

Big businesses urge furlough system to avoid layoffs

ISLAMABAD: With the prolonging Covid-19 pandemic and its economic fallout, big businesses have started making the case for cash contribution from the government to put in place a furlough system for labour to avoid big layoffs and insolvency challenges.

Informed sources said leading businessman Mian Mansha led a delegation of his business group and met with Finance Adviser Dr Abdul Hafeez Shaikh. The meeting aimed to sensitise the federal government about the upcoming challenges in labour intensive sectors — such as garments — arising out of the global economic downturn.

Sources told Dawn that the business magnate informed the government team that majority of labour in garment industry would move into the poverty zone if businesses send them on leave at 50 per cent of salaries while using various schemes of the government and the State Bank of Pakistan under the Covid-19 Relief and Stimulus Package.

Also, it was advocated that there was a lot of fixed cost to labour intensive sectors like garments and textiles in the shape of paid leave without any work, slow economic recovery, interest payments, utilities and so on and many businesses might be facing solvency issues in the near future.

Mr Mansha suggested that labour could survive with 80pc of salary for which a furlough system could be put in place provided the government takes responsibility for the additional 30pc financial burden. There were some examples, including that of Thailand, quoted to the government where support was coming from the government while in some other countries such as Germany there were inbuilt contract provision for sending labour on half paid leave.

An official statement said the delegation of Nishat Group met with the finance adviser to apprise about the damage done by Covid related economic downturn to large scale manufacturers.

Adviser to the Prime Minister on Commerce Razak Dawood, Minister of Industries Hammad Azhar, Adviser Institutional Reforms Dr Ishrat Husain, Finance Secretary Naveed Kamran Baloch and FBR Chairperson Nosheen Javed Amjad also participated in the meeting.

The delegation reported that owing to the pandemic induced demand compression, size of balance sheets of large manufacturers was not maintainable, confirmed the statement adding the major contributory factor was massive labor cost especially in labor intensive industries like garments sector.

“Any arrangements of avoiding permanent laying off or furloughs are putting excessive strains on the liquidity position of businesses, which are anticipating slow economic recovery, hence hedging against potential solvency issues,” the official statement said.

The delegation head stressed “on enhanced role by the government to ease liquidity position of large businesses and the need for crafting scheme for cost sharing between public and private sectors”, it further added.

Dr Shaikh updated the delegates about the current status of PM’s stimulus package worth Rs1,240 billion. He asked the delegation to put up precise case for financial facilitation and its parameters as the SBP is already running a scheme for payroll protection.

On the occasion, Razak referred to the US-China trade tensions and asked the delegation to also work out the impact of reversion of orders by the US from China to other countries, and its potential impact for manufacturers in Pakistan.

Azhar pointed out that there may be a number of other labour intensive sectors which could be looking for similar avenues. He asked the delegation to provide details of proposal in terms of cost sharing arrangements along with details about requirements of different sectors so that the government could ensure balanced treatment to all key contributors to gross domestic product.

Dr Shaikh directed that specific proposals be crafted regarding upscaling of existing scheme of SBP as too many interventions carried the risk of diluting the impact. He further directed that upper bounds of additional liability be calculated through defined parameters so that evidence-based decision may be shaped before next budget.