



MALAYSIA

National Experience : Proposals for implementing Unemployment/Employment Insurance System in Malaysia

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Structure of the Presentation

- ❑ General Observation on unemployment benefits types and practices
- ❑ What are the existing unemployment benefits system in Malaysia?
- ❑ Why Malaysia needs unemployment/employment insurance (UI/EI) system?
- ❑ National experiences on the development of UI/EI system in Malaysia.

General Observations: Development of Unemployment Compensation

❑ **Voluntary Unemployment Funds** (by employees/trade unions and employers) : 19th century



❑ **Voluntary Unemployment Insurance** : France(1905), Denmark(1907), Norway(1909), Netherlands(1916), Finland(1917), Sweden(1934), etc.



❑ **Compulsory Unemployment Insurance** (social insurance system): U.K.(1911), Austria(1920), Germany(1927), etc.



❖ Transition from voluntary to compulsory unemployment insurance : since 1920s



❑ **Unemployment Insurance + Unemployment Assistance** (dual system) : in European countries after the World War II (“welfare states”)



❑ **Employment Insurance** : Germany(1969), Japan(1975), Austria(1977), Korea (1995), Canada(1996)

★ **Unemployment Insurance : focusing on the Unemployment Benefit (UB)**

★ **Employment Insurance : UB + Active Labor Market Programs**

(One-stop service 2001 UK, 2008 France, 2009 Netherland, 2013 Ireland)

General Observations : Types of Social Safety Nets for the Unemployed

Type I

❑ **UB (UI/EI) → (extended UB) → Public Assistance (PA)**

U.S.A., Korea, Canada, Japan, Denmark, Belgium, Bulgaria, Luxembourg, Poland, Russia, China, etc.

Type II

❑ **UB (UI/EI) → Unemployment Assistance (UA) → PA**

U.K., Germany, France, Spain, Italia, Austria, Sweden, Finland, etc

Type III

❑ **UA → PA**

Australia, New Zealand, etc

Type IV

❑ **Unemployment Insurance Savings Account (UISA) → PA**

Chile, Brazil, Colombia, Ecuador, Panama, Peru, etc



Country Profile

- **Location:** Malaysia is composed of two distinct region:
 - **Peninsular Malaysia** – located to the south of Thailand and east of the Indonesian Island of Sumatera
 - **East Malaysia** - located in the northern part of the island of Borneo (Indonesia)(The country's land mass is about 330,290 square kilometers)
- **Climate :** Tropical and mainly maritime climate characterized by stable and moderate temperatures with high humidity
- **Capital:** Kuala Lumpur
- **Government:** Parliamentary Democracy
- **Official Language:** Malay
- **Ethic :** Malay/Bumiputra (62%), Chinese (21.8%), Indian (6.6%), Others (9.6%)
- **GDP :** 8.6 percent in 2014



- **Population (2014) : 30.3 million (M: 15.6, F:14.7)**
 - **Working Age population (15 – 64yrs) : 20.6 million (M:10.6, F:10)**
 - **Labour Force : 13.9 million (M:8.6, F:5.3)**
 - **Employed : 13.5 million (M:8.3, F:5.2)**
 - **Unemployed : 0.41 million (M:0.24, F:0.17) *unemployment rate = 3.0%**

Existing Unemployment Benefits Systems in Malaysia

❑ Severance Payment (Under Employment Act 1955)

- Severance pay in Malaysia is known as retrenchment benefits, or employment termination and lay-off benefits (ETLB), which are paid at the following rates:

- 10 days wages for each year of service for employment shorter than two years;
- 15 days wages for each year of service for employment longer than two years but shorter than five years; and
- 20 days wages for each year of service for employment of five years or longer.

- However, severance pay is not equivalent to unemployment insurance or unemployment assistance. Payment of severance pay does not require the employer or the recipient employee to have made prior contributions; neither does it require the recipient employee to be able to work, willing to work and looking for work in order to receive payment. Severance pay is made to an employee solely on the basis of termination of contract by the employer.

Existing Unemployment Benefits Systems in Malaysia (Cont.)

❑ Employees Provident Fund

- This fund provides benefits for old age, disability and death. It also pays members for medical treatment of critical illness or for the medical treatment of their spouse, children and parents.
- However, it does not provide cash assistance to any employee who is temporarily and involuntarily out of work and who is looking for work at the same time.

❑ Employment Injury Insurance and Invalidity Pension

- The Social Security Organization (SOCSO) administers payment of benefits under the Employment Injury Scheme and Invalidity Pension Scheme to workers in cases of employment injury and invalidity.
- Hence, although these two schemes are not unemployment-specific, an unemployed worker who was injured or who has become invalid during his immediate past employment may receive benefits under these schemes.



Unemployment Benefits Systems in Malaysia (Cont.)

For the Poor (Welfare Assistance)

Social Welfare (Welfare Department) runs a program to eradicate poverty. Those who suffer from poverty due to unemployment among other reasons, age, illness and disability may apply for assistance under this program.

Unemployment Insurance Scheme

For workers

Unemployment Insurance & Accident Insurance

Insurance