

## Client Alert

August 2017

### Deferment of the Employment Insurance System Bill 2017

Our client alert dated 1 August 2017 ([see here](#)) discusses the implications of the introduction of the Employment Insurance System Bill 2017 ("**Bill**"), which seeks to establish the Employment Insurance System ("**EIS**"). The Bill was tabled on 1 August 2017 for reading before Parliament.

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Briefly, the Bill:

- supplements the existing legal protections for former private sector employees who have been retrenched;
- when passed into law, establishes the EIS for post-exit benefits to affected individuals and to assist with their re-employment of these said individuals; and
- requires both employers and employees to contribute to the EIS on a monthly basis at approximately 1.5% of monthly wages, with the employee and employer contributing 50% each. Contribution is subject to a maximum cap of RM 4,000 in wages.

The Bill has been met with strong objections from both employers and trade unions. The statutory contribution amount proposed is allegedly not proportionate and fails to take into account the actual number of retrenched workers.

The Malaysian Government has since decided to defer the Bill to allow for more stakeholder engagement. Four ministers have been assigned to meet with the various stakeholders and to consider their views, and this will be reported back to Parliament.

For now, the Bill is deferred to the next Parliament session, which resumes in October 2017. It is not known at present whether the Bill will undergo revisions or eventually be withdrawn in its entirety. We expect that it is unlikely for the Bill to be so withdrawn, and employers should therefore prepare to effect EIS-related contributions in the near future.

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