclosed, while anecdotal accounts of lay-offs and wage cuts continue to confound the official stance that these programmes are robustly rescuing jobs.

While relaxing mobility and work restrictions on 30 May, Minister of Finance Tengku Zafrul cited Department of Statistics data 67% of Malaysians were back at work by mid-May, and 83.5% by the start of June. This upbeat outlook was greeted with some incredulity by trade union leadership, for whom internal reports of layoffs and closures speak to a different reality. Both sides have partial views and vested interests. However, the government's statistical precision is distinctly questionable, given that May's labour market data has not been processed and it is possible that these return-to-work calculations are based on voluntary online surveys which are biased toward overstating the at-work population, because those who are able to work from home are more likely and able to participate. Vital information surrounding the labour market is clouded in uncertainty and has not been checked against ground-level sources.

Third, the diminishment of tripartite engagements is markedly evidenced in the inactivity of the National Labour Advisory Council throughout the Covid-19 crisis. The NLAC has not held urgent meetings, even while the Malaysian Employers Federation raised the spectre of 2 million unemployed workers. Moreover, in launching the Penjana economic recovery plan, Prime Minister Muhyiddin announced the timely and important formation of a Special National Committee on Employment, but he only specified the Minister of Finance and Minister of Human Resources as joint-chairs, and representatives of private and public sectors as members. While we can expect that unions will have a seat at the table, the omission of tripartite designations is quite telling. All this begs the question, again, given the determination to preserve jobs, why is the government seemingly noncommittal about hearing the workers' voice?

Potential Gains From Reinvigorated Tripartite Engagement

In this age of declining union presence and flux in the very nature of employment, it is fair to ask, why bother at all with tripartitism? Three potential gains are worth pondering, and Malaysia's ongoing experience provides considerable illustration of the foregone benefits.

1. Workers' voice and democracy

Workers are entitled to have their voice heard as a basic democratic right. As key stakeholders in the economy, their voice must have a place not just in the public sphere but also at the information-gathering and decision-making table. Tripartite frameworks importantly acknowledge workers as co-equal stakeholders. If one wonders whether voice matters, witness the continuous attention and special measures for taxi and e-hailing drivers in recent years, and in the Prihatin and Penjana packages.

They are major economic players, but also a vocal segment. The transformative and disruptive effects of technology and globalization on employment are now magnified by pandemic. The interest of groups acutely affected by the changes – notably, women, youth, migrant workers – need to be incorporated into the policy mainstream. Keeping step with economic changes, the system should include representatives of worker constituencies beyond trade unions.

2. Policy making and forward planning

Economic recovery and revival of dormant sectors must coalesce with new investments, which pose myriad challenges and opportunities for employment. The Prihatin and Penjana programmes express commitment to generating jobs, but it is baffling how the planning process shows little inclination to receive input from the millions who will be filling those positions, including fresh graduates and young labour market entrants. Malaysia's persistent low-wage regime poses one of the steepest barriers in the quest to be an advanced economy. Median monthly salary in 2018, at RM2,300 overall, and a meagre RM1,570 for 20-24 year-olds and RM2,100 for 25-29 year-olds, demand concerted attention.

Now is an opportune window to pursue new innovative growth fields and self-employment via e-commerce, but various labour-intensive sectors will continually need workers. The possibilities for engendering suitable wages and work conditions – yes, including those shunned “3D” jobs – are worth exploring, as through mass public works. Such possibilities are eminently suitable as a tripartite agenda, with evidenced-based input as well.

3. Policy efficacy and accountability

A more authoritative tripartite system can also play a more effective role in monitoring employment policies and worker welfare. Malaysia has established mechanisms for policy monitoring and regular disclosure, but the top-down delivery and Putrajaya-centric style of operations – with highly aggregated and sometimes opaque statistics – often eludes scrutiny.

Consider PSU, the most direct and largest scale operation to preserve employment and wages, by helping companies that meet its criteria to partially defray wage costs of workers earning below RM4,000 per month. The message emanating from government trumpets success. As noted above, MTUC contested the official stance, maintaining that retrenchments and pay cuts have been more widespread than reported. SME organizations have also lamented the Penjana plan's insufficient support for them.

Preliminary analysis of data extracted from SOCSO's list of PSU recipients suggest an element of truth to all sides. The wage subsidy has been effective in staving off unemployment – predominantly for small and medium enterprises. The take-up by large scale enterprises, where unionized workers are concentrated, has been low. Micro enterprises also have received a disproportionately small share of PSUs, although they are known to be the worst hit and also less financially buffered. We should note that PSU is not the only employment support provided, but the profile of recipients and changes over time are highly informative.

Table 1 shows the distribution of companies by size, based on number of employees and number of PSU approvals. The left half, showing the distribution of registered companies – from micro, small, medium, large – provides reference points. Large companies constitute over one third of private sector employment, followed by those at small-, medium- and micro-scale. PSU recipients are also sorted into categories roughly corresponding with the four rungs, assuming that 50-60% of company workforces, on average, are eligible for PSU. Based on these approximations, small companies, while constituting just under 30% of total companies, have especially availed themselves to this scheme, accounting for more than half of total approved subsidies. Micro enterprises, most likely the least resourced to weather the Covid-19 storm, only account for 7% of workers subsidized.

The data released in two batches, roughly corresponding with PSU approvals in April and May¹, also provide some basis for comparison across time. We observe that medium- and large-scale companies increasingly sought out PSU in May, or their applications took longer to process and only got approved in that month.

¹ The Ministry of Finance's Laksana unit reported PSU approvals for 235,000 employers involving 1.7 million workers on 3 May, and 293,033 employers involving 2.3 million workers on 5 June.

Table 1. Distribution of companies and wage subsidy recipients, by employees per company and wage subsidies per company

Scale ¹	Employees per company	% private sector employment	PSUs per company	Share of workers subsidized – approved applications at:	
				end April ²	end May ³
Micro	1-4	14.7%	1-2	7.8%	7.0%
Small	5-29	28.4%	3-20	59.6%	53.3%
Medium	30-200	21.7%	21-120	28.1%	30.9%
Large	>200	35.3%	121-200	4.5%	8.8%
Overall		100%		100%	100%

Small share of micro- and large-scale

Notes: 1 Official cut-off points for medium scale: 75-200 for manufacturing, 30-75 for services and other sectors; Wage subsidy approvals: 2 Data extracted 10 June: 201,400 employers, 1.35 million workers; 3 Data extracted 22 June: 278,100 employers, 2.09 million workers. Sources: *Economic Census 2015*; Author's calculations of wage subsidy data extracted from <https://prihatin.perkeso.gov.my/psu/>.

These findings indicate that medium and large companies have not needed the PSU on a massive scale or have found the conditions too onerous. It is plausible too that increased financial strain may have compelled more to seek the assistance as the MCO progressed beyond April. Might more jobs become imperilled in the months ahead? It is imperative that issues surrounding policy efficacy, and accountability toward workers as the prime beneficiaries, are deliberated among the key stakeholders, and mingling macro statistics with constituents' on-the-ground information.

The Employment Insurance Scheme is another programme in need of critical appraisal, with inputs from all sides. While in the news lately for the rise in claims, which is undeniably a useful reference and an indication that the EIS is meeting some need, the utilization rate has been staggeringly low since its inception. About 40% of unemployed labour force is aged 25 and above and hence more unlikely to be EIS registrants; this proportion of the total unemployed serves as a more baseline for evaluating the EIS take-up rate. In March 2019, there were 521,300 total unemployed, translating into about 210,000 above 25 years-old. At the same time, there were about 4-5 million EIS registrants. However, only 10,990 EIS claims were lodged in the first quarter of 2019. In March 2020, out of around 245,000 unemployed 25-64 year-olds and 7 million EIS members, still only 15,602 (6.4%) claimed the benefit. Surely this warrants serious and urgent deliberation among workers, employers and government.

Concluding note

Malaysia's tripartite system has been in a chronic state of erosion. That the stakeholders have been talking past each other, rather than together grappling with the Covid-19 crisis, is unsurprising. At the same time, perhaps the occasion can give a jolt out of the status quo. There are many requirements for securing a future that is productive, fair and resilient, and more able to weather future storms like Covid-19. Will more consultative and authoritative engagement between employment stakeholders enhance this balancing act? We will only know if we try.