

FMM Press Release

Levy Increase should be Gradual and Pre-announced

YAB Deputy Prime Minister announced at a press conference on May 20, 2010 after chairing the Cabinet Committee on Foreign and Illegal Workers meeting that levy rates for foreign workers would be increased based on the number of workers and their skills.

While the Federation of Malaysian Manufacturers (FMM) understands the Government's concern and need to reduce dependence on foreign workers, any increase that would impact on the cost of doing business like levy for foreign workers, should be **gradual, planned and announced well in advance to the industry**. The increase in levy should not be too steep and immediate that it could adversely affect costs and competitiveness in the manufacturing sector.

The details of the proposed levy increase should be made known quickly to the industry, in particular to associations so that feedback could be given to the Government.

The levy rate is certainly an effective market mechanism in changing business behaviour to reduce dependence on foreign workers and to be less labour-intensive. At the same time, the levy rate market mechanism should remove uncertainties and inconsistencies in government policies and procedures. In this respect, the Government should concurrently remove hassles for employers in obtaining approval to recruit foreign workers. Existing policies like dependency ceilings and the five year cap on employment should be removed. Employers should be allowed to recruit foreign workers based on their requirement as long as they are prepared to pay the levy.

The levy mechanism should also plough back levies collected to provide financial assistance to spur the industries to automate, to increase skills training and to provide facilities such as crèches (company or community based) to raise female participation in the workforce.

The Government should also set up a focal point that employers could approach to obtain local general workers.

FMM is also strongly of the view that levy rates should be eventually standardised across all economic sectors to prevent abuse especially among those with diversified business interests, who could bring in workers through the lower levy sector and then re-deploying them into the higher levy sectors. The manufacturing sector should not be made to bear the bulk of the burden.