Persatuan Pengguna Pulau Pinang
Consumers Association of Penang
槟城消费人协会 பினாங்கு பயனீட்டாளர் சங்கம்

10 Jalan Masjid Negeri, 11600 Pulau Pinang, Malaysia
Tel: 604-8299511 Fax: 604-8298109
email: consumerofpenang@gmail.com

Websites:
www.consumer.org.my

Press statement **11 November 2020**

Do not ask EPF contributors to touch their account!

The Consumers' Association of Penang (CAP) urges the government to review their proposal to allow Employees Provident Fund (EPF) contributors to withdraw their savings from EPF Account. We are reiterating our stand that account holders should not be allowed to withdraw their savings because the people would be withdrawing and spending their savings meant for retirement.

In the 2021 National Budget speech, it was announced that the government will permit a monthly withdrawal of RM500 from EPF's Account 1, amounting to RM6,000 over a 12-month period. Its objective is to assist those who have lost their jobs consequent to the pandemic.

The government has to provide an economic stimulus package with plans extending aid to those who are out of jobs rather than asking them to use their savings to stimulate the economy. It is because, out of the 14.59 million EPF contributors, 32 per cent of EPF contributors (4.7 million) have a balance of about RM1,000; and 10 per cent (1.5 million) have a balance of about RM5,000 and below in their Account 1.

In other words, an estimated 6.2 million (42 per cent) EPF contributors do not even have the RM6,000 to withdraw. Assuming that they got back to work after the pandemic, retire at the age of 60 and die at 76 years-old (average life span of Malaysians), they will be penniless for more than a decade.

CAP is against the idea of contributors dipping into their EPF accounts is because under Section 27 of the EPF Act 1991, contributors are guaranteed a minimum rate of 2.5 per cent per year of a contributor's savings. For 2019, EPF declared a dividend of 5.45 per cent for Conventional Savings and 5.0 per cent for Syariah Savings. Thus, if the contributors withdraw their savings they are deprived of the dividends and consequently their savings available further reduce when they retire.

By asking the people to survive on their own retirement funds is akin to a father asking his children to break open their own piggy bank if they want their next meal. It is unthinkable and thoroughly irresponsible, particularly in dire times like this. The government should look at other means to provide relief to vulnerable members of the society

We would suggest a 50 per cent pay-cut and have their perks slashed for all Members of Parliament. After all it is "leadership by example".

The government has to seriously look at the salary structure those in the top executives of Government Linked Companies (GLCs), Government Linked Entities (GLEs), and Government-Linked Investment Companies (GLICs). Besides their monthly salary and allowances, there are all the perks and privileges as well as all other agreed terms of his remuneration.

According to a study of the FTSE Bursa Malaysia KLCI 30 companies reported in January 2019, the top executives of GLCs earn an average RM5.5 million per year, or around RM458,300 per month. We urge the government to slash their salaries by at least 25 per cent because RM458,300 is close to 2,300 times that of an ordinary wage earner of RM2,000.

The allocation of RM85.5 million to the Special Affairs Department (JASA) under the Communications and Multimedia Ministry (MCMC) could have been used in areas of urgent concerns such as public healthcare, Small and Medium Enterprises (SMEs) (to generate job opportunities), addressing the problems of those out of jobs, and education. If these problems are not prioritised and attended to, no amount of digital infrastructure development by JASA is going to save the country.

Moreover, the announcement of JASA hiring more staff is not consoling at all because the public sector is clearly over bloated. Paying pensions to government servants alone will cost the government RM27.1 billion in 2020.

MOHIDEEN ABDUL KADER
President
Consumers Association of Penang