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Diterbitkan di Malaysia oleh / *Published in Malaysia by*  
Institut Kajian Malaysia dan Antarabangsa  
Universiti Kebangsaan Malaysia  
43600 UKM Bangi, Selangor Darul Ehsan, Malaysia

Dicetak di Malaysia oleh / *Printed in Malaysia by*  
Amber Communications

Perpustakaan Negara Malaysia      Data-Pengkatalogan-dalam-Penerbitan  
Cataloguing-in-Publication-Data

Donna Turner  
The K-Economy Transition and The Politics of Labour Reform in Malaysia:  
Some Socio-Political Implications for Labour

Donna Turner  
(Siri Kertas Kadangkala / *Occasional Paper Series* ; 24)  
Includes Bibliographies  
ISBN 983-2446-55-4

Siri Kertas Kadangkala / *Occasional Paper Series*

Institut Kajian Malaysia dan Antarabangsa  
(Institute of Malaysian and International Studies)

No. 24 (January) 2003

THE K-ECONOMY TRANSITION AND THE POLITICS OF  
LABOUR REFORM IN MALAYSIA: SOME SOCIO-POLITICAL  
IMPLICATIONS FOR LABOUR

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## About the Author

Donna Turner is currently a PhD candidate at the Asia Research Centre of Murdoch University. She was a Post-graduate Research Fellow at IKMAS March to July 2001 and from June to August 2002. Previously she was employed with the Department of Employment, Education and Training and the Australian Bureau of Statistics. This paper is based on a seminar presented initially at IKMAS on July 11th, 2001, and in a revised form to the School of Politics and International Studies of Murdoch University on September 6th 2001. It has since been updated to reflect changes occurring throughout 2002.

## Abstract

This paper highlights the political nature of the process of labour force reform in the context of the transition to a knowledge based economy. Current attempts by business to deregulate and decentralise industrial relations and employment related legislation reflect concerns regarding Malaysia's declining international competitiveness and a desire by business to exercise greater managerial prerogatives. This conflicts with the paternalistic role adopted by the current Government which makes full use of its central legislative role in order to discipline, threaten, coerce and reward labour in ways that support particular socio-ethnic, economic and political agendas. This paternalism is part of a wider system of labour controls that effectively secure labour's political exclusion, assisting in the maintenance of a relatively peaceful industrial relations environment, allowing the Government to further its national economic goals. However middle and upper income earners are less likely to be covered by employment related legislation, requiring alternative means of labour control. To this end, the paper suggests that the rhetoric surrounding the k-economy is being shaped to appeal to the interests, anxieties and consumption patterns of middle and upper income earners. Their support is required during the disruption and uncertainty that is likely to accompany the social and economic changes being introduced by the Government in order to achieve a k-economy and to redress Malaysia's declining international competitiveness.

## Acknowledgements:

Thanks are owed to the Asia Research Centre and the School of Politics and International Studies of Murdoch University for funding a period of fieldwork in Malaysia. For providing useful feedback and input to this project I would particularly like to thank Jane Hutchison and Garry Rodan. To the staff and student of IKMAS and UKM, many thanks for your intellectual, practical and personal support. Friendship, hospitality and encouragement were generously extended by a number of the postgraduate students attached to IKMAS. For inviting me to visit IKMAS, I owe a debt of gratitude to the late Professor Ishak Shari.

To the representatives of labour, industry, and community groups, and to the employees of Government Ministries, I offer my sincere thanks for the professionalism, and in many cases, the friendliness, with which you represented the interests of your respective organisations. The varied positions you occupy makes it most likely that you will not be in agreement with the conclusions offered by this working paper. It is nonetheless my sincere hope that you feel your views have been accurately represented here. Gratitude is also extended to academic staff from MMU and UiTM whose expertise in legislative matters was gratefully received.

## THE K-ECONOMY TRANSITION AND THE POLITICS OF LABOUR REFORM IN MALAYSIA: SOME SOCIO-POLITICAL IMPLICATIONS FOR LABOUR

### 1. Introduction

Current efforts by the government and capital to reform the labour force in Malaysia are largely driven by concerns about declining international competitiveness, particularly in the context of rising labour costs, China's admission to the World Trade Organization (WTO) and increasing competition for foreign direct investment (FDI). Hoping to lessen Malaysia's dependence on labour intensive operations, the Government is encouraging the adoption of more value-added processes in manufacturing and agriculture, while additionally attempting to develop the services sector, particularly in the areas of education, software applications, electronic security and financial services, and e-commerce generally. Supporters argue that the shift to a knowledge-based economy (KBE), known popularly in Malaysia as the 'k-economy', will redefine the basis of Malaysia's competitiveness (EPU 2001:143).

Malaysia's Ministry of Finance (MOF), states that the k-economy is an 'economy based on knowledge', where there is emphasis "on the creation of a rich multi-dimensional learning environment, where incubation, collaboration, creativity, innovation and entrepreneurship are encouraged through supportive public policy and partnership" (MOF 2000:3-4). In the *Third Outline Perspective Plan*, produced by the Economic Planning Unit (EPU 2001:119-120) of the Prime Minister's Department, a knowledge economy is defined as "one where the generation and utilization of knowledge contribute to a significant part in economic growth and wealth creation".

...knowledge will be the key factor driving growth, creating new value and providing the basis to remain competitive. While information technology (IT) will be the fundamental enabling tool, the nucleus of the knowledge-based economy will be human capital... (EPU 2001:120).

These definitions are similar in essence to those offered by the OECD (1999) and APEC (2000), and to those adopted by a number of other countries, even though alternative terms, such as 'new economy', may be used.<sup>1</sup>

This paper outlines the political nature of attempts to institute labour reform and other socio-economic and political changes, and addresses two broad areas of concern. Firstly, labour's political weakness raises the fear

that the current attempts to reform the labour market will lead to a loss of employment and income security, particularly for lower paid, less skilled workers. Secondly, while middle and upper income earners may benefit in particular ways from the increasing consumption options being made available, this may serve to reinforce their political conservatism.

The k-economy shift can be examined in a number of ways. Most often, analysts adopt a normative position, offering criticisms and suggestions designed to facilitate the transition. This approach is evident in Malaysia's mainstream press<sup>2</sup>, and in academic and industry papers delivered at the many 'k-economy' conferences held in recent years.<sup>3</sup> Such papers often provide detailed empirical research as a basis on which to criticise or support particular government initiatives related to the k-economy. Underlying this approach is the assumption that the move towards the k-economy should be driven by rationally devised policies, particularly in the fields of science, technology, industry and human resource management.

In contrast, this paper describes the k-economy shift as a political process, driven by competing and conflicting interests that shape not only the economic sphere, but also the social and political arenas. The inherent conflict that exists between labour and capital is caused by the ongoing attempt by capital to extract greater efforts from labour, a process that is resisted by labour in various ways. Governments, while generally acting to support capital, will nonetheless be in conflict with sections of industry as, in order to retain power, maintain social and political stability and generate economic growth, it is necessary to provide certain concessions and rewards to labour. In combination, the actions of the Government and capital form part of a wider system of 'labour control', achieved through various means, including legislation, hegemony and coercion.

For these reasons, government policies are viewed here as an outcome of social and political conflict, rather than the result of the application of economic models (see Rodan et al. 2001:7). It is unlikely, therefore, that the k-economy in Malaysia, or indeed any country, will reflect the 'model' knowledge economy. Rather, the nature and direction of economic restructuring in Malaysia will be shaped by the differing abilities of capital, the state and labour to influence both the formation of policy, and the extent to which policies are actually implemented and enforced.

Firstly, some background on major k-economy initiatives is provided. However, this paper does not dwell on the appropriateness or effectiveness

of k-economy initiatives, nor does it particularly question the Government's sincerity or otherwise towards the goal of creating a k-economy. The goal of this paper is to explore the means of labour control embedded within k-economy policies that impact on workers and consumers, and question the implications for labour's socio-political future. Despite the claims of novelty associated with the k-economy, it quickly becomes apparent that traditional means of labour control remain in place, although these too are now repackaged and modernised in terms consistent with the k-economy.

#### *The means of labour control*

Deyo (2001:259), used the term 'labour system' to describe the means "through which labour is socially reproduced, mobilised for economic ends, utilised in production, and controlled and motivated in support of economic goals". Harrod (1988:42), claims similarly that 'a system of labour control and motivation can be considered as a distinct set of ideologies, strategies and technologies used by those in control of production to extract a surplus and maintain and increase the productivity of labour'.

Harrod distinguishes between coercive, material or moral/normative means of labour control. The coercion may include physical beatings and intimidation, or economic punishments such as threatened or actual loss of income. By material means, Harrod is referring to positive rewards such as productivity bonuses, while moral or normative means "invoke psychological, inspirational and ideological elements" (1988:45). The means adopted will be consistent with wider community values and hence will vary over time and between nations and regions. The means of labour control will also vary between groups of workers, with harsher means directed at less valued employees. Higher status workers, particularly those in short supply, will be more likely to receive positive inducements to increase their productivity. The point of this discussion is to identify the means of labour control most commonly employed in Malaysia, and then to determine the continuing and emerging means of control associated with the k-economy transition.

The means of labour control are embedded within societies, based on widely shared values and beliefs, and reinforced through structural means, which is a reference to the way in which production is organised, the types of relationship between employers and employees, the extent to which the rewards of economic growth are shared, and the role exercised by Government toward industry and labour. These constitute the 'social relations of production'. Each period of successful economic growth under capitalism can be examined to determine the characteristic means of labour control. In Malaysia,

employment legislation that allows extensive managerial prerogatives while at the same time severely restricting the activities of organised labour, is a significant tool in the control of lower paid Malaysian workers covered by the Employment Act. Enhanced means of control will be delivered in the event that employers are successful in their current attempts to introduce increased 'flexibilities' into the legislation that will link wages to productivity, thereby increasing wage insecurity. Migrant labour, particularly less skilled labour, is disciplined through legislation that governs right of entry to Malaysia, by the nature of their employment contract, and by lack of access to support services such as unions. Others are disciplined through the insecurity that results from being in Malaysia illegally, which is the case for approximately half of the migrant labour population.

In common with middle and upper income earners, all Malaysians are restricted by several pieces of legislation that act to ensure labour's political exclusion generally. These include the Publishing and Printing Presses Act, the Official Secrets Act, and the Internal Security Act. However, in the case of middle and upper income workers in the private sector, given the absence of employment legislation, alternative and additional means are required.

#### *Methodology*

In order to capture their differing positions and strengths, this paper is largely based on data collected via semi-structured interviews with employer groups and the representatives of organised labour. Information was also collected from a number of official sources, including government departments and agencies, Ministerial speeches, and the Government news agency, Bernama. A careful reading of the mainstream print and web media was conducted to build a picture of Government concerns and emphases regarding the transition to the k-economy. Interviews were also conducted with a limited number of Malaysian-based NGOs concerned about labour conditions, consumer rights, censorship and intellectual property issues. Finally, given the importance of regional and international political and economic pressures, information was also collected from ASEAN, APEC, the International Labour Organisation (ILO), the World Bank and the International Monetary Fund (IMF).

While it is important to explore beyond the **rhetoric** in order to identify the actual changes underway, in this study, the rhetoric itself is also considered important. The rhetoric is understood here as a vital means of labour control. It constitutes an appeal to Malaysia's growing middle and upper income



groups who comprise the section of society most likely to provide the labour and the consumption patterns associated with popular depictions of the k-economy. The term 'rhetoric' is not meant to imply an outright lie or a simple obfuscation of the truth but is instead a persuasive discourse utilised by the regime to regain a hegemonic position and to gain support for policy reform. As will be argued later, the continuing strength of the regime is somewhat dependent on the cooperation, or at least the compliance, of middle and upper income earners in Malaysian society.

A few comments are offered regarding the focus on **legislation**. Previous research has suggested that employment practices in Malaysia are shaped more by the market than by policy (Standing 1993). Legislation regarding conditions of employment is often not policed or enforced, and does not, in fact, apply to a significant percentage of the labour force. Three points are offered against this. Firstly, the non-policing and/or non-existence of legislation is of itself an outcome that requires an explanation and so will be examined here. Secondly, the current efforts being exerted by capital to create legislation that enforces labour flexibility indicates that labour policy is increasingly perceived as an important tool by which to attract FDI in a competitive international environment. Thirdly, in the case of industrial relations, legislation has been very effective in limiting the activities of organised labour, even though spontaneous demonstrations by small groups of workers have taken place (Ramasamy 2002).

#### *Structure of the paper*

To answer the questions raised above, the paper is structured as follows. Some major features of, and debates surrounding, the k-economy are introduced. The current structure of the Malaysian labour force is then described, highlighting various divisions amongst workers. The next section briefly outlines the existing labour related legislation. Following that is a description of the reform process and the participating organisations. Two lengthy discussions follow: the first focuses on proposed changes to labour related legislation and the implications of this particularly for less skilled workers. The second explores the socio-political arena, linking social changes, particularly related to the consumption patterns of middle and upper income earners, with the development of the k-economy and exploring the ramifications of this for future political activism in Malaysia.

The final section concludes that despite the constraints imposed by the international economic environment, the Malaysian Government has not been forced to adopt one particular economic or political model or direction.

In fact, it appears that the Malaysian government is successfully managing to maintain its 'syncretic' nature, implementing a divergent range of policies and ideologies in order to manage conflicting socio-cultural, economic and political demands (Jesudason 1996:131). Malaysia's k-economy, should it eventuate, will itself bear the hallmarks of this eclecticism, offering benefits and opportunities for some categories of workers and industries, yet at the same time providing a justification to impose increased market discipline on others.

## **2. K-economy or 'kosong' (zero) economy?**

### *The k-economy*

The Malaysian Government has to date invested significant funds in k-economy projects, allocating RM5 billion<sup>4</sup> to fund 'ICT-related' activities and RM23 billion to education and training in the period 2001-2005, an increasing percentage of which will be directed towards meeting industry demands for skilled workers. A RM500 million venture capital fund (MAVCAP) was announced in the 2001 Budget to finance the ideas of 'innopreneurs and technopreneurs'. Citing the Knowledge-based Economy Master Plan in the Economic Report 2001/2002 (MOF 2001:22-23), the Government outlined seven major policy directions, the first of which focuses on human resources. Others include the provision of institutional support, infrastructure, encouraging research and development, providing a role for the private sector, particularly with regard to e-commerce, and modernising the civil service. The final aim is the narrowing of the 'knowledge and digital divides'.

A k-economy project with a high profile internationally is the Multimedia Super Corridor (MSC). Originally announced in 1995 with construction commencing in 1997, it is an area linking the Kuala Lumpur International Airport and the Twin Towers of central Kuala Lumpur to the newly developed towns of Cyberjaya, a high technology city, and Putrajaya, the new administrative capital. In 1997, consultants attached to the project suggested that at least RM28 billion would be invested in the MSC over ten years (Caspian Research cited in *The Edge*, 2.6.1997). While journalists currently cite a figure of US\$4-5 billion, the exact amount of government investment in the project is difficult to determine (Chen, 'Malaysia's Multimedia Supercorridor struggles to live up to its own hype', *AWSJ*, 22.2.2000; Mellor, 'Field of dreams', *AsiaWeek*, 17.8.2001).

Expenditure on the MSC has been justified on the basis of comparisons with Silicon Valley and other incubator models. Firms falling within the Government's guidelines are accorded 'MSC status', receiving taxation and other incentives designed to encourage research and development in approved areas. In 2001, it was estimated that MSC status companies employed over 14,000 staff (MOF 2001:19). By March 2002, 644 companies had MSC status with most of the foreign investment originating from Malaysia's traditional trading partners, the United States, Japan and Germany ('MSC status companies can reach 700 by 2004, says Tan', *Bernama*, 22.3.2002).

Despite having an International Advisory Panel comprised of high profile identities including Bill Gates of Microsoft, the MSC has been criticised by international commentators and journalists (Prystay, *AWSJ*, 19.11.2001; Mellor, *Asiaweek*, 17.8.2001; Chen, *Wall Street Journal* 25.9.2000 and 28.3.2001). In April of 2001, the Executive Chairman of the Multimedia Development Corporation (MDC) which oversees the MSC, requested an extension of the 2002 deadline to be self financing (Sharifah, *NST*, 2.4.2001). A Government sponsored review of the MSC undertaken by international consultants McKinsey and Co., concluded that the MSC had failed to attract substantial international investment, and thus had contributed little overall to Malaysia's economy, a fact Dr Mahathir partially acknowledged (Kabilan and Yeong, [www.malaysiakini.com](http://www.malaysiakini.com), 29.3.2001). The MSC has staunch international supporters though, with Bob Bishop, chairman and CEO of Silicon Graphics, commenting at the World IT Conference held in Adelaide in 2002, that the MSC was under no threat from IT incubator projects emerging elsewhere in the region (Saraswathy, *Bernama*, 1.3.2002).

#### *The 'kosong' economy?*

The problems experienced in establishing the MSC have been used to question Malaysia's ability to successfully establish a knowledge based economy. Early attempts by government related agencies did little to dissuade this scepticism. For example, the National Information Technology Council (NITC) offered this attempt to incorporate particular social values into a definition of the k-economy:

Vision 2020 envisages the creation of a Values-Based Knowledge Society as the ultimate goal...All Malaysians will have access to information and learning through infostructure for personal, organisational and national advancement... Information and knowledge applications will provide the basis to further enhance quality of work and life (NITC 1998).

These are fine sentiments but typify "the sense of romantic idealism and airy planning that characterizes so much of the Malaysian IT community's public utterances" (Bullis 1999:145-146), and did little to convince critics that the k-economy initiatives were to be taken seriously. Moreover, international comparisons and benchmarks cite Malaysia's lack of IT innovation and the low percentage of the population with higher educational qualifications as significant challenges (UN 2001, cited in MOF 2001:21).

Access to higher education is guided by a quota system that assists *Bumiputeras*<sup>5</sup> (Malays and indigenous peoples) in gaining entrance to public universities. The Federal Constitution allows for affirmative action of behalf of Bumiputeras, including employment quotas. These were the basis of the National Economic Policy (NEP) introduced in the early 1970s in an effort to redress the relatively poor social and economic standing of *Bumiputeras*. Quota systems, as opposed to strictly merit based systems, and the use of *Bahasa Melayu* as the language of instruction, rather than English, have been raised as factors that potentially hinder the goal of a k-economy (*FEER*, 10.8.2000; *Asiaweek*, 26.1.2001; *Bernama* 27.1.2002; Lee 2002).

The opposition Democratic Action Party (DAP) raised a further criticism. In the drafting of the *National Knowledge-Economy Master Plan* the Government proposed to "tap ideas from all segments of the Malaysian society... so that the Plan reflects a national consensus towards developing a knowledge-driven economy" (MOF 2000 Press Statement), a goal consistent with claims that a free flow of information, knowledge and ideas is a precondition for achieving a knowledge-based economy. "Both the markets and the electorate require open, honest, transparent, consistent, and accountable reporting about the operations of companies and government in order to make informed decisions" (APEC 2000:8). However, the DAP argued that widespread public consultation has been lacking.<sup>6</sup>

The same concern about Government restrictions on the free flow of ideas drove the debate regarding censorship of the internet (*AWSJ*, 12.7.2000; *FEER*, 16.3.2000) and the protests, mounted largely by public sector academics, regarding the loyalty pledge that restricts civil servants from publicly criticising government policies (Leong, 'Stop anti-intellectual purge, gov't told', *malaysiakini*, 8.9.2001). Similarly, the use of repressive legislation to restrict workers from gathering in public has generated criticism from the newly created Malaysian Human Rights Commission, SUHAKAM (Suhakam 2001). In the past, the paternalistic top-down relationship

between state and society was justified on the basis that “political exclusion and authoritarian rule [w]as necessary for continuing high levels of growth” (Deyo 1989:103).

According to the rhetoric now adopted by various Government ministries, the k-economy relies on information sharing and societal participation in decision-making structures. It could therefore be assumed that the k-economy transition would generate changes in the Government as its traditionally paternalistic means of labour control would contradict its own goals for a k-economy. However, that assumption will be questioned here. Instead it will be argued that this Government has successfully managed to control labour politically, socially and industrially despite occasional successes by organised labour and associated NGOs. There are economists who will argue that this control has been achieved to the detriment of economic development. Those economists concerned for social equality have drawn attention to growing income disparities and issues of poverty (Ishak Shari 1999). Those more inclined towards neoliberal economics will consider government interventions in the economy as contributing to inefficiencies that can only be rectified by letting the market rule. The political economy stance adopted here seeks to illuminate inequalities in power, arguing that this leads to policy outcomes that socially and materially favour certain sections of society to the detriment of the majority.

### 3. Current structure of the labour force

Currently the manufacturing sector remains the single largest employer, utilising almost 28 per cent of the labour force, a figure expected to increase to 30 per cent by 2005 (Government of Malaysia 2001:92). The wholesale, retail and hospitality, and agricultural sectors follow in importance, employing 17 and 15 per cent of the labour force respectively. Government services account for a further 11 per cent. Table 1 provides more detail on the share of employment by industry sector, and includes forecasts for 2005.

Table 2 provides a breakdown of the labour force by occupation. Over 30 per cent of workers are in production and transport related occupations and a further eighteen per cent are engaged in agricultural work. If this data is used to estimate the number of ‘k-workers’ we can see that 15 per cent, or just over a million out of over nine million workers, are classified as in professional, managerial or technical jobs. These are workers who arguably, are most likely to fit the image of the ‘k-worker’.

Table 1  
EMPLOYMENT BY SECTOR 1990-2005  
(‘000 persons)

Industry	1990		2000		2005*	
	No.	%	No.	%	No.	%
Agriculture, forestry, livestock & fishing	1,738	26	1,408	15	1,307	12
Mining & quarrying	37	1	41	0.4	42	0.4
Manufacturing	1,333	20	2,558	28	3,200	30
Construction	424	6	755	8	880	8
Electricity, gas & water	47	1	75	1	86	1
Transport, storage & communications	302	5	462	5	553	5
Wholesale & retail trade, hotels & restaurants	1,218	18	1,584	17	1,881	17
Finance, insurance, real estate & business services	258	4	509	6	647	6
Government services	850	13	981	11	1,070	10
Other services	479	7	899	10	1,193	11
<b>Total</b>	<b>6,686</b>	<b>100</b>	<b>9,271</b>	<b>100</b>	<b>10,859</b>	<b>100</b>

Source: Government of Malaysia 1996:110, 2001:92. Note that figures have been rounded. \*forecast

Table 2.  
EMPLOYMENT BY MAJOR OCCUPATIONAL GROUP 1990-2005  
(‘000 persons)

Industry	1990		2000		2005*	
	No.	%	No.	%	No.	%
Professional, technical & related	586	9	1,020	11	1,314	12
Administrative & managerial	164	2	389	4	543	5
Clerical & related	653	11	1,029	11	1,216	11
Sales	769	12	1,020	11	1,227	11
Service workers	778	12	1,094	12	1,347	12
Production & related, transport equipment operators & labourers	1,846	28	3,041	33	3,355	31
Agricultural, animal husbandry & forestry workers, fishermen & hunters	1,891	28	1,678	18	1,857	17
<b>Total</b>	<b>6,686</b>	<b>100</b>	<b>9,271</b>	<b>100</b>	<b>10,859</b>	<b>100</b>





privatisation of education could further skew this uneven distribution, by placing the attainment of professional qualifications further out of reach of the less wealthy of all ethnic groups in Malaysia.

Another dividing feature of Malaysia's labour force is the large percentage of immigrant workers, and their concentration in jobs that are not generally undertaken by local Malaysian workers. Most are from Indonesia, with large minorities from Bangladesh, the Philippines, India and Thailand. Figures for 2000 indicate that over 30 per cent of foreign workers were in the manufacturing sector with a further 23 per cent in agriculture related occupations, particularly in the plantation sector. Over 20 per cent of foreign workers were females in housekeeping jobs in private homes and hotels. In total, approximately 750,000 foreign workers were approved to work in Malaysia in 2000, comprising almost eight per cent of Malaysia's total labour force (EPU 2001:153). However, most analysts accept that the true number of foreign workers in Malaysia is likely to be double the official figure, meaning half of foreign workers are in Malaysia illegally, are not protected by employment legislation, and are subject to sporadic government efforts to deport them (Menon 2001; Azizah 2000; Pillai 1999; '50% of foreign workers are illegals: Immigration', *The Sun*, 27.6.2001). The effort to deport illegal foreigners has increased dramatically throughout the latter half of 2001, as the extent of the economic downturn has become more apparent (Loone, '450,000 illegal Indon migrants detained in camps', [www.malaysiakini.com](http://www.malaysiakini.com), 27.11.2001).

Women account for slightly more than a third of Malaysia's labour force, occupying different occupational and industry locations in comparison with men. Most employment growth opportunities for women have come from the manufacturing sector which employs over 27 per cent of female workers. A further 22 per cent of women are employed in wholesale and retail trade, and in hotels and restaurants (Government of Malaysia 2001:559). Men make up approximately 90 per cent of workers in the mining, construction, utilities and transport sectors, illustrating the extent to which the labour force is divided by gender.

Female students now outnumber men in their participation in higher education. Interestingly, a higher proportion of female employees are in professional, technical and related occupations than are males (Government of Malaysia 2001:559-560). This figure is somewhat biased by the inclusion of nursing and teaching occupations, but it also reflects the decision by many less well paid women to resign from their employment once they

start having children. A lack of available child care has been cited as an important factor in this decision (interview with MTUC Women's Officer, June 2001; Humayun Kabir, 'Creches in school vital for teachers', *The Sun*, 3.6.2001), an issue that will be discussed later in this paper as part of the effort by employers and the Government to increase women's participation in the formal labour force.

The labour force is further divided geographically between the urban, industrialised centres, particularly Kuala Lumpur, the Klang Valley, Penang and Johor Baru, and the rural areas where the much of the labour force is based in plantation and other agricultural related employment. The less developed Malaysian states have a larger percentage of rural populations and record higher levels of poverty, contributing to a socio-economic gap that is increasingly referred to as the 'digital divide'. Government schemes implemented to address these equity issues are premised on the theory that economic development will have a trickle down effect to the poor in rural areas. The New Philosophy of Rural Development, implemented in 1996, outlines the Government's aim of providing improved infrastructure, amenities and employment opportunities in rural regions. To address the equity concerns of k-economy transition more particularly, the Ministry of Energy, Communications and Multimedia has pledged RM120 million towards a Universal Service Provision Fund, 'to bridge the digital divide between the urban and rural communities' (Minister Leo Moggie, cited in *The Sun*, 10.4.2001). (See the Eighth Malaysia Plan and the Third Outline Perspective Plan for details). The Government also hopes that efforts to develop biotechnology will include some of the rural poor.

It is obvious that those in unskilled, rural work, who have had fewer opportunities to undertake formal education, will be restricted in their ability to participate in and benefit from the k-economy transition. The economic gap between urban and rural dwellers, after narrowing somewhat in the 1980s and 1990s, is now quite similar to that which existed in 1970 (Yusof 2001:77). While plans have been announced to construct new schools in rural areas, and RM 945 million has been dedicated towards the provision of computer infrastructure in rural schools (Government of Malaysia 2001:388), the potential impact of these initiatives must be balanced against the commercial nature of the private sector higher education and industrial skills training sector that may further restrict the educational opportunities of Malaysia's rural and poor urban populations.

#### 4. The labour-related legislative framework

The main pieces of labour legislation covering the private sector are the Employment Act 1955, the Industrial Relations Act 1967, and the Trade Unions Act 1959. The Employment Act is concerned with conditions of employment and the employment contract, and covers private sector employees earning less than RM1,500 per month (although 1998 amendments afford some protection to employees earning up to RM5,000). The Industrial Relations Act regulates the relationship between trade unions, their members and employer bodies, and provides strict regulations on industrial disputes, including strikes and lockouts. The Trade Unions Act regulates the activities of trade unions themselves, requiring above all that unions be registered with the Director General of Trade Unions (Ayadurai 1992:4-51). Approximately 20 acts in total are overseen by the Ministry of Human Resources (MHR). These include the Employees Social Security Act 1969, the Human Resources Development Act 1992, and the Occupational Safety and Health Act 1994.

The Industrial Court operates under the provisions of the Industrial Relations Act and is a court of arbitration for disputes between employers, employees and, where they exist, trade unions. Matters are heard in the Industrial Court only after conciliation has been attempted through the MHR and only by the direction of the Minister of Human Resources. Some of the more common matters considered by the Industrial Court include unjustified dismissal, unfair labour practices, cognisance of, and non-compliance with collective agreements, and trade union issues. Decisions of the Industrial Court may be referred to the High Court with respect to questions of law, effectively constituting an appeal mechanism (Ayadurai 1992, chapter IX).

Previous research in Malaysia has questioned the reliability of employment legislation as an indicator of actual conditions in the workplace. To put it more crudely, is employment legislation really relevant in assessing changes in employment practises?

It has...been argued (Standing 1993) that labour legislation and policy have not been especially effective in influencing actual labour practices in Malaysian economy [sic]. Rather, the evidence seems to suggest that labour-market conditions have been the major determinant of the welfare of workers (Jomo 1995:234).

Standing's observations relate to changing employment practices in the manufacturing sector throughout the 1980s, where relevant legislation only caught up to reality with the 1988 amendments to the Employment Act.

The Employment Act was designed to 'protect' lower paid and manual employees and hence is limited in scope. It does not apply to the growing percentage of workers earning more than RM1,500 whose conditions are determined by individual negotiation or, in the small percentage of workplaces that are unionised, by collective bargaining. It also does not apply to the estimated 1.5-2 million workers who are self-employed, or to those working in the 'informal' economy, nor to illegal migrant workers.<sup>7</sup> Besides the limited scope of the legislation, a second restriction relates to the lack of enforcement. There appears to be a considerable backlog of work in investigating breaches of the Employment Act. The MTUC alleges a shortage of staff in the Department of Labour, and has argued that complaints under the Act are often not pursued (interview, MTUC, June 2001). Current efforts by employers to introduce legislative amendments, however, may indicate something of a change in attitude towards the importance of legislation, an issue that requires further investigation as the k-economy transition progresses.

While employment legislation may be limited and uneven in the extent to which it shapes employment conditions, in contrast, legislation plays a strong role in delimiting the nature of trade union activities. This is an outcome jointly desired by capital and the Government, and prior to Independence, by the British authorities. 'The current legislation governing industrial relations has its origins in the colonial period and is sensitive to potential threats to internal security, social and economic instability' (Navamukundan 1998:2). Since Independence, a number of trade unions have been deregistered, as provided by the Trade Unions Act, and trade union activists have also been subject to the Internal Security Act, which allows for detention without trial.<sup>8</sup>

For unions and peak union bodies, the legislative framework imposes many restraints. For example, while industrial action, such as a strike, is allowed under the provisions of the Trade Unions Act, a union is first required to conduct a secret ballot of members, gain a two-thirds majority of all eligible members, and must then provide advance notice of the proposed action to the authorities. Matters considered valid for industrial action are prescribed by both the Trade Unions and Industrial Relations Acts, limiting the issues that unions can respond to industrially. In addition, the Trade Unions Act prohibits union officials from holding office in political parties, thereby limiting the amount of cooperation between labour and political organisations.

Employment conditions for civil servants are determined separately from the private sector. In 1973, a system of National Joint Councils (NJC) was proposed as a forum to discuss the wages, conditions and promotion mechanism of Malaysia's civil servants who currently number 911,600 (Government of Malaysia 2001:620). The NJCs were required to be equally comprised of representatives of staff and government and to meet at least annually. Departmental Joint Councils were to report to the NJCs. In reality, these councils have not proved effective, receiving criticism from both CUEPACS and the Public Service Department ('PSD, Cuepacs dissatisfied with running of joint council', *The Sun*, 28.5.2001; Rohanna 1997:50).

The Federal Government commissioned a cabinet committee report in 1991 that resulted in the New Remuneration Scheme (NRS), introduced in 1992. This scheme essentially linked wage increments to performance and was not well received by civil servants or their union, CUEPACS, which proposed an alternative scheme (Hamidah, 'Cuepacs to draft promotion format', *NST*, 21.5.2001). According to Jomo and Todd (1994:157), the flexibility in determining wage increments allowed for greater sycophancy in the supervisor-subordinate relationship, rather than guaranteeing improved productivity. A review of the NRS was recently undertaken, the results of which will be discussed below.

## 5. Negotiating changes in policy

A number of administrative arrangements are in place that suggest any changes to the legislative framework shaping the employment and industrial relations environment are negotiated in a tripartite manner, involving representatives of the government, the employers, and labour. Associations representing each of these interest groups have positions on the National Labour Advisory Council (also known as the Ministry of Human Resources Tripartite Meeting), the Human Resources Development Fund Board, and other committees within the MHR. Within the Ministry of International Trade and Industry (MITI), they also have positions on the National Productivity Council (NPC). Within the Ministry of Finance, they are each represented on the EPF Board, and within the Ministry of Domestic Trade and Consumer Affairs, they sit on the Consumer Advisory Council. Significant employer-based organisations include the Malaysian International Chamber of Commerce and Industry (MICCI), the Federation of Malaysian Manufacturers (FMM), the Malayan Agricultural Producers' Association (MAPA) and the Malaysian Employers' Federation (MEF). The MTUC and CUEPACS represent the interests of labour. Various government officials represent the views of their respective ministries while also acting as secretariat

for the committees. Additionally, the various chambers of commerce and industry submit memoranda to the annual pre-budget dialogue held mid year, as well as to a dialogue with MITI held earlier in the year.

The FMM has a staff of 136 and represents 1,960 businesses, approximately half of which are considered 'big' businesses. FMM members employ approximately 1.6 million workers. According to the annual report for 2000, the organisation has funds of more than RM22 million (personal correspondence FMM). The MEF is only slightly less impressive. Its 3,400 members employ 1.3 million workers and the organisation has funds of over RM7 million with an annual budget of almost RM4 million (MEF Annual Report 2000). The MTUC, although the peak private sector union body and attracting strong international support, is a poorly resourced organisation suffering from internal conflict as well as from legislative restrictions on the ability to organise and recruit members. The MTUC employs around 10 staff in its head office with an annual budget of approximately RM250,000. The MTUC represents around 500,000 workers who belong to an estimated 210 affiliated unions (MTUC 2001). CUEPACS represents an estimated 200,000 civil servants, including teachers and academics.

MTUC officials state that some of their personal relationships with individual government officials are good, but in general they find the relationship strained, citing numerous cases that have not been followed up by staff in the Department of Labour. MTUC has officially complained to the MHR that the Industrial Relations Department is understaffed ([www.mtuc.org.my/industrial\\_relations.htm](http://www.mtuc.org.my/industrial_relations.htm)). Throughout 2001 and 2002, the MTUC, through the tripartite committees just mentioned, had been in talks regarding reforms to the Employment, Trade Unions and Industrial Relations Acts. Rather than prepare a written submission for these talks, the MTUC resubmitted their detailed written proposal from 1994, to which, they claim, the Ministry has yet to respond (interview, MTUC, June 2001).

On occasion, senior union officials are sought by journalists to provide comment on topical issues. In 2001, MTUC President, Zainal Rampak, wrote a series of articles on education and training issues for the *New Straits Times*. For the most part, however, access to mainstream media is limited for the union movement. When the MTUC wanted to advertise its arrangements for Workers' Day in May of 2001, it was only able to do so by paying individual vendors to insert a flyer into each newspaper. This limited access to the print and television media is in some contrast to the widespread access of Ministers, senior bureaucrats and representatives of



the Barisan Nasional parties. Similarly, the views of FMM, MEF and other chambers of industry and commerce are sought for inclusion in the burgeoning business and finance sections of the print and web-based media, and for locally produced business-oriented television programs.

Recent relations between CUEPACS and the Government have been considered quite cordial. The Prime Minister mingled with civil servants at their Workers' Day celebrations in 2001, while at the same event in 2002, the Minister for Human Resources, Dr Fong, praised CUEPACS for its non-confrontational approach. "I am confident that such cooperation will help the government in tackling the issues of the new millenium such as globalisation and AFTA in the interest of the workers" (Fong, cited by *Bernama*, 1.5 2002). This cordiality has resulted in mixed outcomes for CUEPACS' members.

On the one hand, the Government's stated commitment to consultation appears somewhat at odds with the recently introduced 'loyalty pledge' (*Aku janji*) which must be signed by all civil servants ('Discipline is important in improving administration, says PM', *Bernama*, 7.1.2002). According to press reports, CUEPACS successfully opposed some anti-union measures in the pledge, and then encouraged members to sign the amended version (Lau, 'KL civil servants have to sign loyalty pledge', *Straits Times*, 4.1.2002). Siva Subramaniam, President of CUEPACS and Secretary General of the National Union of the Teaching Profession, was moderate in his criticism of the loyalty pledge. Unlike a number of academics, he did not reject the Government's argument that teachers must be apolitical; it was his view simply that the existing regulations were sufficient to guarantee this ('Contract unbecoming', *NST*, 10.1.2002).

It is also worth noting the lack of discussion between CUEPACS representatives and the organisers of the widely-attended National Civil Service Conference, held in Kuala Lumpur in June 2001. Organised by INTAN, the training arm of the Malaysian Civil Service, the conference was a central venue to discuss the impact of the k-economy on the public sector and featured high profile public and private sector speakers. CUEPACS was not represented.

Concern about the limited effectiveness of the National Joint Councils suggests that consultation between the Government and CUEPACS takes place in an ad hoc manner as issues arise, dissatisfaction with which has been made public by both CUEPACS and the Public Services Department (PSD). On the other hand, CUEPACS has been involved in the current

review of the New Remuneration Scheme being undertaken by the PSD. Proposals by the PSD, and counter proposals by CUEPACS, were presented to the Chairman of the Cabinet Committee on Public Sector Employees' Salaries and posts, Prime Minister Mahathir (*Bernama* 21.3.2002). The resulting scheme, the Malaysian Remuneration Scheme (MRS) was publicly announced at the end of July 2002 and included improved basic salary rates and an alternative method of increment assessment said to encourage increased productivity (Leong, 'Better wages: New deal for govt workers under MRS', *Star* 30.7.2002). Dr Mahathir, when announcing the scheme, stated that civil servants had effectively achieved salary increases greater than twenty per cent over the previous two years. In this regard, CUEPACS members have benefited.

In summary, while the machinery to conduct tripartite decision making appears in place, the ability of the parties to participate and to influence outcomes is varied and uneven. In the private sector, the legislative environment limits the effectiveness of the MTUC, leaving it politically excluded. In the public sector, the Prime Minister adopts a paternalistic attitude to civil servants, demanding their written loyalty to his Government while rewarding non-confrontational behaviour with end of year bonuses and pay rises.

## 6. A labour force for the k-economy?

In order to create a labour force for the k-economy, the Government has announced reforms in the areas of education and skills training, and, in employment and industrial relations. As detailed in the Eighth Malaysia Plan, the Government has allocated almost RM23 billion to education and training initiatives over the next five years (Government of Malaysia 2001). The Private Higher Educational Institutions Act 1996 facilitated the establishment of private universities and colleges, whose focus is generally professional and employment related courses of study. The government has attempted to significantly increase the proportion of students enrolled in science and IT-related courses in the public universities, aiming to decrease the proportion enrolled in humanities courses.

The 2002 Budget outlines the schemes devised to re-train retrenched workers and unemployed graduates ('Jobless sign up for govt-funded training courses', *Straits Times* 26.11.2001). Under these schemes, costed at RM340 million, participants in approved courses provided by private institutions would have their course fees refunded by the Government, while unemployed degree and diploma holders would be funded to add.



The Government has also instituted a plan to repatriate skilled Malaysians through the 'Programme to encourage Malaysian citizens with expertise residing overseas to return to Malaysia'. A number of incentives are offered, including favourable taxation arrangements for the skilled worker and their spouse (see the MHR website for details, available at [www1.jaring.my/ksm/](http://www1.jaring.my/ksm/)).

While a range of initiatives have been announced that seek to deepen and broaden the skill base of the labour force, reforms to employment and industrial relations legislation are aimed particularly at increasing the 'flexibility' of the labour force. 'Flexibility' requires removing restrictions on the types and amount of labour utilised by businesses, hence employers are seeking changes to the nature of the employment contract and the calculation of remuneration. They further seek changes to the industrial relations environment, requesting increased managerial prerogatives in the processes of hiring and firing. There are parallels with a previous period of labour force restructuring.

#### *Looking East*

The Look East policy of the early 1980s, besides providing an 'Asian' model of industrialisation, were utilised by Dr Mahathir as a means of encouraging Malays to work harder and to overcome the negative influences of the 'West'. Dr Mahathir has long voiced quite critical views of Malay workers: "We have all the basic ingredients that will make it possible for Malaysia to become an important industrialized country in Asia...something more is needed... the work ethic" (Dr Mahathir cited in Khoo 1995:69). Regarding the 1980 amendments to both the Industrial Relations Act and the Trade Unions Act, Shamsul (1992:10) claims: "It was not difficult to notice that it was during Mahathir's reign first as Minister of Trade and Industry and then, immediately after, as Prime Minister that authoritarian and anti-labour policies were brought in quick succession". Jomo and Todd (1994:149) also concluded that "amendments to the labour laws... were largely to the detriment of labour". According to Ayadurai (1993:87), "The Look East Policy also provided the government with an ideological standpoint to press for the establishment of in-house unions", generally considered to be more compliant than industry based unions and therefore indicative of a loss of union power.

Many of the changes imposed on labour throughout the 1980s were justified by Government and business groups as necessary to Malaysia's economic development, via which the country would gain international respect. In the mid to late 1980s, the need to recover from the economic recession was used by the government to reject requests for pay increases from various

sectors, including the public sector. "...the 1988 labour legislation is generally seen as primarily intended to enhance labour flexibility and to strengthen management prerogatives and control over labour without significantly protecting, let alone pursuing, labour's interests" (Jomo and Todd 1994:152).

When visiting South Korea in May 2002, Dr Mahathir encouraged businesses to invest in Malaysia, citing the success of Look East in creating a stronger work ethic amongst the Malaysian workforce (Wong, 'Dr M: I am very satisfied with policy', *The Star*, 24.5.2002). Just as the 'Look East' agenda used the rhetoric of Japanese and Korean economic success in order to justify a hardening in the approach to industrial relations, in the current climate, the need to develop into a 'k-economy' is being used to press for changes to labour-related legislation.

When talking with employer representatives throughout 2001 and 2002, the issue of international competitiveness, rather than the k-economy transition, arose as the primary concern driving their reform agenda<sup>9</sup>, a concern shared by the Government. Deputy Prime Minister Abdullah Badawi warned participants at the 15th ASEAN Labour Ministers' Meeting, held in Kuala Lumpur in May 2001, that, "Without improving the education skills, productivity and innovation of our workforce, we will not be able to escape the uncompetitive gap once our labour is no longer cheap" (quoted in *The Star* 11.5.2001). Many sectors of Malaysian business fear the loss of FDI. 'Flexible' labour laws will prove a useful tool to Malaysian government representatives participating in the "10 trade and investment missions...47 international trade fairs, eight specialised marketing missions, seven incoming buying missions and four in-store promotions" scheduled by MITI for 2002 (Megan, 'Exports to US drop by 11pc', *NST*, 11.12.2001).

Employer organisations have consistently requested that the Government undertake reforms to increase the flexibility of Malaysia's labour force and during 2001 they have used various forums to lobby for change. The following section critically analyses the views of the major representatives of Malaysian employers with regard to labour force reform. Firstly, attempts to increase flexibility are discussed, with reference of the use of foreign labour, women's participation in the labour force, and reform to legislation governing the practice of retrenchment. Secondly, efforts to address skill shortages are examined, and thirdly, productivity linked wage schemes are discussed. Finally, the industrial relations environment is explored in the light of recent criticism by employers of the operations of the Industrial Court.

### *What is a 'flexible' workforce?*

When the term 'flexible' workforce is used in conjunction with the k-economy, it has many positive connotations. The NITC has adopted the work of high profile US commentator, Peter Drucker, employing his definition of a knowledge worker. "It is on their (knowledge workers) productivity that the future prosperity and indeed the future survival of the developed economies will increasingly depend", (Drucker 1999 cited by Rinalia Abdul Rahim 2000). It implies workers who are autonomous, who are empowered to make decisions without supervision, who are multiskilled and able to apply their initiative and creativity. Employers are willing to pay extra in order to keep these workers, and their knowledge, with the firm. This is the model of a worker that is the focus of the current media and government rhetoric about the k-economy.<sup>10</sup> "The term knowledge workers is not just another new buzzword...this new breed of versatile, autonomous and highly skilled workers...are people who genuinely add value to information to create new knowledge" (Mah Yong Sun of Andersen Consulting quoted in *NST* 25.5.99). Importantly, these are workers who are not dependent on the state. They take responsibility for their future by constantly upgrading their skills in accordance with the 'lifelong learning culture' being encouraged in conjunction with the k-economy transition. Similarly, changes to employment legislation that facilitate 'flexible' working arrangements, such as part time work and home based work, are also viewed positively in the k-economy discourse.

However, when we talk about a flexible workforce in terms of workers in more traditional jobs and workplaces, the reality is somewhat different. Deyo (2001) usefully draws the distinction between 'static' and 'dynamic' forms of flexibility. Dynamic flexibility results from the innovative utilisation of an appropriately trained, multi-skilled workforce, allowing firms to respond quickly and efficiently to ongoing changes in product demand. Innovation, as opposed to low labour costs, is the basis of competitiveness. This contrasts with 'static flexibility', which, according to Deyo (2001:269), "focuses on short-term adaptability and cost-cutting... with... negative consequences for labour... [Static flexibility] predominates in many countries and industrial sectors in the region".

### *Numerical flexibility*

One form of static flexibility is 'numerical flexibility' which refers to the ease with which management can hire, fire and otherwise vary the conditions of employment, particularly hours worked, meaning that the size and skill component of a work force can quickly be altered according to the immediate

demands of a particular business. This can be achieved in various ways, including enlarging as much as possible, the pool of available labour. Three strategies will be discussed in this regard. Firstly, efforts by some employers to retain access to foreign workers in 2001 despite rising unemployment amongst local workers in Malaysia. Secondly, efforts to increase female labour force participation and, thirdly, deregulation of certain conditions of employment, including those relating to retrenchment.

### *Access to foreign labour*

Malaysia's ethnic Chinese and Indian minorities largely originated from the need for labour in the tin mines and the rubber plantations of the late 19<sup>th</sup> century. The processes of industrialisation and urbanisation during the second half of the 20<sup>th</sup> century have absorbed an increasing proportion of the formerly rural Malay population, leaving a shortfall in plantation labour that has been filled largely by immigrant Indonesian workers. Over the years Indonesians, Bangladeshis, Thais and Filipinos have moved into the construction and services sectors, and, prior to the 2001 economic downturn, were increasingly employed in the manufacturing sector. The large contingent of foreign workers has contributed to the perception of Malaysia as a labour shortage economy. Dr Mahathir has blamed the need for foreign workers on the reluctance of locals to do low status work: "We want to be the bosses and depend on foreigners to be the workers and one day we could lose our country" (*Straits Times* 20.8.1997, cited in Hing 2000:239).

The use of foreign labour has generated many layers of conflict involving particular Government ministries, employer groups and labour unions (see Pillai 1995 for an overview). Migrant workers and their families generally receive extensive criticism in the mainstream Malaysian press, being accused of causing social unrest and exploiting scarce educational and health resources at the expense of locals (V. Shankar Ganesh, '10,000 legal aliens suffered mostly from Hepatitis, TB, STD', *NST*, 1.2.2002). Citing national security concerns, the Ministry of Home Affairs has at various times prevented labourers from particular countries, Bangladesh and Indonesia for example, from entering Malaysia. The short advance notice by Government on these matters has caused problems both for employers and potential employees, and remains a site of conflict between the government authorities and employer groups ('MEF to make formal presentation on foreign labour to Govt', *Bernama*, 29.1.2002; Shamsuddin, 'Consistent policy needed', *BT*, 1.3.2001; 'Immigration Act to be amended: Employers can expect stiffer penalties for harbouring illegal immigrants, says sec-gen', *The Sun*, 16.2.2001; Ahmad, 'Foreign labour in oil palm estates a necessity:

Throughout 2001, a period of rising unemployment, the Malaysian Government put considerable effort into repatriating illegal immigrant workers in the hope of providing jobs for the growing number of unemployed locals ('Employers must first retrench foreigners', *NST*, 3.4.2001). The Home Ministry shortened the maximum length of contract for most foreign workers to 3 years (Murali, 'Shorter work permits', *New Sunday Times*, 28.10.2001). Furthermore, the Government hopes that by 2010, the number of foreign workers will be halved compared with 2000, reducing the percentage of foreign workers to approximately three per cent from eight per cent (EPU 2001:153). Besides the imposition of levies on employers seeking to use foreign workers, the Government has also sought to restrict the use of foreign labour through other means, reminding employers that the provisions of the Employment Act are intended to apply equally to local and foreign workers.

The argument against large number of foreign workers has traditionally been framed around national security concerns, but more recently it is also been linked to the k-economy transition. In the absence of cheap labour, it is hoped 'that firms will take positive steps to move into higher capital intensity production processes' (Government of Malaysia 2001:115), a message repeated through the media ('Enhance use of processing technology, industrial sector told', *Bernama*, 22.3.2002; Sharum Sayuthi, 'Employers must bear some blame for alien over-dependence', *NST*, 30.1.2002).

The responses of local workers and organised labour to the presence of foreign workers are somewhat ambivalent (Hing 2000). Most often foreign workers are viewed as a threat to the employment opportunities and conditions of locals ('MTUC calls on Government to freeze intake of foreign labour', *NST*, 1.5.2001). Foreign workers are assumed to be willing to work for less, thus undercutting the conditions of local workers who have not been prepared to accept such low wages (Hing 2000:237-238). The MTUC has argued that foreign workers can be exploited because of their vulnerability and has stated that it will attempt to organise these workers, as allowed by the Industrial Relations and Trade Unions Acts ('MTUC wants to unionise foreign workers', *The Sun*, 9.7.2001). This is unlikely to be effective for many reasons but including the fact that half of the foreign workers in Malaysia are illegal migrants.

As the economic situation moved into recovery during 2002, a number of compromises were reached between employer groups and government ministries. The Deputy Prime Minister rejected MTUC's call for a total

freeze on foreign labour, citing difficulties faced by employers (Manirajan, 'DPM: Foreign labour still needed in certain industries', *The Sun*, 3.5.2001). Maids in private households have also been exempted from the three year contract limit, being allowed to stay as long as required by their employers. Government to government cooperation will now control the entry of foreign workers, and a Government committee will assess the skill levels of foreign workers, those with skills in demand being allowed to enter for longer periods. On the other hand, the Immigration Act has been amended to increase punishments for illegal migrants and for Malaysians who employ them (Ritikos, 'Amended Act to punish illegals get royal assent', *The Star*, 22.5.2002) and an estimated 300,000 illegal migrants left the country under an amnesty that ended on July 30, 2002. Initially the Government declared that no new Indonesian workers would be allowed entry, but successful lobbying by the construction and plantation sectors has seen that ruling overturned (Azlan, '60,000 work permits issued', *NST*, 18.8.2002). Given the strengthening economy, and a renewal of complaints by industry of a shortfall of labour, it appears the situation with regard to foreign labour will remain fluid, a source of contention not only between the Government and business, but also between the Government in Malaysia and the governments of countries sending workers to Malaysia.

#### *Increasing women's participation in the labour force*

In another attempt to increase the pool of available labour, employers and the Federal Government have sought to increase women's participation in the labour force, which, at around 45 per cent in 2000, is considerably lower than male labour force participation and lower than that of neighbouring countries (Government of Malaysia 2001:558; Shamsuddin, 'Gender equality the way forward', *BT*, 2.8.2001). Factors discouraging women from participating in the labour force have been discussed in joint meetings chaired by Shahrizat Abdul Jalil, Minister for Women and Family Development ('More joint committees to tackle problems faced by women', *The Sun*, 1.6.2001). The idea to establish joint committees emerged as a result of Shahrizat's involvement in the MTUC National Forum for 2001 that focused on the rights of women as workers ('Group to deal with issues concerning female workers', *NST* 10.4.2001). Issues discussed by the joint committees include sexual harassment in the workplace, availability of child care facilities, and legislative restrictions on women working overtime and at night (interview, MTUC Women's Officer, June 2001).

The creation of a separate Ministry for Women and Family Development has been viewed positively by organised labour (interview MTUC Women's



Officer, June 2001), but it appears that the concerns of employers have thus far proved most influential in the joint committee that now includes representatives from the MEF as well as the relevant government agencies. While the Government introduced a Code of Practice on the Prevention and Eradication of Sexual Harassment in the Workplace, employer groups rejected calls for this to be mandatory, preferring to rely on self regulation ('Employers against legislation on sexual harassment', BT, 27.5.2000; Manirajan, 'Employers against legalising code', *The Sun* 18.8.2000). Union groups had requested that the code be included in collective agreements.

The Minister for Unity and Social Development, Dr Siti Zaharah Sulaiman, was critical of employers for not providing child care facilities for workers. 'What employers do not realise is the benefits and profits they would gain by getting more women to join the workforce' ('Set up workplace child-care centres', *NST*, 20.5.2001). Shahrizat had made similar statements in the press (*NST* and *The Star*, 25.4.2001). However, when tripartite discussions on child care issues were conducted in mid-2001, in contrast to the Government's stance that employers take the leading role, employer representatives argued the expenditure required would make business costs in Malaysia uncompetitive (Shamsuddin, 'Set up childcare centres within the community', BT, 23.8.2001; interview, MEF, July 2001).

In May 2002, Shahrizat received applications from NGOs, CUEPACS and MTUC to bring Malaysian legislation in line with an ILO decision to extend maternity leave to 90 days. Currently 60 days are allowed in Malaysia, although according to the Women's Committee of MTUC, there are employers who refuse this entitlement to eligible employees (Kam, 'Maternity protection', *The Star*, 22.5.2002). The Minister is concerned that employers will respond negatively to any extension of the maternity leave scheme, so her department is researching the costs involved of a one or two week extension, rather than the month being sought by labour organisations ('Additional costs of extended maternity leave being studied', *Bernama* 23.5.2002). Legislation covering maternity leave is administered by the MHR, to which the results of the study will be submitted.

Changes to the Employment Act in 1998 with regard to part time workers were promoted by the Government as facilitating increased employment opportunities for women. '...the Employment Act 1955 will be amended to include new and flexible working arrangements such as teleworking, part-time work and job sharing, to enable women to integrate career with household duties' (Government of Malaysia 2001:567). In effect, the

to lessen the earnings of part time workers by reducing the level of allowances paid.<sup>11</sup> In the absence of improvements to child care, maternity leave, and sexual harassment legislation, it is hard to imagine that women's labour force participation will increase, particularly in labour intensive, less well paid occupations.

#### *Retrenchments*

One means of achieving numerical flexibility is through increased ease of retrenching staff. Widespread retrenchments occurred throughout 2001, particularly in the manufacturing and construction sectors. However, it is migrant workers and women who bear much of the impact during economic downturns (Vijaykumari 2001). Workers covered by the Employment Act are entitled to redundancy payments as set out in the Employment (Termination and Lay-Off Benefits) Regulations 1980. The Government attempts to measure and control retrenchment of local workers through the provisions of the Employment Act and the collection and publication of retrenchments data. Amendments to Employment Act in 2000 required that workers' entitlements be paid ahead of other creditors. Correct and timely payment of termination benefits is all the more important given the lack of welfare payments for the unemployed. The 1998 amendments to the Employment Act placed the further requirement on employers of advising the Government one month in advance of impending retrenchments, and insisting that foreign workers must be retrenched before local workers. If successful in introducing 'flexibilities' into employment legislation, employers will have the option of reducing or otherwise varying the hours of staff at short notice without compensation.

However, the practice of retrenchment is a sensitive matter, industrially and politically, and there is still a strong paternalism in the employer-employee relationship whereby the firm and the Government are expected to look after workers during lean times (Hing 2000:239-240; Khaliq and Singh 2001:49). In the public sector, retrenchments are a rarity (interview, CUEPACS, May 2001). In 2001 when Malaysian Airlines (MAS), experiencing a severe debt burden, proposed retrenching 3,000 staff, the application was rejected by Government. Even now, with the decision to sell MAS assets, the Minister for Transport has moved to reassure workers of continued employment, although 'employees are expected to follow and take up jobs in the companies buying over these branches of MAS' ('No massive layoffs, says Ling', *Star*, 10.1.2002)



The k-economy rhetoric and the need to be competitive is now being utilised by employer groups to overcome both the societal antipathy and the legislative impediments towards retrenching workers ('View VSS [voluntary separation scheme] positively, says employers federation', *NST*, 18.8.2001). The notion of a job for life is being replaced with the concept of 'lifelong learning', where a worker might have a number of careers in one life time, leaving the workforce temporarily to update skills. "Life long learning will become increasingly important in the knowledge-based economy where knowledge and skills need to be continuously updated and upgraded" (EPU 2001:162). The model k-worker will pursue relevant training and upgrade their skills, realising that a failure to do so will make them uncompetitive in the labour market. "It is critical that the labour force possesses the ability to adapt and adjust to the changing demands of technological advances in the knowledge-based economy" (EPU 2001:148).

In this view of the k-economy, the individual becomes increasingly responsible for their employment status, providing the Government with a continued justification for refusing to implement either a minimum wage or a comprehensive welfare system.

...the government has expressed concern over the cost and negative work incentive efforts that such programs may entail. They prefer to rely on labor market flexibility and rapid adjustment combined with selective as hoc expenditures such as those included in the 1999 and 2000 budgets as a means of minimizing the impact on the poor, and maintenance of higher long term growth rates and high sustained investment in education and infrastructure as the best way to deliver opportunities to the broadest spectrum of the population over time (World Bank 2000:12-13).

Press coverage of the 2001 economic downturn was frequently used to remind unemployed workers that opportunities exist for their retraining, and that despite the high number of retrenchments, there were in fact more vacancies than unemployed workers. For example, Dr Fong Chan Onn, Minister for Human Resources, stated in October that while 31,000 workers had been laid off in the first 10 months of 2001, there were 103,000 vacancies advertised in the same period (*NST*, 24.10.2001).

The argument that alternative employment is available to retrenched workers was used by the previous Minister for Human Resources to refuse requests by MTUC for a retrenchment scheme that would guarantee workers their entitlements if the firm should prove unable to pay (*NST* 28.10.1999). When MTUC proposed the scheme again as the economic climate worsened in

('Employers urged to decide on MTUC idea', *NST*, 5.5 2001). The scheme would impose a levy of 0.15 per cent on employees and employers. The MEF criticised the MTUC proposal, arguing that existing protections were adequate ('An idea the MEF must come to terms with', *Business Times*, 1.8.2001). The scheme has not been introduced to date.

#### *Increasing the skill base*

The MEF is of the view that while employers have previously borne the training costs of their employees, in the k-economy, where skills must be constantly upgraded and workers may shift from firm to firm, this cost that can no longer be the responsibility of the employer, and workers themselves need to be more responsible for gaining relevant skills. In this regard, MEF and FMM would like to have more engagement with the Ministry of Education in shaping future university courses in order that graduates, who record high levels of unemployment despite Malaysia's historically tight labour market, gain skills that match the needs of industry (interviews, MEF and FMM, June and July 2001). Siva Subraimian agrees, stating that if civil servants are interested in furthering their careers, they should take the initiative to seek training outside of their working hours and at their own expense (Interview, CUEPACS, May 2001).

The Malaysian government has a myriad of schemes that provide skills training for unemployed workers, allocating RM300 million in late 2001 to fund a 'Special Training Scheme for Skills Upgrading', and a 'Training and Attachment Programme for Jobless Graduates'. According to the Economic Planning Unit's deputy director general, a goal of the schemes was to raise the 'employability' status of participants (*Bernama* 17.10.2001). However, at the same time, the Minister for Human Resources decided to halve the one per cent training levy contributed by firms participating in the Human Resources Development Fund (HRDF) scheme after considering arguments from employers in the manufacturing sector (*NST* 24.10.2001). The HRDF was established in 1993 with the passing of the Human Resources Development Act, and was recently corporatised on the basis of expected efficiency gains and increased responsiveness to industry needs. The role of the HRDF is to encourage the skilling of Malaysian workers by partially reimbursing eligible employers, those in the manufacturing and services sectors, for costs incurred in training employees.

However, small to medium employers in the manufacturing sector have been accused by both the Minister for Human Resources and the Minister for International Trade and Industry, of under-utilising the HRDF. 'SMI employers must change their mindset on the importance of training and

challenges due to globalisation and an increasingly competitive market' (Dr Fong 2001, in a keynote address to the Seminar for Small and Medium Industry Employers, 17<sup>th</sup> September). The reluctance of SMIs to train staff is an outcome of many factors. Many are informally organised and thus feel unable to comply with the paper work required, and many fear that the investment in training will be lost as employees will be able to seek better conditions elsewhere. This factor led the MTUC to request that reimbursements of training costs be allocated directly to workers rather than through the employer (Anbalagan, 'Employers reluctant to send workers for training', *New Sunday Times*, 3.10.1999). By mid 2002, a Director of the company overseeing the HRDF said that SMEs had still not increased their participation in the scheme, despite being offered a RM2 subsidy for every RM1 invested in staff training ('HR training fund gets poor response from SMEs', *NST*, 9.5.2002).

Another factor contributing to low take up of the scheme is the unskilled and semiskilled nature of employment in many of these firms, where competitiveness is based on low wages rather than innovation.<sup>12</sup> Many firms will continue to rely on existing skill bases, responding to a downturn in demand by attempting to cut labour costs. This will be achieved in a variety of ways, including retrenchment, but also by reducing bonuses (where they exist) and hours of work. Deregulation of labour laws, although argued as necessary to the k-economy, could act to decrease the standard of working conditions for many Malaysian workers.

This outcome is in strong contrast to the considerable public attention focused on addressing the problem of the shortfall of 'k- workers', where better wages and conditions are being promised such workers on the basis of their importance to the k-economy. For example, a report prepared by the Remuneration Division (Bahagian Saraan) of the Malaysian Civil Service recommended that senior civil servants be granted extra allowances as part of their contribution to achieving the k-economy (Bahagian Saraan 2000). In another report produced for the Government, the Institute for Strategic and International Studies (ISIS), suggested that skilled Malaysians currently overseas would require a minimum monthly wage of RM20,000 (approximately US\$63k per annum) to be enticed back to Malaysia (ISIS 2000:7). Market conditions will obviously impact on the extent to which private sector employers take such proposals seriously, but the potential exists for further widening of the wage differential between workers with skills valued in the k-economy and those with more traditional skills whose conditions may be undermined by current reforms

to employment-related legislation. Ongoing quantitative research is required to assess the extent to which this occurs.

#### *Productivity linked wage schemes (PLWS)*

Over some years, but with limited success, employer groups have attempted to link wage rises to productivity. The MEF considers that benefits will accrue to both workers and business owners. "The improvement of productivity is generally accepted worldwide as necessary for sustainable economic growth and for improving the quality of life of the citizen" (Shamsuddin, *BT*, 7.9.2000). PLWS are promoted as essential to achieving the flexibility required by firms to be competitive. Collective agreements on the other hand, are argued to impose rigidity. A national minimum wage is rejected by employers for the same reason, and additionally because they are argued to have a flow on effect that will lead to inflation (Shamsuddin, 'Productivity - linked wage system the way forward', *BT*, 6.7.2000).

In 1996, the National Labour Advisory Council published its *Guidelines on Wage Reform System*, with the objective of introducing a stronger link between productivity and remuneration.<sup>13</sup> In 1998, the Employment Act was amended to allow wages to be linked to productivity. The Government has clearly stated that wage increases should be "commensurate with increases in productivity so that the competitiveness of the economy is further enhanced" (EPU 2001:158).

The Minister of Human Resources, citing data produced by the NPC, claimed that over 50 per cent of Collective Agreements signed in 2000 included a productivity component. Press coverage suggests that schemes are more commonly introduced in operations where employee output is easily measured, such as in garment and soft furnishings manufacturing, and in other production line and packaging operations, such as medical supplies warehouses (*BT* 27.6.2001; *The Sun* 21.7.2001). Findings handed down by the Industrial Court in the late 1990s give some support to this conclusion (see for example, *Braun Medical Industries versus Kesatuan Pekerja-Pekerja B. Braun Industries*, Case No. 2/2-114/97, Industrial Law Reports).

In another case before the Industrial Court in 2000, this time involving the financial services sector, the Court rejected the company's bid to link wages with productivity ruling in favour of the association representing employees of HBSC Bank. The judge questioned how each employee's contribution could be measured, given the intangible nature of the output

(Industrial Court Malaysia, Case No. 7/2-500/2000). This outcome suggests that productivity related schemes would need to operate under a different model for 'k-workers', whose output will be a 'service', and will often be the product of collaboration, raising difficulties of measurement.

While co-operating to some extent in tripartite discussions regarding PLWS, the MTUC is concerned about their impact (interview MTUC, June 2001). Historically, the need for productivity gains was used to promote the use of in-house unions in the Look East period, when it was claimed that unions at the enterprise level would more closely identify with the needs of the company (Rohanna 1997:54). In the view of some analysts, in-house unions contributed to the continued weakness of the union movement in Malaysia, and the smaller size of the unions that result allows for continued ethnic division rather than promoting solidarity along class lines (Rohanna 1997; Arudsothy 1994:117).

If it is the case that PLWS are most commonly introduced in workplaces employing unskilled and semi skilled workers in labour intensive operations, this suggests that instead of increased skill levels becoming the basis of productivity gains, it is actually the physical fitness and stamina of workers that will be relied upon to improve productivity, enforced via wage insecurity. Linking wages to productivity necessarily subjects workers to more scrutiny if their individual output is measured in order to calculate the productivity component of their wages. This is an outcome that contrasts starkly with the Government's vision that 'skills and knowledge become the main assets for the economy to gain competitiveness' in a knowledge-based economy (EPU 2001:121).

While currently the introduction of PLWS appears somewhat ad hoc, Dr Fong has stated that linking wages to productivity is vital to Malaysia's future competitiveness, and has encouraged firms to adopt this approach (*The Sun* 21.7.2001; also 'Adopt productivity-linked wage system, factories urged', *BT*, 27.6.2001). An ideal PLWS is still a topic of discussion by the MHR, employer groups and organised labour, although the MEF has argued that individual businesses must be free to determine the scheme most relevant to their particular needs. The basic argument that wage rises should be linked to productivity gains was included in a recent award issued by the president of the Industrial Court, suggesting that unions will increasingly have to deal with this issue in future wage cases ('Wage increases should be productivity-linked, says Industrial Court', *NST*, 9.5.2002). In the absence of either minimum wage legislation or a welfare safety net, this is a trend that

### *Productivity and the public sector*

A desire for increased efficiency is also driving reform to the public sector, where it has been argued that a professional, well educated civil service is essential to achieving the k-economy ('Dollah: Improve efficiency to deal with k-economy', *The Star*, 29.6.2001). The linking of remuneration to performance was calimed as a feature of the recently rejected New Remuneration Scheme, but its replacement also emphasises that increments should be linked to improved competencies. In the Third Outline Perspective Plan 2001-2010, under the chapter heading of 'Reinventing the public sector', the Government states:

The public sector will invent itself by using advanced IT and multimedia technology, benchmarking against best practices, and adapting its mindset and operational processes to perform the tasks required of it in the context of the knowledge-based economy (EPU 2001:141).

The main driver of change appears to be the introduction of IT, 'knowledge management' and associated IT-related training. Publicity surrounding changes to the civil service highlights the goals of improved services, including electronic services, and a more facilitative role towards business.

### *Industrial Relations*

The presence of trade unions in industrial relations is usually viewed by employers as an impediment to creating a flexible work force. This view is reflected in legislation where the operations of trade unions and peak labour organisations bodies are severely circumscribed.

...attempts were made to achieve labour market flexibility through industrial relations legislation providing compulsory arbitration of disputes and prohibition of the right to strike in 'essential services'. Furthermore, trade unions were banned in the most important export-oriented industry - electronics - until 1988, after which only 'in-house' unions were allowed at plant, rather than industry, level (Athukorala 2001:24-25).

In the model k-economy of the future, it appears that unions and industrial courts become somewhat redundant.

The knowledge worker...will bear many qualities which will have more far-reaching consequences that most people realize. The management-labour equation will be altered, most likely towards a more equitable, just and harmonious relationship from the traditional owner-worker mindset. (Chin and Maniam 2001:210).



This 'ideal' was popularised in books such as *Free Agent Nation: How America's New Workers are Transforming the Way We Live* (Pink 2001), which describes the phenomenon of highly paid IT professionals in US-based high technology firms, prior to the 'dotcom' crash. Although the notion of an equitable management-worker relationship is also consistent with Malaysia's Code of Industrial Harmony, it appears some way from being realised.

Government involvement in industrial relations is also viewed as an impediment by some sections of industry. The MEF and FMM have sought reforms of the Industrial Court, the authority responsible for dealing with matters of dispute between employers and employees and unions representing employees (interviews, MEF and FMM, June and July 2001). Their concern is that the operations of the Industrial Court interfere with the flexibility required by firms, with delayed decision making imposing a rigidity on business operations. For example, in cases where employees have sued against their termination, the decision may be overturned by the Industrial Court more than two years later, given the backlog of cases. Employers can be forced to reinstate an employee who has since been replaced and whose skills are now considered out of date.<sup>14</sup> In addition, the Court may order that back wages be paid, or may award damages to the wrongfully terminated employee, with large amounts receiving prominent media coverage ('Executive awarded RM71,300 for wrongful dismissal', *The Sun*, 25.5.2001; 'Tuition centres to pay teachers RM105,280', *NST*, 4.12.2001; 'Assistant sales manager awarded RM110,000', *The Sun*, 20.7.2001; for data on the amounts of compensation paid, see MHR 2000).

Employer representatives would prefer that industrial relations and employment matters were dealt with more swiftly and in a less informal environment than that of the Industrial Court. In 2000, the MHR announced that it would attempt to increase the number of cases dealt with by conciliation, so reducing the number of cases referred to the Industrial Court (Hamisah, 'Task force to help reduce backlog of labour disputes', *BT*, 28.8.2000). Almost a year later, a proposal to 'streamline' the operations of the Industrial Court was forwarded to the Prime Minister's Department by the MHR (Theophilus and Ravindran, 'Industrial Court Review', *The Sun*, 23.7.2001). While the MTUC has also criticised the backlog of cases, reforms proposed by employers caused concern. The MTUC argued that Court proceedings would become more legalistic in nature, increasing the cost to complainants by effectively forcing them to engage legal representation (Theophilus and Ravindran, 'Retain character of Industrial Court: Workers will stand to lose under proposed changes: MTUC', *The Sun*, 23.7.2001). In mid 2002, the

MHR was still exploring options for improving the operations of the Industrial Court ('Ministry to discuss with PSD on improving Industrial Court appointments', *Bernama*, 9.4.2002). In the meantime, the Minister for Human Resources has stated that amendments to the Industrial Relations Act are pending.

#### *Conflict between employers and the Government over labour*

This discussion has highlighted the extent to which Government policy on employment and industrial relations issues has been a site of ongoing conflict, not only between labour and employers, but also between various government ministries and industry representatives. This is hardly surprising given the importance of labour to Malaysia's economic development. However, there are important political undertones to the conflict between capital and the Government with regard to labour.

The protective provisions in labour-related legislation that capital has argued against cannot be easily dismantled. These protections, such as redundancy provisions and the requirement to sack foreigners ahead of locals, are some of the concessions by which the Governments manages a paternalistic relationship particularly with lower paid workers covered by the *Employment Act*. Other concessions to labour include price controls on basic consumer goods, low cost housing, a range of perks for the civil service, and pro-Bumiputera employment and education quotas. The Government has been willing to go against market dictates in order to continue with the provision of these concessions, although some are coming under increasing scrutiny.

For example, criticisms of *Bumiputera* employment and education quotas are emerging. Particular sections of the business sector have questioned the extent to which a pro-*Bumiputera* agenda can be reconciled with the need to be competitive and create a flexible workforce.

...we are constrained by the need to aim for ethnic balance in employment. Hence we may not be able to employ the best person for the most challenging jobs. Thus competitiveness suffers. Unless we increase our internal competition and liberalise internally, it will be difficult to compete externally (Ramon Navaratnam, corporate advisor to the Sunway Group, addressing a conference on global competitiveness in Kuala Lumpur, quoted in *BT*, 27.10.2001).

This is an ongoing site of conflict for the Government. In the past it has defended affirmative action for *Bumiputeras* on the basis that uneven economic



government must seek to reconcile the contradictions between ethnic employment quotas and the meritocracy implied by the k-economy transition. The main strategy thus far has been a series of appeals by senior political figures, Dr Mahathir in particular, to encourage Malays to become more independent. A recent headline warned Malays to 'GET READY: Be prepared for withdrawal of more privileges to face open competition, Dr M tells Malays' (The *Star*, 21.6.2002).

While in practice, there is a significant degree of managerial control over employment conditions in the workplace, legislation that provides the Government with a central role in managing the labour force remains a useful tool, allowing the Government to intervene as it sees fit, either to discipline the labour force and unions, or to allow concessions and protections.

The experiences in industrial relations thus far indicate that there is a high degree of regulation in industrial relations in Malaysia. The historical 'control culture' in the nation has made it possible for the total regulation of industrial relations in the country. It is impossible to envisage any break from this tradition especially when workers participation in trade unions is limited. (Navamukundun 1998: 21).

The Government is unlikely to dismantle the labour-related institutions currently in place, preferring instead that increased flexibilities be built into employment legislation. Even though decentralisation of industrial relations has been the trend in OECD countries, and is effectively allowed in Malaysia (Wad 2001), it seems unlikely that the Government will relinquish legislative control. A recent study of Malaysian industrial relations concluded that 'State intervention remains pervasive, managerial control in the workplace continues to dominate and labour's ability to bargain collectively remains constricted' (Todd and Peetz 2001:1380).

Secondly, the Government remains concerned about national security and the social disruption that may result from the presence of large numbers of legal and illegal migrant workers. Hence it is reluctant to liberalise access to foreign labour in the way requested by some sectors of industry. Instead the government has vacillated between tacit acceptance of foreign labour during periods of economic growth and then, during economic downturns, has expended significant sums on apprehending and repatriating migrant workers. According to Pillai, this fluidity with regard to foreign labour policy in particular has contributed to the difficulties faced by employers in managing their labour requirements (1999:192).

Finally, while labour remains politically weak and effectively excluded from political processes, it is unlikely to be able to actively resist moves by capital to reform labour related legislation. Instead, labour will remain dependent on *ad hoc* interventions and concessions granted by the Government for political, economic or socio-cultural reasons, continuing the paternalistic relationship between the two. When criticised for continued interventions in the labour market and the economy, Dr Mahathir has responded by rejecting neoliberalism as 'western' and uncaring. He has developed a globalisation discourse in which Malaysia is depicted as a developing economy struggling against the neocolonialism of the industrialised capitalist economies. 'To be able to manage the pace and direction of liberalisation and globalisation, developing countries must be allowed to effectively participate in the decision making processes in all international institutions' (Dr Mahathir in a speech to the Malaysian-Russian Business Forum, cited in *Bernama*, 15.3.2002).

At the same time, he uses the threat of globalisation to exhort increased productivity and to remind workers of the dangers of industrial unrest ('Malaysian workers must be ready for globalisation', *Bernama*, 30.4.2002). His view of 'regulated globalisation' (Salmy Hashim, 'Regulated globalisation proposed for the future', *Bernama*, 4.2.2002) is being utilised to defend the wide array of political and economic interventions adopted by his Government in order to manage conflicting demands in Malaysian society and economy.

#### 7. A k-society, a caring society or a consumer society?

While employment and industrial relations legislation is a tool by which the government and capital seek to impose controls over lower paid workers in particular, much of this legislation is not applicable to the growing numbers of middle and upper income earners in Malaysia whose terms of employment are generally negotiated individually with their employer. This section tentatively explores the links between consumerism and the k-economy that act to discipline and influence this section of the labour force, particularly with regards to the likelihood of middle and upper income earners to be a force for social and political change in Malaysia. There is an absence of quantitative data to support some of these contentions, so they are offered in the hope of generating more attention to this area of research.

Consistent with Kahn's (1996:70) claim that '...the legitimacy of modern forms of political domination rests on legitimation in the eyes of the middle strata more than it rests on the legitimised domination of working classes

and other 'subaltern groups', it is suggested here that much of the k-economy rhetoric is designed to appeal to the aspirations and concerns of middle and upper income earners. At the same time, there are aspects of the k-economy transition that provide the state with a degree of structural control over this section of the work force, evidenced by paternalistic relationships within the workplace and society generally, through consumption patterns and indebtedness. The following section attempts to discern those aspects.

#### *Consumption in the k-society*

Considerable attention has been given to the nature, behaviour and aspirations of the growing numbers of middle and upper income earners in Malaysia, including the fact that this group now includes a greater percentage of Malays who have benefited from the affirmative action program of the NEP (Jomo 1999; Kahn 1996; Rahman Embong 2002; Rokiah Talib 2000). Many of these are 'first generation middle class', urban dwellers, employed in the civil service and other white collar and professional occupations, or are the owners of businesses. Middle and upper income earners comprise the bulk of Malaysians with higher educational qualifications. Those interested in a detailed description of this stratum of society might refer to Jomo 1999.

Associated with the growth in importance of the urbanised, white collar, middle and upper income portion of the population have been moves by the Government to introduce protective consumer-related legislation. The Government enacted the Consumer Protection Act in 1999, establishing a Consumer Rights Tribunal and conducting seminars in conjunction with the Consumers' Association of Penang. The Minister of Domestic Trade and Consumer Affairs has proposed the tabling of anti-pyramid legislation to protect those caught up in 'get rich quick schemes' (*Bernama* 27.2.2002), and recently announced the goal of establishing Consumer Tribunals in all Malaysian states (*NST* 28.6.2002). According to the Deputy Minister in the same department, Malaysians are increasingly aware of their rights as consumers (*Bernama*, 13.4.2002). Credit Card users have access to a mediation bureau while banks and financial institutions have established Complaints Units ('Credit card guidelines', *Bernama*, 14.2.2002). Consumer Week was launched by the Ministry with the goal of making Malaysians more aware of their rights as consumers.

The language of customer relations is being adopted by the government itself. Reform of the civil service includes the development of 'e-government', which provides electronic administrative services, including a very well

publicised e-complaints mechanism. Media coverage suggests the civil service aims to be more client focused ('Adopt new role, public sector urged', *The Sun*, 4.4.2001; 'State resolves to speed up payments, *The Star*, 14.7.2001; 'Practise good PR, officer told', *The Sun*, 6.7.2001). The letters pages of the mainstream newspapers usually contain complaints regarding the poor delivery of particular government services. A few days later the paper will publish an apologetic response from the relevant government authority. The point being made here is not that the problem is necessarily resolved in reality, or that consumers are being effectively protected, but to emphasise that the rhetoric of client/customer rights is being adopted in dealings between government agencies and citizens.

Data from the advertising sector indicates that consumers are engaging with the Government's rhetoric on the k-economy, with increased spending on various forms of ICT.<sup>15</sup> Advertising by local educational institutions usually stresses the links between higher education and the k-economy. Research into the concerns and attitudes of middle and upper income Malay families in various locations in Malaysia indicates that respondents desire that their children train for high status occupations, and are willing to allocate larger portions of their income to private education and private tuition for their children (Rahman Embong 2002). Spending patterns are further affected by the privatisation of higher education and the emphasis on formal qualifications as essential to participation in the k-economy, and by Government and employer funded schemes that encourage the use of easy loans or facilitate early access to retirement funds in order to purchase a computer and to cover the costs of education fees.

The 'one-house, one-pc' scheme proved popular in Malaysia, appealing not only to middle income earners, but also to those earning less than RM2,000 per month who are members of the Employees' Provident Fund (EPF). Several hundred thousand applications were lodged by EPF members wishing to withdraw the RM3,500 allowed to purchase a personal computer through Government-approved retailers. Encouraged by senior Government advisors to do so, members had requested the release of over RM900,000 in only the first 6 months of the scheme's operation ('Withdraw EPF money to buy computers, says NEAC advisor', *NST*, 25.4.2001; Sabariah Salleh, 'Buying PCs through BSN', *Business Times*, 12.5.2001). By August 2001, RM1,555 million had been disbursed to 462,832 applicants (MOF 2001:19). In addition, the Skills Development Fund, for example, has disbursed nearly RM300 million in loans to 41,000 people wishing to undertake approved training courses in private institutions ('Upgrade skills to stay competitive, says

Fong', *NST*, 9.5.2002). SOCSO has also created a RM60 million loans fund for higher education costs, of which RM43 million had been disbursed by late 2001 (*NST* 11.9.2001). Students of higher education institutions, both public and private, routinely take out Government funded and private sector loans to cover the costs of their education.

While Malaysians are now increasingly inclined to use credit cards, many have access to cheap finance provided by their employer, a long standing feature of the employer-employee relationship in Malaysia. For example, civil servants have outstanding housing loans of over RM20 billion owed to the Government (*Bernama* 13.4.2002). In the current k-economy transition, loan schemes are being extended to allow civil servants to access low cost loans in order to pay for the costs of further education (Government of Malaysia 2000:7), while their entitlement to loans to purchase a computer has been extended (MOF 2001:19). MEF surveys also indicate that many private sector firms make loans available to staff to meet the costs of higher education or computer purchases in addition to loans for the purchase of vehicles and other goods (MEF 2001a and 2001b).

#### *The impact on political activism*

Loh (2000) explored the implications of a more consumer-oriented society on the potential for political activism, arguing that there had been a decline in participation in civil society associated with the rise of consumerism. Describing the rise in prominence of advertising, lifestyle features, and business news in the print and broadcast media, Loh suggests that 'mass consumerism promotes persons becoming individualistic' (2000:84) and that those benefiting from Malaysia's rapid economic growth were concerned that a more politically active civil society would risk the continuation of high growth rates. This is an example of psychological or inspirational means of labour control, whereby Malaysians have been asked to tolerate a certain level of repression in order that the country forge ahead economically. A related question to be asked of this consumerism is, to what extent does indebtedness, particularly to an employer, impact on the likelihood of participating in political activity, such as union, opposition political party or NGO membership? To answer this in some depth requires more quantitative data than is available at this moment. However, an example of the official structures in place that seek to punish individuals financially should they participate in activities deemed inappropriate by the authorities will serve to illustrate the concern.

Students participating in higher education seek Government-funded loans in order to cover their tuition and living costs. These loans can be converted to scholarships in the case of the student performing well in their studies. An additional requirement is that the student must 'behave well'. Being politically active is not considered 'good behaviour', and puts at risk both the student's enrolment, and their chance of converting the loan to a scholarship. Thus the loan/scholarship system is effectively a means of exerting control. By placing such stringent conditions on the holder of the loan, the state is able to involve itself in the student's private life in a constraining way. This becomes more effective given the rise in costs of gaining a higher education qualification, and the increased importance placed on holding such a qualification in the k-economy. In terms of the various means of labour control mentioned earlier, this has aspects of both economic coercion, (the threat of losing the loan and being expelled), and reward, in that 'good' behaviour will assist in converting the loan to a scholarship.

The increasing importance attached to gaining a tertiary qualification also impacts upon the parents of students, who must dedicate an increased proportion of their income to financing their children's education. This potentially acts as a constraint on their behaviour also, discouraging any behaviour that might risk their employment, and therefore their ability to assist their children financially. As Rahman Embong's research indicates, parents are increasingly concerned that their children enter professional occupations in the future. This encourages further self constraint and self censorship, effectively a tool of labour control of the normative type.

#### *Organised labour in the consumer society*

A discourse is being developed around the k-economy and k-society that seeks to depict conflictual industrial relations as belonging to a past era. Workers are seen as partners in business with management, suggesting that unions and collective activism are no longer required, raising a number of problems for organised labour. The union movement has cautiously accepted that economic restructuring is required in order for Malaysia to regain economical competitiveness, and is itself responding in a number of ways to perceived shifts in societal and economic realities.

For example, MTUC and MEF met 'informally' at the MEF offices in 2000. From MEF's perspective, the meeting was useful in determining which issues they at least could find some agreement on, thus reducing the likelihood of public arguments about particular issues (interview, MEF, June 2001). For MTUC, the meeting with MEF was consistent with the goal of



adopting a less confrontational approach. Some union staff view more adversarial methods as unsuccessful, so senior officials and workplace representatives are receiving MTUC sponsored training in alternative means of resolving disputes (interview, MTUC, June 2001).

Another feature of MTUC's agenda is the promotion of discounted products to its members, such as car and life insurance products, a practice adopted by unions elsewhere in the world. The Workers' Consumer Movement, part of the MTUC, has over 200,000 members, making it larger than the more high profile Consumers Association of Penang. In June 2001, the Workers Consumer Association organised a seminar to instruct senior union officials about consumer rights. The seminar was opened by the Secretary General of the Ministry for Domestic Trade and Consumer Affairs, and received positive publicity in the mainstream press ('Unions leaders to get training', *The Sun*, 26.6.2001). The Ministry has agreed to fund 50 per cent of the costs of a three-year program that will train union officials and eventually the grass roots membership of the union, in issues relating to consumer rights. While MTUC's relationships with other Ministries may not be so positive, in this case, the relationship continues to be productive (interview MTUC August 2002).

Similarly CUEPACS successfully lobbied the Government in order to allow employees to access cheap car loans. The Government has now funded a RM1 billion loan pool to enable teachers, who comprise the majority of CUEPACS' members, to purchase a Proton, Malaysia's national car ('EON to help teachers buy Proton cars', *Bernama*, 5.2.2001). CUEPACS would like this extended to junior employees (Humayun Kabir, 'Cuepacs proposes car loans for junior employees', *The Sun*, 9.7.2001). These strategies tend to support the following observation:

Trade Unions are aware that their social relevance lies in their effective participation in the development process. Traditional 'stunts' of strikes and acrimonious relationships with employers and government are no longer popular with the workers (Navamukundan 1998:23).

#### *The EPF picket*

Concern regarding consumer rights appears to have lent legitimacy to MTUC's decision in May 2001 to organise a national picket in order to resolve a long running dispute with the Board of the EPF. Amongst other amendments, proposed changes to the EPF scheme would have drastically reduced payouts to injured and disabled workers. In response to public criticisms a new chairman of the EPF had been appointed. In

in April the appointment of the EPF's first CEO was announced (*NST*, 11.4.2001). The Minister for Human Resources then offered to mediate as the date for the proposed picket drew closer ('Ministry to play mediator', *The Star*, 7.5.2001), while the Director General of Trade Unions warned of the illegality of the proposed actions ('MTUC cannot stage picket', *NST*, 9.5.2001). Each failed to dissuade the union movement.

Press coverage was extensive and relatively, although not overwhelmingly, sympathetic towards the workers. According to MTUC's Secretary General, Mr Rajasekaran, the media treatment was more favourable largely because the issues were so straightforward and the planned amendments to the EPF were so obviously a breach of the rights of the scheme's nearly ten million members (interview, MTUC, June 2001). Despite the Minister of Human Resources appealing to 'MTUC's sense of patriotism' (Sanjutha, *The Sun*, 7.5.2001), it took the last minute personal intervention of Dr Mahathir to prevent the planned picket from going ahead. One local newspaper editorial referred to the consequent reversal of the proposed EPF amendments as, 'A startling accommodation of workers' demands' (*NST*, 13.5.2001). Despite his role in delivering the workers' their desired outcome, Dr Mahathir used the circumstances to warn the local union movement against copying 'foreign labour unions: They aim for us to become uncompetitive, sow rot into our economy' (headlines, *NST*, 13.5.2001). The message directed at Malaysian workers is that it is cooperation, not confrontation, that will further Malaysia's economic transition towards the k-economy and k-society.

#### *The Caring Society?*

Woodiwiss describes the caring society concept as a top down approach. '...caring is regarded largely as a matter of charity and therefore when performed by the state, available only to the most 'deserving' of the poor' (Woodiwiss 1998:201). One outcome of the 'Caring Society' discourse is the continued dependency of the unemployed and other low income groups on ad hoc acts of 'kindness' by the Government. It is effectively a tool of control in that it rewards those who act within Government parameters of what is considered acceptable industrial, social and political behaviour, and punishes those who behave outside those parameters.

While stressing the need for Malaysia to be economically competitive, Dr Mahathir has not completely adopted a neoliberal agenda, arguing that letting the market rule completely is 'uncaring'. His discourse on globalisation has served as a defence of continued Government interventions in the economy. He argues the right of national governments to shape their own social and

economic agendas, and utilises the notion of a 'Caring Society' to explain Government decisions to rescue failing businesses, to repress social and industrial unrest, and to continue affirmative action programs on behalf of the *Bumiputera* population.

Concerns about the 'digital divide' are raised in key k-economy publications, in general recommending that unemployed workers avail themselves of training courses that will improve their future earning potential, but also outlining plans to develop regional areas and increase value added operations in the agricultural sector (see the *Eighth Malaysia Plan* for details). However, despite claims of a caring society, some k-economy initiatives appear to bypass the needs of most Malaysian workers. For example, while unemployed graduates are being paid monthly allowances to attend free retraining courses in language and IT skills, blue collar workers seeking to upgrade their skills are required to take loans to pay for the courses they undertake. Similarly, the electronic labour exchange currently under development will only be available to those skilled and confident enough to utilise the Government's electronic services. This is also the case with other 'e-government' services. The proportion of the population able to access electronic services is growing, but it largely comprises the upper socio-economic groups. Elsewhere in the country, particularly in rural areas, basic government services are still lacking, including transport, education and health services. The emphasis on e-government, while consistent with the goals of the k-economy, is not necessarily addressing the needs of most Malaysians.

A further matter of concern regards the continued unwillingness of the present Government to institute either a universal welfare system that would protect workers in the case of unemployment, or to implement a minimum wage. The continuing efforts by the Government to keep wages low has encouraged people to resort to the premature use of their pension funds, or enter into debt, in order to gain access to what they have been persuaded to think of as a basic tool for participation in the k-economy, a personal computer. Alleged abuses of the EPF scheme, despite being overseen by a government authority, led to the scheme being suspended (Sujatani, 'EPF computer purchase plan suspended', *NST*, 28.6.2002) and then abandoned but only after considerable exploitation of the mainly lower income members who utilised it (Cruetz, 'Computer scheme scrapped', *NST*, 20.8.2002). The alternative approach to providing people with the tools and skills to participate in a modernising economic and society would be to deliver wages growth, an approach Dr Mahathir has rejected on the basis that it would trigger inflation and thereby reduce purchasing power.

While aspects of the consumer society incorporate lower paid workers, it is unlikely to offer the same benefits and rewards to them as to middle and upper income earners. Dr Mahathir has tried to broaden the appeal of the k-economy, arguing that it is a 'values based k-economy' (caring), that the Government will assist all the country to participate in the economy, and that the acquisition of skills and knowledge is consistent with the goals of Islam. At the same time he has attempted to encourage Malays to consider themselves as equals of other ethnic groups and therefore not in need of affirmative action. However, any criticism of Malay special interests entails a risk for his regime in that it largely fails to address the concerns of lower income Malays in rural areas who lack access to goods and services including higher education, and of working class Malays in urban areas who face retrenchment, reduced working hours and competition from migrant labour.

Importantly, the promises of a consumer society do not appear to satisfy the aspirations of the Malays who have supported the Islamic based opposition party Parti se-Islam Malaysia (PAS). PAS holds power in two of Malaysia's 13 states, being the most strongly supported of Malaysia's opposition parties. At this point it does not appear that the Government is willing, or indeed able to totally discard its pro-*Bumiputera* stance, although it has been, and continues to be modified by k-economy rhetoric that encourages individual responsibility and entrepreneurship.

## 8. Questions and conclusions

This paper has described the k-economy transition as a political process rather than a process driven by the application of economic models. In the course of facilitating a change in economic direction, the Government is required to manage conflicting social and economic demands. While the Government has been under pressure from some employers to decentralise and deregulate employment and industrial relations legislation, it has instead decided to retain its involvement and legislative power in these matters, maintaining the tripartite mechanisms that have been dismantled in a number of other countries. Retaining this legislative role allows the Government to legitimately intervene in labour matters. This involvement is a central strategy in the maintenance of the paternalistic relationship between the Government and labour. The rejection of a neoliberal approach to the labour market also suggests that the Malaysian Government retains a deal of autonomy in setting its policy agenda, despite the many international pressures it faces.

While more optimistic readings of the shift to a knowledge-based economy suggest a stronger social and economic voice for an educated labour force, the k-economy transition could in fact reinforce labour's political exclusion. The conclusion offered here is that the k-economy shift has the potential to increase class fragmentation in Malaysian society, and to further widen the ethnic and geographic divide, a conclusion that requires further quantitative investigation as the k-economy transition progresses.

#### *Future research required*

Labour force data is required that illustrates any trend towards a worsening of the 'digital divide' in terms of a growing wage differential on the basis of skill, occupation, gender, ethnicity and geographical location. The cause of the differential must be identified. It may be attributable to increasing casualisation of working hours, as flexibilities become enforced through legislative reform, a trend noted in OECD countries. More data is required on the extent to which wages schemes are being linked to productivity, the formulas being adopted and the impact on real earnings and jobs growth. What percentage of income remains fixed, versus that proportion earned from productivity? Employers, labour organisations and the Government will be keen to know the correlation between wages growth and productivity. To date, SMIs have not participated in skills training to the same extent as larger firms. More information on the reasons for this would be useful.

It is vital to have a complete picture of the ways in which household consumption patterns are being affected by the k-economy transition. What percentage of income is being directed towards education, ICT and skills training? Are lower income earners paying disproportionate amounts of their income towards education or skills training? Are fewer low income earners able to access educational services? What is the impact on retirement incomes as a result of allowing current expenditure to be funded from the EPF?

#### *Conclusion*

Writing in 1996 about Malaysia's emerging middle class, Jesudason was guardedly optimistic, suggesting that 'Some elements within the class... are able to articulate important public issues and open up limited spaces of negotiation' (1996:130). Reading the mainstream print press, however, leads to the conclusion that where space for negotiation has opened up, it is largely on the basis of consumer issues, an approach that would appear limited in its ability to assist the rights of the least powerful consumers in society. However, given the breadth and importance of issues taken up by

CAP, FOMENCA and other NGOs, such as their anti-privatisation stance and campaigns against overcharging by privatised utilities (Loh 2000:82), it would be wrong to dismiss such organisations as being incapable of achieving real gains on behalf of working class Malaysians (See Kua 2001 for examples of successful NGO-community actions). Similarly, factions remain in the union movement that are dedicated to improving labour's political position alongside those who have decided that alternative approaches will produce more gains for workers.

The Malaysian Government, while largely acting in favour of business, has nonetheless continued to make socio-cultural and economic concessions to labour as part of a bid to maintain political power and stability. In the past concessions to labour have been granted on the basis of ethnicity and linked with ameliorating the position of *Bumiputeras*. This continues, but *Bumiputeras* are now frequently admonished by various public and political figures, and Dr Mahathir in particular, to become more independent. More recent concessions to labour include the establishment of occupational safety and health legislation, tax deductions for child care centres, and some consideration of broadening the application of the Sexual Harassment Code of Practise. However, concessions to labour more frequently take the form of consumer rights and there appears little move on the part of the Government to open up a political space for the discussion of labour rights (see Ramasamy, 'Labour still in shackles after 43 years', *The Sun*, 4.5.2001). In fact, apart from the establishment of SUHAKAM, recent moves by the Government suggest a tightening of its stance against public political activism, a move that has attracted approval from the President of the United States and other world leaders in the wake of the September 2001 attacks on Washington and New York.

In addition to the current concerns about national security generated by fears of terrorism, the use of the internet and other ICTs has generated concerns regarding the potential loss of Malay and Malaysian culture, leading to censorship, public raids on cybercafes and increased Government and private sector expenditure dedicated to electronic security. These issues are currently a more tangible aspect of Malaysia's knowledge economy than the idealised notions of information free flow in a borderless world. Those looking for a necessary link between the emerging k-economy and a process of democratisation are therefore likely to be disappointed.

This paper has made clear that Dr Mahathir's Government does not depend on one strategy alone to retain power and achieve its social and economic



goals. Rather, it adopts a variety of responses, earning it the term of 'syncretic state' (Jesudason 1996). While the move to the k-economy and the need to regain international competitiveness is creating some tensions for the Government, it has thus far been able to maintain its grip on power. While it is doubtful that the inspirational k-economy rhetoric and the associated focus on consumerism is sufficient to constitute a labour control mechanism broad-based enough to capture all strata of the labour force, those on lower incomes who are benefiting least from consumerism and k-economy initiatives will be effectively disciplined by a restructuring of employment-related legislation that largely favours capital and reinforces the paternalistic nature of state-society relations. In an unstable international economic environment, subject to fluctuations in demand, labour's unwillingness to tolerate increased financial insecurity may provide the impetus for future political activism. This will be one of the many challenges facing Malaysia's future leadership in the post-Mahathir period.

## NOTES

- 1 The terms 'new economy' and knowledge based economy are often used interchangeably (Lee et al. 2002:7).
- 2 See for example, the articles by researchers at the Malaysian Institute of Economic Research (MIER) published regularly in the *NST*.
- 3 See papers by Halimah Awang, ICT revolution and the future workforce, and Hans-Dieter Evers, Towards a Malaysian knowledge society, both delivered at the Third International Malaysian Studies Conference at Bangi in August 2001, and Mah Lok Abdullah and Goh Swee Seang, Total factor productivity: Measuring the IT contribution, and Gan Siowck-Lee and Stephen John Lee, Measures of e-readiness for k-society and k-economy, both presented at the InfoSoc Conference, Penang, June 2001.
- 4 Since September 1998, the ringgit has been pegged at RM3.8 to one US dollar.
- 5 *Bumiputera* is a Malay word literally meaning 'sons of the soil'. It includes Malays, who are the vast majority of this group, and indigenous (Orang Asli) groups of Malaysia. Pro-*Bumiputera* policies exist in employment and business opportunities, in public education and with regard to accessing housing and housing finance, based on the poor economic position of many *Bumiputera*, compared with the Chinese and Indian minorities. The pro-*Bumiputera* initiatives were first announced in the National Economic Program (NEP) of 1971-1990, introduced by the Government in the aftermath of the 1969 so-called 'race riots'.
- 6 In October 2001, DAP National Chairperson, Lim Kit Siang alleged the K-Economy Master Plan was protected by the Official Secrets Act as the Plan was cited in the Economic Report 2001/2002 but had not been made available to the public (Malaysiakini 21.10.2001 [accessed online 8.11.2001 at [www.malaysiakini.com](http://www.malaysiakini.com)]). See also the DAP website for the original press statement).
- 7 However, workers earning more than RM1,500 are covered when their work is considered to be largely 'manual' in nature, and the court has ruled in an inclusive way such that, for example, airline pilots and engineers are deemed to be covered by the *Employment Act*.
- 8 For detailed discussions of colonial influences, the earlier links between the trade union movement and the Malayan Communist Party and more recent trade union and industrial

- relations history, see Stenson 1970; Jomo and Todd 1994; Todd 1998; Andaya and Andaya 2001.
- 9 See for example, the Federation of Malaysian Manufacturers Memorandum for the 2002 National Budget: '...the issue of competitiveness is crucial...There is a need therefore, to urgently address the issue of enhancing competitiveness in all sectors of the economy as a key strategy to sustaining long term economic growth' (pp. 1-2).
- 10 See for example, Daniel H Pink. 2001. *Free Agent Nation*. NY: Warner.
- 11 While the legislation does not actually allow this reduction it does indicate a move in this direction and the Minister is soon to release a Regulation that will make the position clearer.
- 12 'It is, in fact, the lower educated proportion of the labour force which largely propelled the growth of the manufacturing sector in Malaysia...Malaysia's economic structure over the period 1963-1998 had not, on average, the capacity to utilise a highly educated labour force efficiently' (Taylor and Lewis 2001:18-19).
- 13 Thus far, the MHR has offered two models for linking productivity to remuneration; the profitability and the productivity model. Each model has a fixed wage component but differs in the formula for calculating the variable component that comprises the employee's share of increased company productivity. See the Ministry of Human Resources (Kementerian Sumber Manusia) website for details of the proposed scheme, available at [www.jaring.my/ksm](http://www.jaring.my/ksm)
- 14 Data from the Ministry of Human Resources shows that in 2000, there were 3,992 claims for reinstatement of which 257 resulted in reinstatement, 1,016 were withdrawn, dismissed or closed, 1,235 were referred to the Industrial Court and 1,484 were awarded compensation amounting to almost RM11 million.
- 15 Figures published by the Malaysian Advertisers' Association indicate that advertising expenditure in Malaysia increased by twenty-four per cent between 1999 and 2000, driven mainly by the information and technology sectors, with further growth expected ('MAA projects 15% increase in adex', *The Star*, 26.4 2001).

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Tujahan penyelidikan IKMAS ialah dalam bidang kajian Malaysia dan antarabangsa di dalam kerangka globalisasi dan transformasi sosial. Penyelidikan ini meliputi tiga dimensi globalisasi dan transformasi sosial yang saling berkait, dengan memberi penekanan terhadap kesannya ke atas Malaysia. Ketiga-tiga dimensi itu ialah:

- \* Globalisasi dari segi ekonomi, termasuk pemindahan teknologi, aliran kewangan, tenaga kerja, perdagangan antarabangsa, regionalisme, agihan pendapatan dan kemiskinan
- \* Globalisasi dari segi sosiopolitik dan budaya yang memberi tumpuan kepada ketahanan nasion, kesepaduan sosial, gender dan agama
- \* Wacana mengenai globalisasi

Semua makalah dalam siri ini diwasit oleh sekurang-kurangnya seorang pembaca yang dilantik oleh IKMAS sebelum ia diterbitkan. Walau bagaimanapun, pendapat-pendapat yang dikemukakan itu adalah pendapat penulis itu sendiri dan tidak semestinya mencerminkan pandangan dan dasar IKMAS. Sebarang komen dan cadangan untuk memperbaiki siri makalah ini adalah dialu-alukan dan hendaklah ditujukan kepada penulis.

Semua surat-menyurat hendaklah dialamatkan kepada:

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