

by  
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# EPF data indicate more being employed

**T**HE Employees' Provident Fund's (EPF) reclassified member data could well show some positive developments in the labour force.

According to recent data, there was a significant decline in the number of EPF's non-active members, which could mean that more Malaysians could be entering the work force. This in a way could also mean that more Malaysians may have increased spending power.

Non-active EPF members, commonly referred to as contributors by the layman, declined by 1.26 million. The total number of non-active members trimmed to 6.67 million as at end-September last year, compared to 7.92 million as at end-December 2016.

A source informs *FocusM* that non-active members are defined as those not having contributed to the EPF for over 12 months. In simpler terms, the decline, in non-active members, means that those that have not been contributing to the EPF have started contribution again.

Although there are many ways of interpreting the decline in non-active members' data, one market observer sees the development positively.

- **Non-active** members declined by over 1.26 million

- **More** EPF contributors mean higher consumer spending

- **Members** may be switching from self-employed to paid employees

"I prefer to take the positive stance by reading the decline in non-active members as a result of more employment opportunities being made available in 2017. This is matched by an increase in the number of people who want to reenter the labour force. Higher number of employed will boost the economy with potential increase in consumer spending power," the market observer says.

Last December, the EPF announced the reclassification of its members and employers' data

with new statistics starting in the third quarter.

Employers were also reclassified to differentiate between those who have an "employer" status and those who have "self-employed" status. The EPF stresses that the reclassification exercise does not affect the contribution amount nor the withdrawal statistics.

The rationale behind the reclassification exercise is to distinguish between accounts with savings and those with zero savings, subsequently termed as dormant accounts.

## Who are the new contributors?

The EPF data does not give details on the 1.26 million individuals who may have reentered the labour force. However, the market observer is confident that most of them could not be those who were previously self-employed but have now switched to be paid employees. "If that were to be the case, the economy will not be benefitting from higher consumer spending. It merely means the self-employed have a different source of income," he says.



Shahril says the members' related data handled by the EPF has grown exponentially

However, lack of additional information on the non-active members prevents a more holistic picture of who they mainly comprised of. "No matter how one reads non-active members' existence, lower [number of non-active members] is good for the economy," the market observer says.

The higher number of active members as at end-September, compared to end-December 2016, saw the EPF contribution per active member increasing marginally to RM733. The market observer says that the higher average contribution per member implies that those recently back in the employment status could be of the higher income category.

The EPF currently has about 13.7 million members, including non-active members. While the declining number of non-active members should be considered as good news, the 6.67 million non-active members is still considered high.

## Worrying figures

According to the market observer, the EPF figures usually do not correspond with the Ministry of Human Resources' statistics. According to the latter, there are some 14.38 million people employed with 512,000 unemployed, giving an unemployment rate of 3.4%. Fresh graduates are also not included as part of the non-active members, as they have not worked previously.

According to EPF's CEO, Datuk Shahril Ridza Ridzuan, the reclassification provides greater transparency and clarity to the accounts' status and similarly ensure the statistics conform to the current provisions in the EPF Act.

"With 7.06 million [active] members, this means only less than half of the working age population is working or contributing [to EPF] is a bit worrying," the market observer says.

This is based on his estimation that currently there are 14.5 million to 15 million Malaysians who are in the working age group of between 20 to 60 years old. He further adds that the high ratio of Malaysians who are not working,

in no small degree, contributes to the increasing reliance on foreign labour in the country.

It is a difficult situation for the government if Malaysians chose not to work or simply can't find jobs. "This is a free market economy. What can the government do if talents don't want to work for private enterprises? There are many reasons for that. For example, many companies cannot find talents. It could be salary mismatch, and it could also be skill sets mismatch in other fields due to the change in industries," says Centre for Research, Advisory and Technology (Create) CEO Ng Yeen Seen.

Ng says that when industries transform, the skill sets needed for a particular job function also changes accordingly. This is then followed by changes in the job recruitment requirements.

Another possibility for the high number of non-active EPF members could be due to more Malaysians working as ride-sharing drivers such as Grab or Uber.

## Insufficient job creation

It appears that more Malaysians are resorting to become Grab or Uber drivers. If so, does this mean that Malaysian has a shortage of white collar jobs? "Yes and no. Our economy is not exactly creating enough new jobs yet we continue producing graduates every year. Hence, it could be an issue of more supply and less demand here," Ng explains.

According to Ng, this shows that it is important for universities to produce employable graduates, who can add value to enterprises and the economy. Individuals with work experience simultaneously will need to continue to learn to keep up with the technological changes and update their skill sets.

Another possible reason is that more Malaysians may be opting to work on freelance basis. "Open talent economy is gaining traction. Companies now utilise open talent pool instead of hiring more people on the payroll. Becoming a freelance talent is just as good if not better than having a full-time job because one can work from anywhere anytime and only do specific job functions/ render a specific service based on what is needed by the client," says Ng.

Foreign labour in Malaysia mostly dominate sectors which are known as the 3D jobs (dangerous, dirty and difficult). However, Ng says firms are hiring foreigners based on their skills. "I think we cannot equate those jobs not being done by Malaysians are all semi-skilled and done by unskilled foreign labour," she says.

The Malaysian situation is unique. If more were to enter the labour force, it does not mean there will be a decline on the reliance on foreign labour. This is because foreign maids may be in demand to manage the households if more Malaysians enter the workforce.

"This is a matter of economics. I would like to think that when a family is having dual [or higher] income, they create more economic value to the society and bring in more money to the family," Ng says. **FocusM**

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