

**THE WELFARE OF NEW INDUSTRIAL WORKERS IN MALAYSIA, WITH
PARTICULAR REFERENCE TO SOCIAL SECURITY**

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ABSTRACT

This research investigates welfare policy and in particular social security in Malaysia and relates them to the new development policy towards industrialisation. It is argued that the government's industrialisation policy has indeed achieved significant effects on the economic and social conditions of the Malaysian society. The experiences of other industrial countries have shown the adverse effects of industrialisation. Therefore, the obvious predicted consequences would be massive migration, and this has, in fact, already taken place especially from rural to the new industrial and urban areas. Thus, social problems have become more severe, such as lack of housing facilities, overcrowding, inadequate health care, low wages, and industrial risks. Employment risks and economic insecurity will be the outcome of these severe conditions. All these factors have and will continue to increase the demand for an effective welfare system especially social security programmes. Larger segments of the population seek protection against the contingencies of old-age, disability and survivorship through better medical care and income maintenance in the event of illness or unemployment. The direct involvement of the state in providing social protection and guaranteeing basic labour standards is emphasised here.

Findings from the empirical research on the welfare of industrial workers illustrate the phenomena of insecurity among a large proportion of Malaysian population.

Finally, proposals have been made for the reform of existing social security arrangements and the establishment of new schemes in response to demographic, social and economic changes. It is suggested also that social policy should include measures to strengthen the traditional functions of mutual aid benefits in providing social protection. These include trade unions, and religious organisations. The role of self-administered tax in the form of a contribution given to the needy - 'zakat', practiced by Muslim communities, is significant for provision of social protection to its members. Thus, future research on related areas have been suggested.

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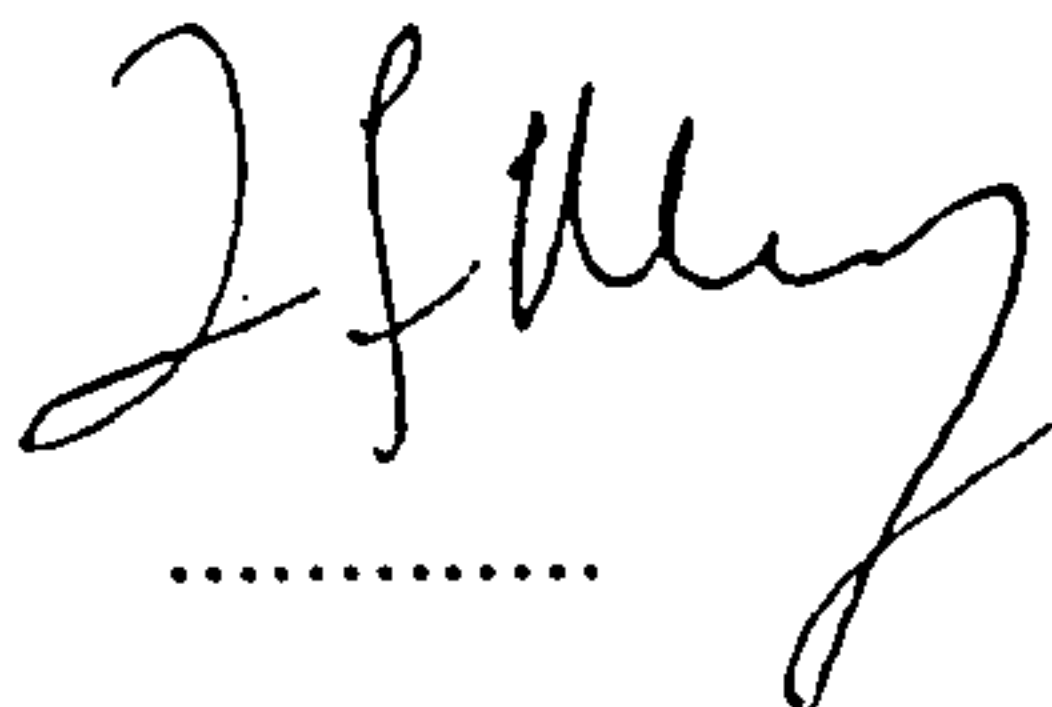
DECLARATION

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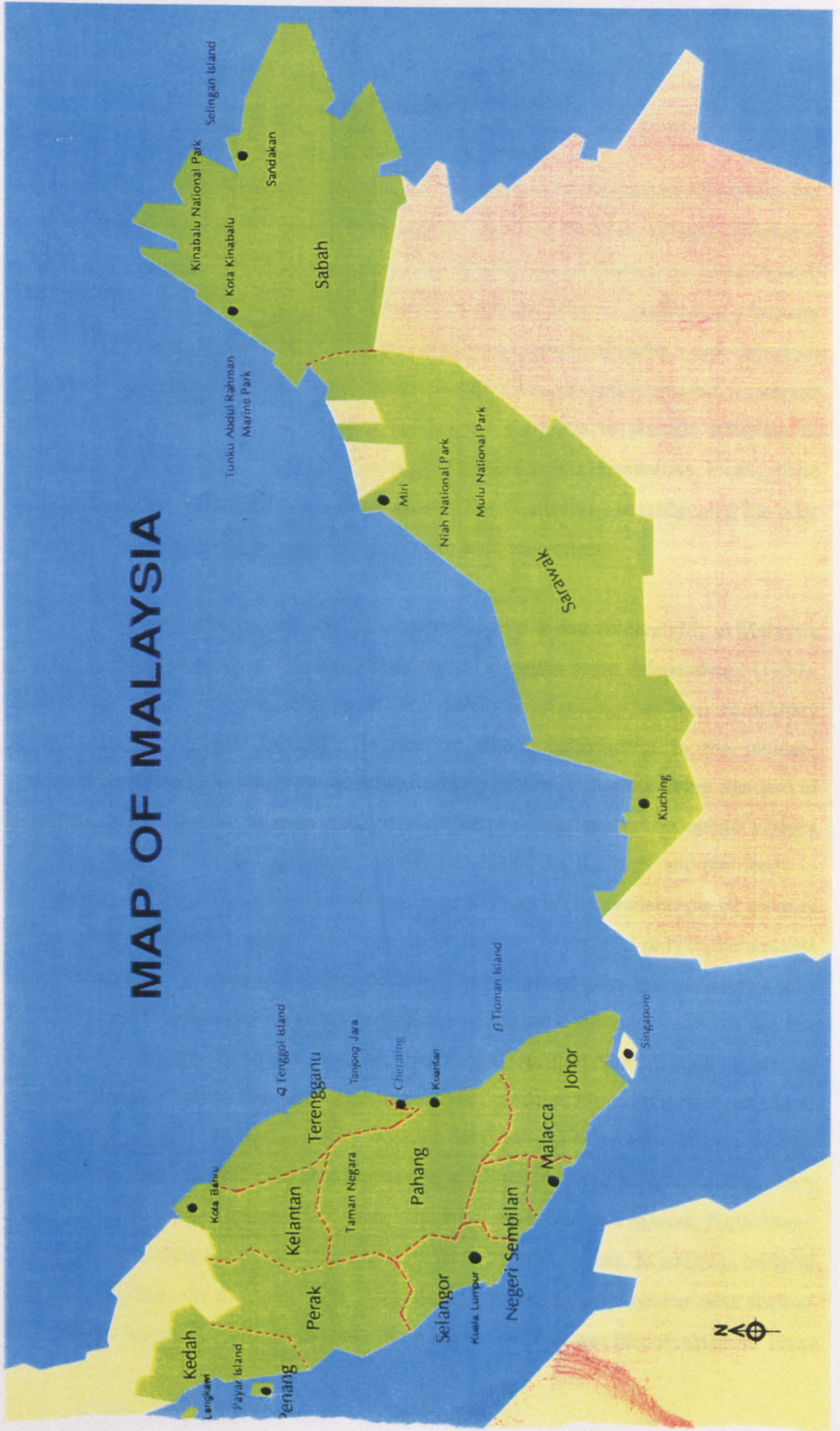
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Signature


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MAP OF MALAYSIA



INTRODUCTION

The debate about social welfare, and in particular social security in developing countries, has recently been a centre of attention. This underlines a prominent dichotomy between the availability of social security in developed and developing countries. Related to this are questions to do with access to social security in developing countries themselves for those employed in the organised sectors of public and industrial employment when compared with the rest majority of the population. Second, is concern about the success of direct poverty eradication measures to provide adequate or guaranteed protection to insure the poor against severe forms of deprivation. Finally, there is concern about the importance of social security as a safety net cushioning the poor during the structural adjustment in response to economic crises.

Debates about poverty and its relationship to risk and vulnerability in Malaysia have been at the centre of serious discussion and attention since Independence (1957). However, an extensive economic growth and development strategy has been the primary approach to eradicate poverty. Government direct intervention in the national development programmes is predicted to be successful in raising the living standard of the population and at the same time provide adequate social protection against various contingencies. Thus, formal social security provisions for the poor and the needy in Malaysia coming from general revenues are very meagre. The available social security schemes offer limited benefits and population coverage is targeted only to the weakest and most vulnerable members of the society. The Malaysian government adopts a self-reliance policy whereby provision for old age and other contingencies in life are left within the capacity and capabilities of a healthy person. It is dependent on the will to work and capability to plan. The capability to plan, especially for a roof over one's head and provision for old age and other contingencies in life, essentially involve saving. However, some people are incapable of saving at all, some can save for a while but very few can sustain their determination to save until they retire from active work. Furthermore not many know how to manage their savings when the time comes. In addition, because waged workers, for example, were increasingly exposed to employment risks such as industrial accidents, a scheme to compensate injured workers was then established. Thus,

the adoption of contributory schemes coincides with general arguments that the state should only do for people the things which they cannot do for themselves, either individually or by voluntary methods, or which the state can do more efficiently.

However, issues of workers' welfare are not limited to retirement savings and industrial injuries alone. There has been a considerable increase in waged employment, so that a new class of workers has emerged in society. These workers are entirely dependent for their livelihood on the regular payment of wages. The needs and circumstances of these workers are different from those experienced by earlier generations. They are experiencing new changes, risks and different kinds of environment influenced by external factors such as international economics. Thus, the capacity of existing social security provisions to meet these challenges is being widely questioned.

Indeed, there is a serious problem here: the last decade has seen the spread of capitalist industrial enterprise to Malaysia. In the beginning it was the import-substitution industries which were most widespread, and later those in export-oriented manufacturing. In addition, Malaysia has set itself an ambitious objective of becoming an industrialised nation by the year 2020. This would mean that Malaysia's production structure has to shift away from the primary sector, towards industry. The shifts in the production structure imply much greater levels of urbanisation and waged employment. The above strategy indicates that agricultural employment would decline, while industrial employment (manufacturing, mining and quarrying and construction) is expected to increase. Greater levels of urbanisation and waged employment are in turn likely to require a greater recourse to formal social security arrangements. These problems have been occurring in Malaysia, for example, a spatial change occurred in the location of industries in Peninsular Malaysia. Industrial growth had spilled out from major industrial areas such as Penang and Kuala Lumpur to the new industrial zones in the northern (Kedah and Perak), central (Malacca and Negri Sembilan), southern (Johor) and eastern (where there is now a huge petroleum industry) of Peninsular Malaysia. Urbanisation has rapidly increased as these new industrial zones became a magnet for rural people seeking job opportunities. Consequently, this trend will likely create social problems such as urban poverty, lack of adequate housing, health services, educational facilities, water supplies

and deficiencies in urban sanitation.

The increase in women's participation in the labour force will continue to have implications not only in the area of family development, but also on the needs of the working mother. As cited by Hing Ai Yun (1981), the oppression of working class women in Malaysia is clearly seen in the wage structure of the labour force. They receive lower pay than men for the same work, face extra burdens because of inadequate child-care facilities, their welfare has been neglected and they frequently travel long distances between home and work (Jones, H., 1990). Women workers require different protection from that required for men. The issue of equity between the sexes as well as their different needs will have a major impact on welfare benefits and wage structures. Thus, what has been done to deal with these problems?

Another important issue is the change in demographic structure as the population increased. It was also projected that the proportion of those above 65 years of age is likely to increase. Life expectancy is expected to increase as well (the official retirement age currently is 55 years) thus, an ageing population would demand protection after their economically productive years, and some kind of financial support will be required for a longer period.

The shift of public to private provision of services through the privatisation policy currently planned for higher health care services, and the down-sizing of the public sector in the economy, will have implications for the welfare of low waged workers, as well as for ensuring an equitable distribution of income and welfare.

Based on the assumption that the development of social security is closely linked to the process of industrialisation (Rimlinger, 1971), there is the need to examine the impact of industrialisation on the demand for social security provision, particularly among the working class in Malaysia. This is because Malaysia's New Development Plan is to follow in the footsteps of the three tigers of Asia (Singapore, Taiwan, and Hong Kong) to be an industrialised country by the year 2020. Attention has always been focused by the Malaysian government to the need to be a fully developed and industrialised country.

Discussions and plans have been focused on economic strategies to eradicate poverty and inequality through job creation in industries. However, issues of social security provision for workers have yet to be examined.

This thesis examines the social welfare system particularly social security in Malaysia and assesses the extent to which industrial development in this country has effects on the welfare of the working population. The emphasis is placed on the arguments of the need to have a better and wider coverage of employees' benefits in response to the changing economic structure. Thus, this thesis is divided into six chapters, as follows:

In **Chapter One**, this study attempts to trace the historical, political, social and economic explanations for understanding trends and possible future developments in Malaysia. Thus, it will enable us to see the relationships between economic development policy and policies on social welfare. How much concern is given to the social sphere, and what are the measures adopted to tackle the people's living conditions and other related social problems?

In order to understand how social security policy became an important mechanism for social protection, the concept of social security is explored in **Chapter Two**. Some focus is placed on the need for social security provisions as a response to a changing society and the different forms of social security arrangements (with reference to the level and structure of financing and benefits provided by the state and private sector institutions) that are provided in different societies. Some (universal) principles underlying the formation of social security schemes are briefly discussed, so as to relate this to the ones adopted in developing countries. This situation will explain why social security systems in developing countries like Malaysia remain backward and under-developed.

Chapter Three examines the development of social security in three of the tigers of Asia (Taiwan, Hong Kong and Singapore) and its relations with respect to the process of industrialisation. Having a similar historical background in particular to Singapore,

sharing geographical locations, and cultural values with Malaysia, but economically more advanced, a brief comparison to Singapore, Taiwan and Hong Kong is made with the Malaysian system in order to identify common issues regarding social welfare. This is in view of the possibility that Malaysia could learn something from these new industrialised countries for the improvement of its social security systems.

In relation to the above discussion, however, the actual problems of industrial workers have to be understood before any system is adopted. To this end, a survey has been carried out to find out the needs and circumstances of industrial workers in relation to their welfare. The findings from this survey are presented in **Chapter Four**, which addresses the statutory or non-statutory benefits available to workers, what benefits are needed and how the interests, welfare and working conditions of the employees are met.

Subsequently, **Chapter Five** analyses the implications of working and living conditions of industrial workers for the extent and adequacy of welfare policies needed for their protection.

The conclusion of this thesis is presented in **Chapter Six** with some proposals for the extension of social security through reforms of the existing programmes, and the need to promote and strengthen the traditional forms of voluntary social protection.

CHAPTER ONE

THE HISTORICAL, POLITICAL, ECONOMIC AND SOCIAL BACKGROUND OF MALAYSIA

1.1 INTRODUCTION

What has gone wrong with the Malaysian development policy? Malaysia's approach to planned development in the earlier years was based on the traditional approach of the growth-oriented economy¹. From Independence in 1957 to the May 13 racial clashes in 1969, the five year plans were very much oriented toward infrastructure and economic development. The launching of various investment and growth generating projects became the main concern of the policy makers and planners. The emphasis was placed on sectoral development especially that of agriculture mining and the primary industries (Mohd Nor Ghani, 1981 in Osman, R., Jomo, K. & Ishak, S (ed), 1981, p. 286).

Thus, the development plans during those days emphasised infrastructural improvements directed at facilitating the transportation of economic goods for marketing. Improvement in social infrastructure were given very little attention, except on education and health which centered in the urban areas (Ibid, p. 287).

Although the growth approach was reasonably successful in achieving the desired rate of growth, it has done very little to eliminate poverty. The policy was to take care of the GNP and poverty will take care itself: "...that a high GNP growth target is the best guarantee for eliminating unemployment and redistributing incomes later through fiscal means..."(Hackenberg, R. A., 1977, p. 81). However, this approach has not met the desired objectives (Op cit).

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The 1960s and 1970s were considered the 'Development Decades' by a resolution of the United Nations, and development was perceived mainly by an economic indicator of growth of per capita GNP - at the rate of six per cent annually (Todaro, 1982, p. 95).

The philosophy of development which focuses on economic growth adopted from the thinking of western development economists has actually been questioned. The Malaysian experience indicated that 'economic growth' policy has given little effect on large numbers of people who were left behind in poverty (Jomo, K., 1981 in Osman, R., Jomo, K. & Ishak, S., ed. 1981, P. 212-215). This is because it is almost impossible to redistribute incomes to those who are not even participating in the production stream. Thus, the benefits of high rates of economic growth were unlikely to 'trickle down' to the poor masses. Such experience was common to a number of third world countries. Although those countries have successfully achieved the overall target of growth, the level of living of the people remained unchanged. Absolute poverty still persists, inequitable income distribution was increasing and unemployment was rising (Todaro, 1982, p. 94).

As such, some development economists in the 1970s argued that development has to be viewed in the perspective of human well-being and not merely on economic growth (Dudely Seers, 1972 in De Souza & Stutz (1994, p. 626). Seers further stresses that measures on development have to be at the family level based on nutrition, health, infant mortality, access to education and political participation (Ibid).

Todaro (1982) extends Seers view further on development by using a multi-dimensional approach. According to him this process involves the reorganisation and reorientation of the entire economic and social system. In his words:

it must be conceived of as a multi-dimensional process involving changes in structures, attitudes and institutions as well as the acceleration of economic growth, the reduction of inequality and eradication of absolute poverty.

(Todaro, 1982, p. 96)

The above view is significant, as the fallacy of the Malaysian development approach of pursuing economic growth alone and neglecting other aspects in the social system became obvious by the May 13th 1969 racial clashes.

Following this incident, a New Economic Policy (1971-1975) was formulated to

focus attention on poverty eradication and the restructuring of society. This indicates the emergence of a new philosophy of development in Malaysia by focussing on economic growth as well as socio-economic issues (Tan Tat Wai, 1981 in Osman, R., Jomo, K. & Ishak, S. ed., 1991, p. 99-100). Subsequently, development strategy was switched to import substitution industries especially in the manufacturing sector. Although, the industrial policy has contributed significantly to the creation of job opportunities, this has increased a large number of rural-urban migration particularly among the Malays (Ibid).

Of course, industrialisation as a mean of raising the standard of living has been the objective and desire not only of Malaysia, but most developing countries. Nevertheless, in the process of industrialisation, any society undergoes radical changes that will certainly affect their inhabitants' conditions of life. This may be seen from the aspect of changes in the economic system, that will upset the equilibrium prevailing in various parts of the social system. As a result, policy measures become necessary to restore stability in social conditions. For instance, industrialisation generates geographical mobility and creates strains in the family system; or waged labour is always exposed to risks such as redundancy, industrial accidents or health hazards. Thus, measures of social welfare improvement such as better and wider scope of social security schemes, are necessary to reestablish equilibrium in the social system.

A similar suggestion to this phenomena, by sociologists of development, is that the development of society will inevitably result in social change in various parts of its whole social structure. The Brandt Report of 1980 has defined development as: first, economic growth and industrialisation; and second, a profound transformation of the entire economic and social structure. The report points out that development will certainly improve living conditions and this cannot be achieved without economic growth and industrialisation:

if there is no attention to the quality of growth and to social change, one cannot speak of development. It is now widely recognised that development involves a profound transformation of the entire economic and social structure. This embraces changes in population and demands as well as improvement in income distribution and employment (Brandt Report, 1980, p. 48).

This means that the long-term aim of 'growth with social justice' would become a meaningless platitude if social policies for housing programmes, health, education, and social welfare were not restructured along with economic growth. Thus, in the moves towards development, not only does economic development have to be sustained, but social development has to be maintained even though there are uncertainties in the global market place. This is because better social policies can contribute towards economic growth. According to this view, better health and nutrition means a more vigorous people; education gives them knowledge and skills they need in order to achieve growth. Investment in human capital may prove to be even more profitable than investment in concrete assets. Of course, as a long term policy, this takes time to produce effects (Jones, H., 1990). In relation to the above arguments, a question may be raised here as to what extent the development strategies through rapid industrialisation in Malaysia are directed toward the achievement of social justice and an improvement in the quality of life?

Thus, this chapter looks at the transitional development from agricultural economy to industrialisation. This is by looking back to how Malaysia developed to be an average prosperity nation. Hence, to what extent economic development has successfully promoted the living conditions of its people.

The beginning of this chapter describes a brief history of Malaysia, starting from the period of British colonialism and the emergence of wage employment that led to changes in the political, economic, social and demographic structure of the Malay Peninsula. Later after Independence, some changes took place in an effort to build a nation state. This led to the formation of a national development plan which stressed economic growth in an attempt to eradicate poverty, restructure society, and promote social justice for all Malaysians. However, in building a nation, Malaysia was confronted with many challenges: from internal problems such as political instability, ethnic conflict, poverty and inequality, to external pressure of provocation by Indonesia in 1963. Malaysia has now set itself an ambitious objective of becoming a fully developed nation by the year 2020, with further emphasis on industrial development.

Nevertheless, in line with the theoretical perspectives, emphasis on economic growth and industrial development to develop a nation will be incomplete without attention to social development and welfare services. Social issues such as provisions for social welfare protection, health, housing, education, and other basic services do indeed play important roles in overall national development. Hence, how much concern has been given by the Malaysian government to these areas may be seen in this chapter.

1.2 GEOGRAPHICAL BACKGROUND

Malaysia is a federation of thirteen states, consisting of two major land masses. Eleven states are located in the Malay Peninsula (before 1963 making up the Federation of Malaya, and now officially termed as West Malaysia). The other land mass is East Malaysia which consists of two former British colonies in northern Borneo, Sabah and Sarawak. Peninsular Malaysia has an area of 131,582 square kilometers. Sabah has an area of 73,709 square kilometers, while Sarawak is larger, with an area of 124,445 square kilometers. The two land masses are separated by about 650 kilometers of the South China Sea. Taken together the total land area of Malaysia is only half the size of Burma, and about two thirds that of Thailand, whereas Indonesia is six times larger and Australia twenty-three times larger.

1.3 A BRIEF HISTORY

Long before the coming of Europeans, Malay peoples had established settlements along the coasts and riverine mouth of the Malay Peninsula. These were to become important trading centres and later the beginnings of small kingdoms. From the beginning of the second century, the Malay Peninsula experienced over 1000 years of Indian influence, and in the thirteenth century AD Arab and Indian Muslims brought Islamic and Arabic influence to the Peninsula.

The Portuguese were the first Europeans to arrive, and conquered Malacca (Melaka) in 1511. From that time until 1957, Malaya was in the hands of foreign powers, which ruled either directly or indirectly. The Dutch, who during this time had a foothold

across the Straits of Malacca on the island of Java, laid siege to Malacca and succeeded in capturing it in 1641. However, it was the British who eventually prevailed over the Malay states. Their first control was over Penang (Pulau Pinang), which was leased to the British East India Company by the Kedah state ruler (sultan) in 1786.

By 1824, the British obtained Malacca and Singapore and in 1868 had joined with Penang to form Straits Settlements, which became a crown colony. The settlements were ruled entirely by the British with no participation from the Malay community. However, when tin was discovered in Perak and Selangor by a local, the British interest in the hinterland arose. This led to British interference in the Malay states and the establishment of tin mines. A demand for labourers to work in tin mines brought in a large number of Chinese immigrants through the Straits Settlements into the Malay states in the late nineteenth century². The flow of immigrants into Malaya, however, was not mainly from China; the Indians were employed from southern India in rubber plantations in the early twentieth century resulting in an increase of immigrants. This marked the beginning of the employment of wage labour¹¹ in Malaya on a large scale and consequently led to the development of labour regulations (specifically for immigrant labourers) (Jomo, K. S., & Todd, P., 1994). It should be noted here that during this period the majority Malay peasant community was confined to activities in subsistence agriculture such as rice farming. Subsequently, this occupational trend has caused ethnic differences, which are often referred to as "the identification of race with economic function," which has led to racial inequalities in Malaysia today.

Undoubtedly, the influx of immigrants into this country has caused social problems. Together with the Chinese immigrants came groups of Chinese secret societies, which caused riots and serious gang fights in the Malay states. Apparently, the effect of this problem was direct control by the British government on the Malay states administration. Fears that these conditions might threaten the interests of tin investors led

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Many Chinese entrepreneurs grabbed the commercial opportunities generated by the rapidly growing market economy, while others developed productive enterprises, most of which remained subordinate to the dominance of British capital and the colonial state (Jomo, K. S. & Ishak, S., 1985).

to British intervention to restore order. Consequently, in 1874, all the west coast states were put under British control and they were made to accept British advice of a Resident in all areas except religious and customary matters. In 1895 these states became the Federated Malay States (Perak, Selangor, Negeri Sembilan, and Pahang). The British later extended their rule to five other remaining states (Kelantan, Trengganu, Kedah, Perlis and Johor), described as the Unfederated Malay States, in 1909.

British political control over the whole of the Peninsula transformed Malaya economically into the world's biggest tin and rubber producer (rubber was first planted in 1905) by the end of the First World War. Naturally, the expansion of tin mining and rubber plantations led to the development of 'economic infrastructure' such as telecommunications networks, electricity grids, roads, railways and port facilities in the 'tin belt' and rubber planting areas. This development later spread along the entire coastal plains in the west of Malaya.

However, apart from the positive changes brought about by the British in Malaya's economic development, there was another obvious consequence of these policies: the emergence of a 'dual economy,' in which traditional and modern operated along a racial division of labour. The modern sector consisted of tin mining, rubber plantations and commercial activities, whilst the traditional sector consists of rice farming, rubber small holdings and fishing. The former were mainly operated by British enterprises and immigrant communities, and the latter by the Malays. Although these two sectors were related to each other, the modern sector gained greater advantages. This is in view of the role played by the traditional sector in providing staple food (rice) and other food items at the lowest possible price to the manpower employed in the modern sectors. The urban bias is more obvious from the development of the 'economic infrastructure' and facilities, which were focused in the urban areas where modern sectors were located. The traditional sectors which were located in the rural areas, were not touched by any infrastructural developments and were consequently left underdeveloped. Even the policies and regulations, especially with respect to land utilisation, often favoured the development of rubber plantations and tin mining. The land codes were, indeed, formulated in such a way

that the majority of the Malay peasants remained as peasants³.

Economic and social stability under British political control was disrupted by the Japanese invasion during the Second World War. When the Japanese surrendered and the British returned in 1945, sovereignty over Malaya was transferred to the British Crown. All states were to be united into the Malayan Union (a unitary nation-state) with common citizenship for all races. The powers and authority of the states were to be surrendered to the central government. A single set of laws, regulations and policies became applicable to every region. This move offended the Malays, who saw themselves and their interests as being neglected; they also feared that their traditions may be overwhelmed by the unitary state. In addition, the Malays were determined not to revert to the status of mere colony (Kasper, W., 1974, p. 6, Cho, 1990, p. 9).

Subsequently, in 1946 the United Malay National Organisation (UMNO) was formed to oppose the formation of the Malayan Union, and the Union was modified into the Malayan Federation in 1948. What is important in the formation of the Federation is the constitution, which laid the basis for later self-government. An attempt at self-government, however, was delayed because of the armed revolt and attack by the Chinese-dominated Malayan Communist Party⁴ in June 1948. An 'emergency' was declared in 1948 and following this, the rural Chinese were settled in 'new villages' mostly in the fringes of towns and cities. This pattern of residence continued after the emergency was over and increased (a majority already residing in urban areas from the

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J. T. Thoburn, 'Primary Commodity Exports and Economic Development: Theory, Evidence and a study of Malaysia', John Wiley & Sons, London, 1977; M. Rudner, 'The State and Peasant Innovation in Rural Development: The Case of Malaysian Rubber', *Asian African Studies*, reprinted in David Lim: 'Reading on Malaysian Economic Development', OUP, Kuala Lumpur, 1975, in Aziz Muhammad, 'Zakat and Rural Development in Malaysia', Berita Publishing, Kuala Lumpur, 1993.

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The Malayan Communist Party (MCP) is an outgrowth of the Malayan People Anti-Japanese Army which was formed during the Second World War to resist the Japanese invasion. The MCP rose in armed revolt and attacked the (British) government from sanctuaries in the jungle. It was also active in the labour movement which influenced workers in a number of strikes launched to weaken the government. This resulted in the establishment of Trade Unions Ordinance and Labour Laws by the government, in order to restrict the labour movement.

early development of tin mines the number of Chinese in the urban areas tremendously). The concentration of the Chinese community in the urban areas gave them opportunities to monopolise and control all trade and commercial activities, resulting in racial inequality which created social tension and subsequently caused racial clashes (between Malay and Chinese). However, another significant factor that may have caused racial clashes was that the government police and army who fought against the communists were mostly Malays, while the Communist guerrillas were mostly Chinese. The nature of these conflicts has become an important cause in the racial conflict in Malaysia, and has subsequently influenced the features of the country's economic policy during the 1970s and onwards. Some writers (Zakaria, A., 1993; Crouch, H, 1994) have even suggested that these problems (the communist threat and racial clashes) were factors which contributed to the inclination to impose more governmental controls on political, economic and social aspects, and led to the authoritarian mode of government in Malaysia.

The political developments continued under the new leader Tunku Abdul Rahman (who later become the first Prime Minister of Malaysia): the UMNO joined with the Malayan Chinese Association (MCA) led by Tan Cheng Lock to form a UMNO-MCA Alliance in 1952, to contest the 1955 general elections. The Alliance, which was strongly anti-communist and anti-colonial, won the elections. The British responded to this mandate of the people by renouncing its powers in Malaya. On August 31st. 1957, Malaya gained independence, while the state of emergency continued until 1960. However, despite communist guerrilla harassment and the costs of the guerrilla war, the economy recovered rapidly during the 1950s. This was due to the rapid increase in the demand for rubber and tin during the Korean War (Kasper, W., 1974. p. 6).

In the meantime, although Singapore was still a British colony, it had secured full self-government in 1959 under the leadership of Lee Kuan Yew. But it later pressed for independence from Britain through a merger with Malaya and this was agreed by the British government in order to avert the growth of the communist influence among Singapore's Chinese population. However, as it was feared that the inclusion of a million Chinese from Singapore would threaten the Malay's political status, Malaya suggested in

1961 that Brunei, Sabah and Sarawak join in the merger. The idea was to balance the Malay and Chinese population. Finally, after considerable discussion and opposition from Indonesia and the Philippines, these states, with the exception of Brunei, established a new independent Federation of Malaysia on September 16th 1963 (Cho, 1990, p. 9). However, the inclusion of Singapore in the Federation was short-lived, as a crisis arose with Singapore who feared that the Malays would dominate the Federation (Cho, 1990, p. 6); there was also disagreement regarding the procedure and the amount of proposed assessment against state revenue for federal expenses. Singapore had rejected Kuala Lumpur's decision that it should make an outright grant towards a development fund for Sabah and Sarawak (Young, K., Bussink, Willem, C.F., and Hassan, 1980). This led to the withdrawal of Singapore on August 9th 1965. Meanwhile, during this period Malaysia fought off an armed 'confrontation' from Indonesia, who postured territorial claims over Sabah and Sarawak.

Sabah had been ruled by the British North Borneo Company from 1882 until the Japanese occupation in 1942. Sarawak became the personal domain of the British Brooke family (James Brooke) from the 1840s to 1942. From 1942 to 1963 these two territories were British colonies. The level of political and economic development in these two states lagged far behind that of the Peninsula. As British colonies after the Second World War, they were not encouraged to develop politically, and their economic efforts were directed toward reconstruction. According to MacFazdean (1947), the chief obstacles for development programmes in Sarawak were "the lack of basic information, the lack of staff and the lack of money" (Grijpstra, 1976:39 in Cho, 1990, p. 61).

1.4 GOVERNMENT AND POLITICS

When independence was obtained in 1957, the political practices of the British Westminster model were adopted with little or no modification. Malaysia is ruled by a Bicameral Parliament, comprising the King (supreme Head of State), the Senate and House of Representatives, and the Prime Minister as the Chief Executive. The House of Representatives is the principal law making body and the members are elected (through a general election) every five years. The Senate (Upper House) can initiate legislation and

has certain rectifying powers. Its members are appointed. The Prime Minister is also a member of the House of Representatives who commands the confidence of the House. Ministers constituting the cabinet may, with the consent of the King, be appointed from either house.

The states are governed by unicameral legislative assemblies whose members are elected representatives. A Chief Minister is drawn from each assembly to appoint an executive council, which manages those states affairs within its purview. The states have a budget allocation from the federal government which they top up with state taxes. The only areas that the states retained powers over are the natural resources, namely land (including mining), agriculture, forestry, local government and housing. The federal government has more substantial powers by far than the states. It covers external affairs, internal security, defence, finance, trade, commerce, industry, communication, navigation, transport, public services, education, health, labour and social security and welfare of the aborigines, publications, federal housing and cooperative societies.

The federal - state relations are based on the harmonizing influence of membership of the same party. However, if the state executive council is a member of the opposition party, there will be a tendency for disputes between federal and state powers and this will have some effects on the state development programmes. For example, disputes arose between the federal government and the state government of Kelantan, particularly over the allocation of resources and issues concerning land policy, which have been going on for many years now. Undoubtedly, the lack of cooperation and co-ordination between the two were mainly due to political sentiment.

The federal government also has a strong centralized financial position, which is of course due to its historical basis. In the old Federated Malay States, the colonial government had a similar legal framework which provided strong central financial authority. With the formation of the Federation of Malaya in 1948, and later the independent Federation of Malaya in 1957, these centralised financial provisions were extended to the whole country. However, these legal provisions were not extended with the same degree of centralization to the East Malaysian States of Sabah and Sarawak, due

to special circumstances (Holzausen, 1974). The physical separation of both Sabah and Sarawak has meant that the federal government is unable to monitor closely the socio-political developments in these states, compared to those in the Peninsular (Cho, G., 1990).

The legacy of strong financial control from the British colonial system has also been adopted in the Malaysian Constitutional provisions, which has indeed given the Federation a strong central governmental power over finances. Thus, if comparisons are made between Malaysia's financial provisions with other federal systems such as those of the United States, Canada and Australia, it is perceived that the Malaysian financial system is a very strongly centralised one (Holzausen, 1974). The Federal Government, is also provided with power and responsibility to obtain and collect all the major revenues. All major taxes such as income tax, customs duties and licences from motor vehicles are not available to the state governments in Malaysia. But in most federated countries, these are also available to the states. By the same principle, all major areas of expenditure are also borne by the federal government. Thus, the costs of expensive areas such as education, health and other social services are borne by the federal government, which in other federations are paid for by the states. However, in theory, while the federal government has the power to raise all major taxes, it also has the power and capacity to expand its expenditure as well as to limit it. Therefore, its centralised position is strengthened by its independence of action. It is able to raise revenues or loans and increase its expenditure at any time, as fiscal and monetary policies are within its control. Thus, the federal government is in a position to be able to build up surpluses if it wants to, while this is not so with state governments (Holzausen, 1974). These fundamental principle of centralised control enable the federal government to intervene in most of the economies. The intervention is necessary in order to foster development and particularly in the development of certain and essential industries such as in bolstering savings, building financial markets, promote investment and supporting government banks (World Bank Policy Research Bulletin, 1993, p. 3).

The Malaysian political system has been developed along inter-communal lines. The form of democratic practices claimed by the government was identical to that of

Westminster; but in reality, according to Zakaria Ahmad, 1993, the system shared important elements with Arend Lijphart's notion of 'consociational' democracy (Lijphart, 1984). This is in the sense that Malaysian society was organised largely into certain major communal groups, each of which exercised considerable autonomy and each of which participated in central decision making by proportional representation in a grand ruling coalition of the National Front. Thus, in practice the accommodation between the elites of the participating ethnic groups, allowed for democratic politics (Milne and Mauzy, 1978 in Zakaria Ahmad, 1993).

Until the breakdown of the political system in what is known as the "May 13 Incident," a racial riot in May 1969, the pattern of consociational democracy worked well for both political pluralism and political stability (Security was provided in spite of an ongoing Communist insurgency until 1960, and external threats of aggression during the Indonesian "confrontation" of 1963-1966). The Malaysian democracy was henceforth becoming more restricted (neither purely liberal style, nor in quite the same consociational form as before the disruption). Consequently, it provided a greater Malay dominance in the government. Although the basic rights of the communities as laid down before 1969 were maintained, and the provision for inter-communal bargaining was restored, as observed by Von Vorys (1975):

the final decision on cultural integration, the appropriate marginal rates of growth in the Malay access to the economy and Chinese access to government would not be resolved by a compromise among more or less equal parties. They would be decided by what the top Malay political leaders considered fair and in the interest of Malaysia. It was, of course, a very much simpler system (Von Vorys, 1975 in Zakaria, A., 1993).

The rationale for Malay dominance rested on factors such as those of the causes of the May 13th racial riots, identified as the racial imbalance in wealth and income distribution and economic opportunities. Thus, measures were devised to cope with the grievances that had shaken the system (Ghazali, 1985 in Ibid). A national ideology was created to maintain national unity, and new educational and economic policies were introduced to redress the economic imbalance, so as to achieve greater national unity. These policies were a deliberate effort to "urbanise" the Malays and assist them in gaining

access to the more modern sectors of the economy. The state's direct and extensive intervention in the economy and the modification of consociational democracy (although some is still retained) and the Malay dominance in the Malaysian political system is described by Zakaria Ahmad (1993) as a transition from consociational democracy to quasi-democracy which became evident during Dr. Mahathir's tenure. This was obviously cited by the first Malaysian Prime Minister, Tunku, that new ideas and ways of doing things in the political system and the society were introduced, revealing the will of a strong state executive (Daily tabloid, The Star, in Ibid). In addition, the state's deep concern to overcome the recession of the mid-1980s has partly stimulated the expansion of executive authority that already occurred in the 1970s, and this was felt to be imperative for recovering from recession. Nevertheless, that rapid economic growth has provided an important justification for an increase in state power and thereby strengthened authoritarian tendencies seems unquestionable (Ibid). This is because the adoption of various measures aimed to restrict political opposition during the 1970s and 1980s were necessary to maintaining the political stability that was threatened by communal upheaval or communists (Crouch, H., 1994, p. 17).

According to Crouch, (1994) one of the most powerful weapons used by the government has been the Internal Security Act (ISA), 1960, initially used against communists but today used to detain anyone considered a threat to national security. Thus, the Act has successfully controlled and restricted not only the activities of political opposition parties, Muslim preachers, students, journalists and academics but most significantly the trade union movement. In addition, the government also continued to exercise its emergency powers by passing a Proclamation of Emergency, whenever it is felt necessary. For example if 'the security, or the economic life, or public order in the Federation or of any part thereof is threatened' (Federal Constitution, Article 150 (1) in Ibid, P. 17-18)⁵.

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The government has not lifted the 1969 emergency proclamation which provided (government) with a legal power to 'make laws with respect to any matter' (Federal Constitution, Article 150 (5). although this power was largely held in reserve (Crouch, H., 1994, p. 18).

Apparently, control on the trade union movement and labour relations in Malaysia also seems to be necessary in response to the demands of industrialisation. In order to attract new industries, wage levels had to be kept low and restrictions imposed on trade union activity, as an imperative to weakening the labour's bargaining power. This is one of the factors contributed to the rapid economic growth in Malaysia. In fact according to Crouch, it is natural to link industrialisation and authoritarianism in the Third World: the phenomenon of the so-called "strong state". The experience of the East Asian NICs (Taiwan, South Korea and Singapore) suggests in each of these countries authoritarian style of government, of one sort or another, were able to create political stability. For example, policies adopted enable these governments to control trade unions, reduce opposition and prevent the outbreak of political challenges. Stable political environment was needed to attract both foreign and domestic investment (Ibid, p. 20).

However, in Malaysia the adoption of authoritarian regimes arise not only to serve particular economic interest but also in response to the need for strong government to control ethnic or other communal conflict.

1.5 THE POPULATION

In 1980, the Malaysian population was estimated at about 13.8 million people, of whom 11.4 million (83 per cent) were in Peninsular Malaysia. Around 1.0 million (7 per cent) in Sabah and 1.3 million (10 per cent) in Sarawak. In 1990, the total population had increased to 18 million at a rate of growth of 2.5 per cent per year (see Table 1.1a). Based on the same growth rate, it was projected that in 1995, the total population would be about 20.4 million. However, the growth rate in Malaysia was uneven between the three regions. For example, in East Malaysia, Sabah was recorded to have a rapid rate of population growth (3.8 per cent). This was due to the large influx of immigrants from the Philippines and Indonesia. In Peninsular Malaysia, the growth rate varies among states. Apart from natural increases (high fertility and low mortality), there was a degree of

internal migration⁶. The growth of industrial regions with manufacturing industries, commercial and services sectors contributed to the spread of urbanisation. This process resulted in rural-urban migration and high concentrations of people in industrial and urban areas. The trends may be seen in cities like Kuala Lumpur, Penang, Selangor and Johor Bahru (Cho, 1990, p. 15). Urbanisation in Malaysia has been increasing since 1980. In this year, about 34.2 per cent of the population was reported to be living in urban areas, compared with 50.6 per cent according to the 1991 definition.⁷

The data on ethnic composition in 1990 as reported in the Fifth Malaysia Plans, 1986-1990, shows that 58.1 per cent of the population were Malays, 31.4 per cent Chinese, 9.9 per cent Indians and 0.6 per cent other races. The Malays constituted about 45.6 per cent of the urban population, the Chinese about 43.7 per cent, and Indians about 10.1 per cent during the same year (see Table 1.1b). This figure shows an increase of the Malay population in urban areas which in 1980 was only about 37.4 per cent compared with the Chinese population of 50.6 per cent (Fifth Malaysia Plan 1986 - 1990, Prime Minister Department, 1990).

Age distribution is determined mainly by fertility and mortality. The proportion of the population in the youngest age group below fifteen, in 1980 was 39.3 per cent and had decreased by 1.2 per cent in 1990. However, there was an increase in the 15-64 age group from 57.0 per cent in 1980 to 58.2 per cent in 1990. The percentage of elderly persons, of 65 and above, increased from 3.65 per cent in 1980 to 3.72 per cent in 1990. It was

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The rapid migration from rural to urban areas was the result of strategies adopted under the New Economic Policy. This has indirectly encouraged the Malays to move to urban areas to benefit from the better and wider range of employment, especially in the industrial sectors. Thus, employment opportunities and a better standard of living have been pull factors in migration.

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" . . . In 1980, the definition used by the Malaysian Department of statistics was the same as that of 1970. It considered as 'urban' all gazetted areas with a population of 10,000 or more persons. But in 1991, the definition was extended to include not only gazetted areas but also their adjoining areas with a combined population of 10,000 or more at the time of the 1991 census. Built-up areas were areas contiguous to a gazetted area and had at least 60 per cent of that population (aged 10 years or more) engaged in non-agricultural activities and at least 30 per cent of their housing units with modern toilet facilities..."(Department of Statistics, 1993 in Chan Kok Eng, 1993).

also projected that the percentage of persons aged 60 and over will increase by the year 2000 (see Table 1.2) (Chan Kok Eng, 1994). This assumption was based on cases elsewhere, where fertility and mortality declines were the prime catalysts in altering the proportion of the elderly in the total population. As pointed out by Chan Kok Eng, there has been a decline in the Malaysian mortality rate, which was rather low in Peninsular Malaysia by 1960. Between 1960 and 1980, the crude death rate fell by about 45 per cent from 9.5 to 5.2 per thousand. A decline in the fertility of the Malaysian population has also been seen between 1955 and 1990 (Ibid). As Chan pointed out, when fertility declines and life expectancy improves at birth, as well as in the older age group, demographic ageing can be expected to increase further. Thus, elderly people will constitute a relatively large component of the population (Sushama, P.C., 1992, p. 167). This may also increase the median age of the population, which is currently 20.0 (Malaysia, 1981). This trend will definitely have an impact on the expansion in public and private expenditure for the provision of welfare programmes especially social security.

The dependency ratio as shown in Table 1.2 is the ratio of the number of children below 15 years and elderly persons over 65 years (in relation to the economically active population). This ratio gives an estimate of the relationship between those who are of working age, and those who depend on the working population and place demands on the economy for material well-being, maintenance, education, health, social welfare services and advancement in life. These ratios are also linked to fertility rates, mortality rates and life expectancy through better health care and nutrition, such that may produce a higher dependence ratio. Table 1.2 shows that in 1990 the dependency burden in Malaysia was 72.0 dependents per 100 working persons. Although the rate of young dependents caused the high overall dependency rate in Malaysia, the problems created by old age are becoming more important and must not be ignored. Society will have to support more aged people in the future. Without proper provision to support them, social problems will increase in the future and consequently, may have implications for the national development objectives. However, a study by Shinya Hoshino (1981), as shown in Table 1.3, indicates that the overall dependency ratios of industrialised countries are lower than those in agricultural countries. But this may be explained in the difference of retirement age at work where high ratio of dependency in some countries. Some governments, such

YEAR	POPULATION						RATE PER 100			
	0-14	15-64	60+	65+	TOTAL	YDR	ADR	TDR	YDR TO ADR	
1970	4,840	5,643	602	370	10,582	85.8	6.6	92.3	13.08	
1980	5,413	7,849	787	503	13,763	69.0	6.4	75.4	10.76	
1990	6,821	10,404	1,030	665	17,891	65.6	6.4	72.0	10.26	
2000	7,555	13,508	1,450	919	21,983	55.9	6.8	62.7	8.22	
2005	7,150	15,380	1,665	1,093	23,623	46.5	7.1	53.6	6.54	
2010	6,646	17,183	2,094	1,340	25,169	38.7	7.8	46.5	4.96	
2015	6,523	18,626	2,596	1,665	26,814	35.0	8.9	44.0	3.92	
2020	6,742	19,683	3,216	2,079	28,504	34.3	10.6	44.8	3.24	

TABLE 1.2: Population Of Malaysia By Age Groups And Total Dependency Rate 1970-2000

SOURCE: United Nation, 1991 in Chan Kok Eng, 1994, Workshop Paper, 17-18th January 1994.

NOTE: As calculated from the above figure, the youngest age group below 15 years in 1980 was 39.3 per cent and decreased 38.1 per cent in 1990. There was an increase in the 15-64 age group from 57.0 per cent in 1980 to 58.2 per cent in 1990. The percentage of elderly persons aged 65 and above increased from 3.65 per cent in 1980 to 3.72 per cent in 1990.

YDR = Young Dependent Ratio
 ADR = Aged Dependent Ratio
 TDR = Total Dependent Ratio



as Malaysia, enforce early retirement in order to make way for unemployed young men and women. The Malaysian Ministry of Welfare Services wrote about their mandatory retirement at the age of 55:

With the current unemployment rate at 5.3 per cent, the government's first concern is to provide employment for school-leavers. Hence, the opportunity for those above 55 years to continue in employment is rather restricted in the urban areas
(Adel G. Abaya, 1982).

Among the five South east Asian countries, there are also dissimilar retirement ages among the elderly.

TABLE 1.3: DEPENDENCY RATIO OF TOTAL POPULATION %

Indonesia	83.8
Thailand	83.5
Philippines	83.3
Hong Kong	51.5
Singapore	51.7

Source: Report of a Regional Survey of the Aging by Shinya Hoshino, Bangkok, 27-28 January, 1981.

Note: Dependency ratio - number of persons less than 15 years old and over 65 years old per 100 population.

1.5.1 The Malays

The Malays regard themselves as the indigenous people of Peninsular Malaysia and among the indigenous people of Sabah and Sarawak. As shown in the provisions of the Federal constitution, Islam is the religion of the Malays. However, not all Muslims in Malaysia are Malays. Socially, the majority of Malays live in compact village communities demonstrating strong cohesion and tight social control (Appa Rao, Larson, Sopiee, and Guan, 1977, p. 19). In towns they are more dispersed and consequently social

control and cohesion are weaker. Tight social control has implications for individual behaviour. "...It works in the direction of ensuring conformity with the community norms and values: the Malays are fond of, and highly value, consensus..." (Ibid). They have an extended family system, the family unit consisting not only of father, mother and their children, but also grandparents (Appa Rao, Larson, Soviee and Guan, 1977). The family is regarded as the main supporter, carer and home provider for elderly parents, particularly those unable to look after themselves. Belief in the family as the prime source of care among Malays stems from Malay cultural attitudes and from the religious emphases of Islam which, in the Koran and Islamic books stress the need for children to accept responsibility for the care of their elderly relatives. This traditional social care for the elderly is an important form of social protection in this community, thus having many children is considered beneficial for provision in old age. In recent years however, changes in socio-economic development have affected the life style of many Malays, particularly those in urban areas. The trend is towards nuclear families (Chan, 1984), although neither the extended family system nor the traditional role of the women in the household can be taken for granted any longer. As it becomes the norm among Malay women to go out to work, the possibility of care for an elderly parent or relative becomes less likely. This has been apparent since the government's restructuring programme to eliminate racial inequality, which provides the Malays with greater access to education and economic opportunities. This is a most critical situation in the rural areas where the loss of young women to factory employment in the urban industrial areas is common. The trend of young men seeking employment opportunities in towns has been evident for a long time, and has consequently left behind the older generation who are bereft of support, and have to manage as best they can (Sushama, P.C., 1992).

1.5.2 The Chinese

The majority of Malaysian Chinese today are descended from immigrants who came during the second half of the nineteenth century and the first half of the twentieth century, after the opening of the tin mines. The Chinese were initially temporary residents, and as such, they were segregated from the Malay people, from the Malay power structure and from the land which was mainly reserved for the native population. The Chinese were

kept in towns, where their only contact was with British authority. The only kind of work available other than on mines and plantations was trade, commerce, coffee shops and hawking, and they had little access to agriculture. During that time, their working conditions were generally poor and some of them were exploited. Housing was mainly in temporary buildings, and health and social welfare facilities were non-existent. Thus, the absence of any government-sponsored organisation regulating conditions in the mining areas enabled the growth of mutual benefits associations, guilds and societies. These organisations were originally aimed at catering for the social welfare and vital needs of the various clans, but later developed into organisations such as secret societies dealing with violence and other criminal activities. These organisations were strongly influenced by communism and Chinese nationalism in China in the 1920s, which infiltrated the labour movement in Peninsular Malaysia. The Labour-communist movement became widespread and worsened during the post-war period (after the Japanese invasion). This period was plagued by chronic and acute food shortages and therefore was an ideal situation for labour unrest. It was at this time that the British Government established a labour law, in 1946, to restrict the labour movement (Ibid). The majority of the Chinese in Malaysia are Buddhists, while only a minority of them are Christian. However, Confucian's ethics have some influence in their lives. Similarly to Chinese communities in Hong Kong, Taiwan and Singapore, in this tradition the eldest son or other children are responsible for the care and support of their aged parents. As MacPherson put it, "the family is both the most important element in society, and the model for other organisation. All members have a place, however lowly. Filial Piety demands deference; the honour of the family, and the maintenance of 'face' demands the care and protection of the humble by privileged" (MacPherson, 1992, p. 52).

However, the process of modernisation has caused changes in these lifestyles and even in the traditional cultural values. For example, parents no longer exercise the authority that previous generations had over their children. These changes are likely to create social problems. The loosening of family ties means that the community and the government have to play a larger role in maintaining law and order. The community and the government have to provide services like social welfare, particularly for the aged, whom children no longer feel obliged to support (Appa Rao, Larson, Sopicie, and Guan,

1977, p. 39).

1.5.3 The Indians

The Indians, the third major community in Malaysian society live mostly in West Coast States of Peninsular Malaysia. Although the Indians are originally from different parts of India, their basic values, attitudes, customs and religion are similar. They came to Malaysia to work on plantations in the beginning of the nineteenth century, when the sugar, coffee and, later rubber industries were introduced in this country. The majority of Indians in Malaysia have been and still are in the low-income, unskilled and semi-skilled occupations. Most of them remained chained to the plantation economy and these circumstances kept the Indians in relative isolation (Ibid).

About 50 per cent of the Indians today are employed in agricultural plantations and another 28 per cent are in the utilities, service and transport, storage and communications. Twelve per cent are in mining, manufacturing and construction and 9 per cent are employed in commerce. Nearly 80 per cent of them are in manual jobs, while 6 per cent are in the administrative, managerial, and professional categories.

The Indians' political position in Malaysia is rather weak, due to their small numbers, dispersed and segregated in the plantations. However, most of them are supporters of the Malaysian Indian Congress Party (MIC). But in contrast to the weak political stance, they are actively involved in the trade union movement. Thus, the Indian working class has more or less obtained some protection and a share in national progress (Ibid).

The Indian community still preserves its cultural value. Family ties are still very strong and traditionally every member of the family has a duty and obligation to maintain the harmony and stability of the family. These values are found in both Hinduism and Sikhism, the two major Indian religions. For the Indian, the ultimate reality is exhibited in and through the whole of creation. God is called by different names: mother, father, brother, friend, knowledge, thus God is everything. Elders are considered the embodiment of God and, naturally, great respect is shown to them and great care is given to them.

Children abide by the decision of the elders of the family and the wisdom of old is cherished by all (Majumdar, R, 1982). Maybe this is the reason the extended family system still persists in the Indian Community and hence the family is an essential source for both economic and emotional support for the aged.

1.6 CHANGING VALUES

The effects of industrialisation and urbanisation have changed and are changing the values and attitudes of the Malaysian people. Most Malaysians had their lives governed by a set of values and judgements that were passed down from one generation to the next. In recent years, many individuals have been making departures from traditional values and judgements to those which might be considered as modern. In traditional Malaysian society whatever the ethnic group, social, religious and aesthetic values predominate, extended family and the obedience to religious practices are important. But in modern Malaysian society, these basic values are giving way to other attitudes: to economic and political values. Money and material objects have become much more important than social etiquette and family obligations; scientific knowledge has also become important than religious practices and respect that should be accorded to elders. This trend is encouraged by economic inadequacy which puts strains on the resources of breadwinners to provide for their dependents. The aged parents may be the worst sufferers since the breadwinner would think first in terms of providing for his children. In urban areas the acute shortage of housing squeezed the elderly out of the extended family system (The Ministry of Welfare Services, Malaysia, 1982). Elders are no longer respected as they were in the past because they are no longer the source of wisdom (Appa Rao, Larson, Soviee and Guan, 1977, p. 114). It has been observed (Chan Kok Eng, 1994) that there is a breakdown in the extended family system, especially in the Malay communities. The increasing modernisation of the country, that makes educational attainment and occupational mobility of women in the labour force possible, is weakening the traditional role of women as care-givers in the family. This is most obvious in the shift from traditional to modern activities. The behaviour in an industrial society is clearly different from that of a rural agricultural society.

1.7 LABOUR FORCE AND EMPLOYMENT

As mentioned earlier, the employment of wage labour on a large scale began in this country as a result of growing capital investments in agriculture and mining, particularly in the late nineteenth century. There were differences in the recruitment and employment of Chinese and Indian labourers during this period. Chinese labourers were mainly recruited by private contractors and subjected to very limited government regulation. The recruitment of Indian labourers was centralised with the involvement of both the Indian and Malayan governments with some form of regulations. Consequently, these differences enabled the Chinese labourers to be more independent than their Indian counterparts, and provided a greater freedom for industrial action and political activity (Sandhu, 1969, Arasaratnam, 1979, Stenson, 1980 in Jomo & Todd, 1994). Consequently their wages, living conditions and amenities became better than the Indian labourers. This is because the Chinese were generally contract labourers paid according to tasks completed, and living independently away from the work-site, whereas most Indian labourers were working for a fixed daily wage or according to time worked and living in substandard housing conditions at the workplace (Jomo & Todd, 1994).

Another significant difference was that labour administration has also treated these groups differently. Separate sets of labour regulations were established along ethnic lines in response to the Indian government's concern for the welfare of Indian labourers; the Chinese were assumed to be better able to look after their own interests. The only regulation made concerning the Chinese labourers was The Chinese Protectorate (1877) which worked mainly to control and weaken the activities of Chinese secret societies that frequently incited social riots. A Labour department was formed in 1911, responsible for ensuring that facilities were provided for the Indian labourers on rubber plantation and to settle any industrial disputes.

Further intervention from the Indian government over the administration and welfare of Indian workers led to a formation of Labour Code in 1923. The law has given the right of the Indian government to monitor the working condition of Indian workers, introduced a standard wage, abolished penal sanctions for breaches of employment

contracts, provided maternity allowance for female workers and made education compulsory for their children (Thompson, 1943, in Jomo, 1994).

Despite the considerable concern displayed by the Indian government for the welfare of Indian labourers in Malaya, these regulations were actually provided with minimal protection. The labour regulations were not strongly enforced and it was left to the estate managers to provide welfare services and determine the working and living conditions of their workers (Jomo, 1994). This was because the main interest of the colonial government was to ensure an adequate supply of labour for the rubber plantation and tin mines and to keep the labour costs low (Stenson, 1980 in Ibid).

The welfare of immigrant workers worsened during the Depression in the 1930s when the prices of rubber and tin dropped, resulting in production cuts; and consequently many workers were made unemployed. As unemployment was widespread, many Indian labourers were repatriated while the Chinese were encouraged to undertake 'voluntary' repatriation. Subsequently, the colonial government formed the Immigration Restriction Ordinance to regulate the supply of labour to match its demand in Malaya. This, however increased the competition for labour especially in 1940-41 when the rubber and tin industries recovered, resulting in an increase in labour. Thus the bargaining power, especially among Chinese labourers, was strengthened and improved.

It can be concluded that during the pre-war period of wage employment, all labourers suffered insecurity of employment. They were liable to be dismissed without warning and had little protection against employers who failed to comply with labour regulations. The Chinese labourers were generally better organised and had more options than their Indian counterparts (Lok Kok Wah, 1988 in Ibid), thereby contributing to the uneven development of the labour movement among the two ethnic groups (Ibid).

The trend of wage employment improved after the Japanese Occupation, though it was slow in the beginning due to communist insurgency. The percentage of employees in the labour force rose from 48 per cent in 1947 to 57 per cent in 1957. This was a result of rapid population growth immediately after the war. Table 1.4 shows the trend of wage

Year/ Emp. Status	Malay			Chinese			Indian			Other			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
	1947														
Employer	3,334	752	4,086	15,858	860	16,718	3,006	33	3,039	355	22	377	22,553	1,667	24,220
Own account worker	396,737	85,397	482,134	227,109	38,013	265,122	25,471	1,162	26,633	5,900	833	6,733	655,217	125,405	780,622
Unpaid family worker	14,684	86,613	101,297	18,618	14,531	33,149	985	294	1,279	998	2,039	3,037	35,285	103,477	138,762
Employee	186,714	44,701	231,415	314,410	83,446	397,856	188,813	79,702	268,515	12,835	1,851	14,686	702,772	209,700	912,472
Total	601,469	217,463	858,932	575,995	136,850	712,845	218,275	81,191	299,466	20,088	4,745	24,833	1,415,827	440,249	1,856,076
1957															
Employer/															
Own account worker	395,488	94,307	489,795	181,475	32,130	213,605	29,095	986	30,081	6,976	1,024	8,000	613,034	128,447	741,481
Unpaid family worker	55,492	85,944	141,436	19,278	12,222	31,500	1,427	234	1,661	1,007	1,260	2,267	77,204	99,660	176,864
Employee	301,366	68,965	370,331	369,526	141,264	510,790	194,854	79,873	274,727	41,340	3,693	45,033	907,086	293,795	1,200,881
Total	752,346	249,216	1,001,562	570,279	185,616	755,895	225,376	81,093	306,469	49,323	5,977	55,300	1,597,324	521,902	2,119,226
1970															
Employer/															
Own account worker	476,490	154,918	631,408	215,138	49,565	264,703	37,678	5,243	42,921	5,352	1,955	7,307	734,658	211,681	946,339
Unpaid family worker	136,608	192,035	328,643	71,865	57,824	129,689	7,616	5,478	13,094	1,976	3,222	5,198	218,065	258,559	476,624
Employee	418,425	117,869	536,294	408,815	186,537	595,352	161,441	68,081	229,522	10,544	2,452	12,996	999,225	374,939	1,374,164
Total	1,031,523	464,822	1,496,345	695,818	293,926	989,744	206,735	78,802	285,537	17,872	7,629	25,501	1,951,99	845,179	2,797,127
1980															
Employer/															
Own account worker	36,993	16,423	53,416	62,734	14,725	77,459	12,954	5,588	18,542	918	191	1,109	113,599	36,927	150,526
Unpaid family worker	459,879	210,222	670,101	247,119	80,131	327,250	27,938	5,638	33,576	5,248	3,363	8,611	740,184	299,354	1,039,538
Employee	82,602	104,307	186,909	35,362	36,690	72,052	6,917	6,643	13,560	1,198	1,482	2,680	126,079	149,122	275,201
Total	792,688	331,322	1,124,010	560,106	289,796	849,902	221,483	118,018	339,501	10,523	3,901	14,424	1,584,800	743,037	2,327,837
Total	1,372,162	662,274	2,034,436	905,321	421,342	1,326,663	269,292	135,887	405,179	17,887	8,937	26,824	2,564,662	1,228,440	3,793,102

TABLE 1.4: Employment Status By Ethnic Group And Gender 1947-1980

SOURCES: Department of Statistics (1947, 1957, 1970, 1980) in Jomo, K.S. (1994)

NOTE: The 1957 and 1970 Censuses do not distinguish between 'employer' or 'own account worker' instead, both 'employer' and 'own account worker' are categorized together as self-employed.

employment during 1940's until 1980's, whereby the number of employees in the labour force grew from 912,472 in 1947 to 1,200,881 in 1957, 1,374,164 in 1970 and 2,327,837 in 1980. These figures suggest that the number in employment has risen by almost 290,000 during 1947-57, by over 170,000 during 1957-70, and by almost a million during the 1970s (Ibid). The change in the employment trend was a result of economic recovery after the disruption caused during the Japanese Occupation. However there was a slow down of employment growth after Malaysia gained Independence in 1957, although the relatively "laissez-faire" policies were still retained. As a result there was a growing unemployment problem in the 1960s as there was a rapid growth in the size of the labour force (Cho, 1990).

In the 1970s, employment in export led manufacturing and services (including the public sector) grew tremendously. This was a result of excessive state intervention to stimulate economic growth, especially in industries; and the expansion of secondary and tertiary sectors (attributed to the New Economic Policy) resulted in an increase in employment and subsequently reduced the unemployment rate from 7.4 per cent in 1970 to 7.0 per cent in 1975. The trend of structural changes continued in the early 1980s, but slowed down in the mid - 1980s due to recession. During the recessionary period the unemployment rate increased from 5.7 per cent to 7.6 per cent, and the impact was greater in urban than in rural areas because the number of job-seekers outnumbered the available opportunities, and rural-urban migration heightened the unemployment problem (Ibid). Nevertheless, since the late 1980s, a manufacturing-led employment boom has resulted in near full employment in the early 1990s.

The structural changes in the Malaysian economy in the 1970s and 1980s, as shown in Table 1.5, were a result of the expansion of the secondary and tertiary sectors. This significantly increased the labour participation in waged employment in these sectors especially among the Malays. Although employment in the agricultural sector remained higher than in others during this period, there was a decline in labour participation due to a very slow growth in this sector, while the other two sectors grew rapidly.

The general trend of sectoral employment as shown in Table 1.6, was a slight

SECTOR	1947	1957	1970	1980	1985	1990
Agriculture	65.4	59.0	52.5	39.7	31.3	27.8
Mining	2.5	2.8	2.1	1.7	0.8	0.6
Manufacturing	6.8	6.4	9.7	15.7	15.2	19.5
Construction	2.1	3.2	2.3	5.6	7.6	6.4
Utilities		0.5	0.8	0.6		
Transport, storage and communications	3.7	3.6	3.8	4.3	30.5	32.9
Commerce	9.1	9.3	10.6	15.6		
Government services	10.4	15.2	18.2	16.8	14.6	12.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 1.5: Employment By Sector 1947-1990 (Per Cent)

SOURCE: Ministry of Labour, Annual Report, various years. In Jomo, K.S. (1994)

- a 1947, 1957 and 1970 figures are for Peninsular Malaysia only.
- b Includes Sabah and Sarawak
- c Non-government services: classification method has been changed in government reports
- d Malaysia only

Note: The above figures show a decline of employment in primary sectors while employment in secondary and tertiary sectors have increased.

SECTOR	1970	1980	1990
Agriculture	611.3	59.8	1,837.6
Agricultural Product	747.8	821.9	
Mining & Quarrying	55.3	44.7	39.1
Manufacturing	251.9	565.7	1,290.2
Construction	59.9	185.9	456.9
Electricity, gas, water and sanitation services	19.8	24.3	45.9
Commerce	274.6	465.0	1,239.4
Transport & communication	98.0	144.3	285.4
Services	472.6	858.5	1,225.2
Miscellaneous activities	145.2	90.5	n.a
Total	2,756.4	3,793.1	6,621.0

TABLE 1.6: EMPLOYMENT BY SECTOR 1970 - 1990 ('000)

SOURCE: Jomo, K.S., 1986; Malaysia, 1991

increase in employment in the agricultural sector from 1,359,100 in 1970 to 1,413,700 in 1980 and 1,837,00 in 1990 (in Jomo, K.S., 1986 and Malaysia, 1991). The number of workers in mining and quarrying declined from 55,300 in 1970 and 44,700 in 1980 and 39,100 in 1990. However, contrary to this, the total employment in the manufacturing sector rose from 251,900 in 1970 to 565,700 in 1980 and 1,290,200 in 1990. This indicates the effects of employment generation of export-oriented industrialisation from the 1970s (Ibid). There was also a decline in the number of construction workers from 59,900 in 1970, before rising to 185,900 and 426,900 in 1990, as a result of a construction boom in the late 1970s and early 1980s.

There is a significant ethnic identification with occupation and employment status in Malaysia today. The uneven participation of different ethnic groups in waged employment can be clearly seen in Table 1.4. In 1947, 27 per cent of working Malays were employees, compared to 56 per cent of the Chinese and 90 per cent of the Indians. Only 9 per cent of the Indians were self-employed, compared to 36 per cent of the Chinese and 56 per cent of the Malays. It is presumed that most of the Malays were peasant farmers or fishermen while a high proportion of the Chinese were traders. However, by 1980 the distribution had changed drastically when the proportion of the Malays in employment increased from 27 per cent in 1947 to 48 per cent in 1980, while the Chinese and Indian working populations declined. This reflects the differential opportunities in the industrializing economy, by which the New Economic Policy has incorporated the Malays into waged employment especially during the 1970s.

Table 1.7 shows that proportion of female employment rose from 31.0 per cent in 1970 to 35.0 per cent in 1990. A greater increase occurred in manufacturing, trade and services. In 1970, 67.9 per cent of employed women were in agriculture, but the percentage declined to 28.2 per cent in 1990. In the manufacturing sector, women's employment was only 9.3 per cent in 1970 and rose to 24.3 per cent in 1990. Table 1.8 (a) shows that during 1970, women were only over-represented in the agricultural sector, but in 1990, as shown in Table 1.8 (a), they had become the majority among professional and technical, clerical, service and production operators.

Sector	1970			1980			1990		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Agriculture and forestry	62.0	38.0	100.0	61.0	39.0	100.0	65.6	34.4	100.0
Mining and quarrying	87.4	12.6	100.0	89.7	10.3	100.0	87.1	12.9	100.0
Manufacturing	71.9	28.1	100.0	59.9	40.1	100.0	53.6	46.4	100.0
Electricity, gas and water	94.7	5.3	100.0	92.5	7.5	100.0	93.1	6.9	100.0
Construction	93.3	6.7	100.0	92.9	7.1	100.0	95.7	4.3	100.0
Wholesale and retail trade, hotels and restaurants	81.8	18.2	100.0	70.7	29.3	100.0	61.4	38.6	100.0
Transport, storage and communications	95.7	4.3	100.0	93.7	6.3	100.0	88.9	11.1	100.0
Finance, insurance, real estate, and business services	-	-	100.0	70.5	29.5	100.0	65.8	34.2	100.0
Community, social and personal services	71.1	28.9	100.0	70.6	29.4	100.0	62.1	37.9	100.0
Average percentage distribution	69.0	31.0	100.0	67.3	32.7	100.0	65.0	35.0	100.0

TABLE 1.7: Employment Distribution By Sector And Gender 1970, 1980 And 1990 (Per Cent)

SOURCE: Sixth Malaysia Plan, 1991-95, Government Printer, Kuala Lumpur, p.415

Sector	1970		1980		1990	
	Male	Female	Male	Female	Male	Female
Agriculture and forestry	49.6	67.9	37.5	49.3	28.9	28.2
Mining and quarrying	2.3	0.7	1.4	0.3	0.7	0.2
Manufacturing	9.3	8.1	11.8	16.3	15.2	24.3
Electricity, gas & water	1.0	0.1	0.2	0.1	0.9	0.1
Construction	3.1	0.5	6.4	1.0	8.7	0.7
Wholesale and retail trade						
Hotels & restaurants	11.6	5.8	13.1	11.2	16.9	19.7
Transport, storage and communications	5.0	0.5	5.0	0.7	5.9	1.5
Finance, insurance, real estate and business services	-	-	1.9	1.6	4.0	3.9
Community, social and personal services	18.1	16.4	22.7	19.5	18.8	21.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 1.8 (a): Sectoral Distribution Of Employment By Gender 1970, 1980 And 1990 (Per cent)

SOURCE: Sixth Malaysia Plan, 1991-95, Government Printer, Kuala Lumpur, p.417

Occupational Category	1970		1980		1990	
	Male	Female	Male	Female	Male	Female
Professional, technical and related workers	4.6	5.3	6.4	8.5	6.4	9.4
Administrative and managerial workers	1.0	0.1	1.4	0.3	2.8	0.6
Clerical and related workers	5.4	4.1	6.8	11.1	7.0	14.1
Sales and related workers	9.8	4.9	10.3	7.2	11.4	11.4
Service workers	8.1	8.4	9.0	9.0	9.9	14.1
Agricultural workers	47.6	66.8	35.9	46.3	29.4	28.1
Production and related workers	23.5	10.4	30.2	17.6	33.1	22.3
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

TABLE 1.8 (b): Employment Distribution By Occupational Category And Gender 1970, 1980 And 1990

SOURCE: Sixth Malaysia Plan, 1991-95, Government Printer, Kuala Lumpur, p.416

However, there is an inconsistency of data provided by government agencies in Malaysia; this is due to the different estimates of international migratory flows. The level of illegal immigration into Malaysia has been under-estimated. In mid-1992, over 350,000 illegal (Ibid), mainly Indonesian labourers were working in the agricultural and construction sectors.

1.7.1 Labour Relations

The attitude of colonial as well as post-colonial governments in Malaysia may generally be described as unsympathetic to the interests of workers. Although there have been some important policies that provide important consequences for workers, generally their attitude is to favour, or promote the interests of particular fractions of capital. This can be seen in the fact that the government's treatment of trade unions has been greatly influenced by these underlying interests, though historical factors have also shaped the development of trade unions in Malaysia. According to Jomo (1986a) a major consequence of this underlying class relationship is the view that trade unions are not good for economic progress. This ideology has generally led to a low wage policy. This cheap labour policy, which originated in labour-intensive tin mining and plantation agriculture in the colonial period, has been reiterated in the post-colonial period to ensure continued economic growth. Thus, from the 1970s onwards, the policy for export-oriented industrialisation has reinforced the desire for cheap labour.

Although labour unions have been established and active since the 1920s and 1930s, the colonial government only reluctantly legalised trade unions in 1940. This was actually intended to control their growth and activities. This may be seen when the Trade Union Ordinance and the Industrial Courts Ordinance laid down strict regulations on the right to unionise and to pursue industrial action. Although these regulations were never implemented due to the Japanese invasion, the same regulations were enforced soon after the war and appear to be still in enforcement today. However, amendments have been made in 1965, 1973 and most recently, in 1980, which provide strict legislative controls over the trade union movement with a view to preventing them from being used for purposes which threaten internal security and economic development. Another regulation,

which was also established to exert a greater control the over trade union movement and the conduct of industrial relations is the Industrial Relations Act, 1967, which was substantially amended by the Industrial Relations (Amendment) Act, 1980. This regulation has been commented upon by Mills, C. P. (1971) in his book, "Industrial Disputes Law in Malaysia." He said:

“There appears, not only in the temporary legislation passed for the Emergency periods, but also in the more permanent statutes passed by Parliament in the relatively more tranquil times, to be an increasing tendency for the government to proceed by way of vesting discretionary powers in Ministers and permanent officials, with little statutory direction for the exercise of these powers, and even less opportunity for judicial review of the exercise of such power (in Wu Min Aun, 1982).”

This comment was made in the light of the Trade Union (Amendment) Act 1980 and the Industrial Relations (Amendment) Act 1980, under which these two amending statutes have given considerable powers to the Minister and Registrar of Trade Unions to govern employment relations.

Hence, the principles governing the relationship between employer and employees derived from legislation and the employees' organisation, employers' organisation, the Industrial Court and others concerned with industrial relations. However, at present, legislation appears to be the dominant factor. Apart from the legal basis of the employment relationship is the individual contract of employment, but the element of individual bargaining to secure better terms and conditions of work, including wages and welfare benefits, is governed by collective agreements in those sectors which are unionised. However, in view of the low percentage of unionised workmen in the country (estimated to be 20 per cent of the total labour force) and the small membership of trade unions in general, the development towards collective bargaining through trade unions is slow. It should be pointed out here that the trade union movement at present is highly fragmented, diffused and characterised by the large number of small unions in general (Ibid). This was partly due to strict regulations in the Trade Unions Ordinance, that (in Section 2) require unions to be of similar trades, occupation or industries, and unions in

Peninsular Malaysia, Sabah and Sarawak to be formed separately. In addition to this, Section 10 (1) permits seven members to apply for registration and Section 27 separates civil service unions from private sector unions (Ibid). These requirements inevitably increase the number of small unions and limit their size at the same time. At present, only two or three unions in the country possess sufficient resources and organisation to bargain effectively (Ibid).

The most obvious instance of ineffective bargaining is when the Registrar of Trade Unions rejected the application of electronics workers to become members of the Electrical Industry Workers' Union, on the grounds that the electrical and electronic industries were different.

The decision was influenced partly by the electronics industry employers who strongly opposed the unionisation of their workers⁸. However, the government has finally approved the formation of an electronics workers' union but only as an 'in-house union' after pressure and threats posed by various international organisations such as the International Labour Organisation (ILO) and the American Federation of Labour Congress of Industrial Organisation (Ibid).

Thus, the government's decision to encourage in-house unionisation further fragments unions and undermines the collective strength of workers, weakening the trade union movement. The principal task of unions, that is, negotiating their member's wages, occupational benefits and other conditions of employment, will be less effective. This is because bargaining power, which is the most influential factor in determining a union's ability to secure a favourable negotiated agreement, has lacked sufficient strength to gain more than minimal improvements in wages, benefits and conditions. It is not surprising to find that industrial workers in Malaysia have been subject to exploitation (discussed in

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The New Strait Times (9 March 1983) reported that "... the management of most factories are not in favour of a union for the electronics industry..." The Star (5 July 1983) quoted the managing director of the Hewlett-Packard factory in Penang, Dan Nelson, as stating: "...Corporate officials would probably hesitate to invest further in Penang if unionism proves to be successful in electronics factories (In Jomo & Todd, 1994).

Chapter Five).

1.8 THE NATIONAL DEVELOPMENT POLICIES

1.8.1 Development Policies before the 'New Economic Policy'

The first attempt of a systematic development in Malaysia was in 1954, three years before Independence. It was the World Bank mission in financing development to Malaya which resulted in the formulation of the First Five Year Plan for Malaya (1956-1960). As the World Bank at that time adopted a growth strategy in its development philosophy, this Five Year Plan was directed at the development of an economic infrastructure such as telecommunication, electricity, roads, railway and port facilities. These serviced the primary commodity export economy. Although this Plan covered the first three years after Malaya gained Independence, responsibility for its formulation and implementation rested mainly on the top British officials in the Malayan Treasury (Aziz Muhammad, 1993, p. 153-154). About 80 percent of the allocation of this Plan was spent on economic sectors (infrastructure and 'agricultural development'), while only 14.4 per cent was allocated for social service. Aziz (1993) suggested that the broad allocations on economic sector reflected the underlying commitment of the State to protect the interests of the British plantation and mining concerns (Ibid). The Second Five Year Plan (1961-1965) was the first plan in which the independent ruling party played an important role. According to Aziz Muhamad, (1993), the plan is actually the 'politics of compromise' development policy. It was described as:

the inter ethnic 'compromise' meant that the post-colonial government was committed to defend the interest of the British and foreign capitalists, while permitting local, predominantly Chinese capitalists to consolidate and further strengthen their position
(Aziz Muhamad, 1993).

This 'compromise' led to the government adopting a basically 'laissez-faire' development strategy, with minimum governmental interference. However, due to the fact that the rural Malays were supporters of the ruling party, a substantial portion of the Plan's expenditure was allocated to rural development (Ibid). The emphasis on rural development was focused on physical infrastructure and land development. It should be noted here that in

Malaysia during that period 73.1 per cent of the population were located in rural areas. Despite healthy economic growth, the majority of rural people did not benefit from the growth. As mentioned above, this is because the Malaysian economy was dominated by foreign investors. The Chinese capitalists, together with the Malays administrative-political elite, enjoyed most of the fruits of rapid economic growth in the 1960s (Jomo, 1989, p.80).

The next development plan (after the formation of Malaysia included Sabah and Sarawak), the First Malaysia Plan (1966-1970) was pursued with almost the same philosophy and strategy with the Second Five Year Plan above. Thus, the main features of the development strategies of the 1960s emphasised: infrastructural development such as the building of roads, schools, clinics, irrigation scheme, mosques, community halls especially in the rural areas; the development of land and resettlement schemes, carried out especially by the Federal Land Development Authority. These schemes aimed at bringing together the techno-economic strengths of the plantation sector and socio-economic needs of the smallholding sector; the diversification of agricultural crops by introducing oil palm, cocoa, sugar cane. This was to avoid over-dependence on rubber which often subjected to price fluctuation; the adoption of an industrialisation strategy of the 'import substitution' type. This enabled the foreign-owned capital belonging to the Transnational Corporations (TNCs) control on the local market. However, since most of these import-substituting industries involve the final assembly and packaging of components parts manufactured abroad, it has little linkage effects with other sectors of the local economy. Subsequently, in the late sixties, this strategy was replaced by an export-oriented industrialisation which encouraged 'labour intensive' industries; the expansion of manufacturing sector by offering incentives such as providing infrastructure and pursuing a 'sound fiscal and monetary policies'. Thus, a small proportion of public expenditure was allocated to commerce and industry. This allocation was in line with the laissez-faire development strategy of which the State did not involve directly profitable economic activities. Meanwhile the private sector played an important role as the engine of growth.

As seen above, the trend of development planning in Malaysia since the 1960s has

been aimed at achieving high rates of economic growth. These planning techniques and models are described by Aziz Muhamad, 1993, as similar to the Harrod-Domar growth model⁹. These models were used with the aim of generating high rates of economic growth, on the assumption that the benefits of this would 'trickle down' to the masses. However, this expectation was not met and, although the Gross National Product (GNP) grew rapidly, inequality and poverty persisted. There is a continuing existence of relative poverty in the rural areas especially in the traditional rice-farming and rubber small-holding villages (Aziz Muhamad, 1993).

In the 1960s and 1970s, the rate of economic development was maintained, but apparently economic progress also increased income inequalities¹⁰. Some key aspects of economic development under colonial control provide some insights into the inherited structure of the Peninsular Malaysian economy. For instance, the regional imbalance between the East coast and the West coast was a consequence of the initial location of the tin mines, infrastructural development and the growth of capital accumulation on the West coast. Similarly, the differences between the rice growing North and the rest of the peninsula are related to the British desire to preserve Malay peasants as rice farmers. The urban-rural gap is of course related to the role of town and country in the capital accumulation process, added to the relative backwardness of the agricultural sector. Whereas ethnic differences relate to the identification of race with economic function,

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This growth model is based on mathematical formula used by Roy F. Harrod (Toward a Dynamic Economics, MacMillan, 1948) and Evsey Domar of MIT. They wrote a similar formula of growth models which many economists assumed to be the same, therefore this was referred to as "Harrod-Domar growth model."

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There exist not only wide inequalities in the distribution of income among all racial groups-Malay, Chinese and Indian-but also unequal distribution in employment among the various sectors of the economy and unequal distribution in the ownership and control of wealth. In terms of per capita earning, the Malays received M\$34 per month or one-half that of the Chinese at M\$68, while the Indians obtained M\$57 or some 70 per cent more than the Malays. Of all poor households, about 74 per cent were Malay, 17 per cent Chinese and 8 per cent Indian. In employment, the Malays were concentrated in agriculture where per capita production was the lowest among all sectors. The Chinese were concentrated in mining, manufacturing and construction where per capita production was 167 per cent higher than in agriculture and 60 per cent higher than the average for the entire economy. With respect to the ownership of wealth, only a small amount of share capital was owned by Malays and Indians compared to the holdings by the Chinese (Third Malaysia Plan: The New Economic Policy, 1976-80).

Income	MALAY HOUSEHOLDS					CHINESE HOUSEHOLDS					INDIAN HOUSEHOLDS				
	1957/8	1967/8	1970	1973	1976	1957/8	1967/8	1970	1973	1976	1957/8	1967/8	1970	1973	1976
Share of	18.1	22.2	24.6	22.7	n.a	19.2	19.9	25.4	18.8	n.a	19.4	22.3	28.4	25.6	n.a
Top 5%	42.5	48.2	52.5	50.8	n.a	46.0	46.7	52.6	48.6	n.a	43.6	48.1	54.2	51.3	n.a
Top 20%	37.9	34.8	34.8	35.5	n.a	35.9	36.3	33.5	35.5	n.a	36.6	35.6	31.5	33.7	n.a
Middle 40%	19.6	17.0	12.7	13.7	n.a	18.1	17.0	13.9	15.9	n.a	19.8	16.3	14.3	15.0	n.a
Bottom 40%	140	63	177	222	529	302	349	399	444	1247	243	260	310	365	519
Mean Income	112	120	122	n.a	357	223	261	269	n.a	623	188	191	195	n.a	232
Median Income	.34	.40	.47	.45	.47	.38	.39	.45	.42	.58	.35	.40	.46	.44	.49
Gini Ratio	.21	n.a	.40	.36	.44	.23	n.a	.39	.31	.73	.25	n.a	.39	.35	.50
Theil Index															

TABLE 1.9: Size Distribution Of Household Income By Ethnic Group, Peninsular Malaysia

n.a. Not available

- SOURCES: 1. D R Snodgrass (1980: 76-Table 4.7)
2. Ishak Shari & Rogayah M Zain (1978: 21-Table 5)
3. M W Kusnic & J Da Vanzo (1980: 52-Table 15)
In Jomo, K.S., Development and Inequality, Ishak, S., 1989

which again has its origin in the formation of the colonial economy (Jomo, 1981). The inequality - on aggregate as well as intra-ethnic lines - has consequently resulted in growing interclass tensions, largely perceived in ethnic terms. Hence, Malay opposition to capital was primarily expressed in terms of resentment to ethnic Chinese, while non-Malay frustrations were directed against the state (the Malay dominated post-colonial state machinery) (Jomo, 1981). This inequality may be seen from the trend of income distribution patterns in 1957 and 1970 as shown in Table 1.9. During that period, unequal income distribution worsened, and thus increased the gap between urban and rural and between ethnic groups, especially among Malays (Jomo, 1989, p. 4). In the period from Independence to 1969, the GNP in Peninsular Malaysia increased by 86 per cent (Snodgrass, 1970:7 in Cho, 1990, p. 17). Although there was a declining price trend for natural rubber and timber, the actual rate of growth achieved was 5.3 per cent per annum during that period. This is considered to be among the better rates in South East Asia and among developing countries (Snodgrass, 1980:7, in Ibid). According to Snodgrass, this achievement can be attributed to a broader based export sector and a liberal and outward-looking economic policy framework which emphasized foreign trade and private enterprise.

1.8.2 Changing Structure of the economy

The deteriorating socio-economic and political situation during 1960s was subsequently interpreted primarily in ethnic terms. Bloody racial riots in 1969 shocked the government and led to a major revision of development strategy. A great deal has been written about the causes of the riots, which are popularly known as the '13th May Tragedy' (Jomo, k.S., 1981; 1985; 1986; Salih, K., 1977; Cho, 1990 and Aziz Muhamad, 1994). From an economic perspective, poverty and inequality were the causes of racial conflict in Malaysia. As a result, the New Economic Policy (NEP) was launched to create the socio-economic conditions for achieving 'national unity' through redistributive policies, within the projected target time of twenty years (1971 - 1990). In this context, inter-ethnic relations were expected to be improved by eradicating poverty, and restructuring society to eliminate the identification of race with economic inequalities. To this end, an Outline Perspective Plan (OPP) for the twenty year period 1971-1990 was established with

specific targets for poverty reduction (Jomo, K.S., 1989, p. 80).

The New Economic Policy (NEP) was first implemented in the Second Malaysia Plan (SMP, 1971-1975). It proceeded with the goals of development which were longer to be growth and diversification but income distribution with growth (Tan Tat Wai, 1981, p. 100). To this end, industrial policy has emphasised manufacturing export. This strategy indicates a shift from import substituting industrialisation to export-oriented industrialisation. Although this policy was started in 1960s, its growth had started to slow down in the second half of the 1960s. However, during this NEP period the government felt that a new push was necessary to boost manufacturing sector and hence overall growth.

The switch in industrial strategy was successful as manufacturing employment as well as the export value of manufacturers rose sharply. This is evidenced by the emergence of several major new industries such as the electronics, textiles and oil palm (Ibid). Undoubtedly, the manufacturing sector has increased employment opportunities which is one of the objectives of the New Economic Policy. It has also increased large number of rural-urban migrants, largely Malays, to participate in this modern sector of the economy. As a result the urban population density has increased and brought some associated problems with it. Increased density leads to greater demands on existing land for housing, employment opportunities and services. An increase in the number of urban Malays does not however mean an improvement in their socio-economic status. The continuing migration of the rural poor has literally transformed rural poverty into urban poverty (Mohd. Razali Agus, 1994 in Jamilah Ariffin ed., p. 132). A study on the urban growth and poverty in Kuala Lumpur by City Hall (1984), shows that the migration of Malays from rural areas to Kuala Lumpur has resulted to a certain extent in housing shortages led to the growth of urban squatters, dreadful conditions of sanitation, in adequate public services, and ecological and other related social problems, including unemployment and underemployment (Mohd. Yusof Kasim in Mohd. Yaakub Johari (ed) 1991, p. 117)

Another explicit strategy to eradicate poverty in the New Economic Policy has been rural development. It involves a long term programmes as outline in the Third

Malaysia Plan, 1976-1980 as follows:

- To provide assistance to the poor to enable them to expand their productive capital and to utilise the capital acquired effectively. This involves the opening up of land for settlement of the landless and those with uneconomic holdings; upgrading and improving irrigation system for rice farm; the replanting and rehabilitation and redevelopment of rubber, coconut and pineapple production; the introduction of off-season cropping, inter-cropping and mixed farming to supplement main crop incomes; the promotion of livestock and fishing development. In the implementation of these programmes, the provision of extension, marketing and credit facilities has been intensified so as to increase the application of improved technology.
- The provision of opportunities for the poor, in particular the landless and those with uneconomic-sized holdings to move into more productive agricultural and non-agricultural employment. Educational and training programmes were also provided to the rural youth in order to equip them with skills required for modern agriculture and industrial employment.
- Provision of better services in the field of housing, transportation, water supply, electricity, education, health, nutrition and family planning.
- Accelerated creation of productive employment opportunities in the secondary and tertiary sectors of the economy.

(Ishak Shari in Jamilah Ariffin (ed), 1994, p. 28)

It was in the Third Malaysia Plan, 1976-1980 that the new development policy and strategy found full expansion. Under the Second Malaysia Plan, 1971-1975 it was not possible to plan a concrete strategy for poverty eradication because there was insufficient information and data on the actual conditions of poverty in the nation.

However, the above anti-poverty strategy has been criticised for giving very little

emphasis to the structural determinism of the rural poverty problem. Instead, rural poverty has been equated with low productivity. Thus, it is primarily regarded as technical problem caused by imperfections in economic organisations and reinforced by traditional values (Ibid).

Under the Fourth Malaysia Plan, 1981-1985, some changes were introduced to the strategy to reduce poverty. Efforts have been focused at increasing productivity in existing areas. To this end, the agricultural sector has gone into the 'in-situ' development programme of consolidating landholding, improving planting material, introducing new productive activities under rubber and embarking on new forms of organisation that similar to the settlement schemes (Ishak Shari in Jamilah Ariffin (ed), 1994, p. 29).

During this period exploitation of the country's resource base continued and urban industrial growth was centered on maintaining a growth strategy. The urbanisation approach to regional development continued to develop infrastructure to link towns with their rural hinterlands (Taylor, M. & Ward, M. in Brookfield, H., 1994, p. 125). Greater emphasis was also given in the manufacturing sector such as electrical machinery and appliances and petroleum products and they became Malaysia's leading exports. Other fast growing manufactured export commodities included chemicals and chemical products, non-metallic mineral products. However, the global recession and fall in commodity prices in 1985 and 1986 have brought a severe slowing manufacturing.

The most direct impact on many people have been a fall in income. Between 1981 and 1985 the Malaysian GDP grew at a rate of 5.8 per cent in real terms, despite a world economic recession (Cho, G. 1992, p. 19). According to Cho, this growth was achieved even though there were structural problems in the domestic economy and weak commodity prices. The major contributors to this growth were the primary and tertiary sectors (see Table 1.10). However there was a negative growth in GDP, especially within the secondary sector (manufacturing and construction), of only 2.0 per cent in 1985, compared with 1984 which was the largest contributor to the GDP (Ibid). Overall economic performance in the middle of 1980s declined and deteriorated, and there was a collapse in private investment, both domestic and foreign. This resulted in a serious

INDUSTRY	RM Million				Average Annual Growth Rate %	
	1980	1985	1990	1995	1986-1990	1990-1995
<u>PRIMARY</u>						
Agriculture, Forestry & Fishing	14,676	17,942	22,267	24,665	4.4	2.1
Mining & Quarrying	10,189	11,854	14,827	16,406	4.6	2.0
	4,487	5,958	7,757	8,938	5.2	2.9
<u>SECONDARY</u>						
Manufacturing	10,998	14,102	23,832	43,894	11.1	13.0
Construction	8,932	11,263	21,340	39,825	13.7	13.3
	2,066	2,738	2,832	5,277	0.4	13.3
<u>TERTIARY</u>						
Electricity, gas & water	17,836	25,049	33,230	51,757	5.7	9.3
Transport and Communication	640	948	1,526	2,823	9.8	13.1
Wholesale & Retail	2,542	3,630	5,487	8,787	8.6	9.9
Finance, Insurance & Services	5,383	6,911	8,806	14,568	4.7	10.6
Government Services	3,687	5,121	7,758	12,884	8.4	10.7
Other Services	4,563	6,957	8,447	11,683	4.0	6.7
	1,021	1,301	1,678	2,436	4.9	7.7
GDP at purchase value	44,702	57,093	79,329	120,316	6.7	8.7

TABLE 1.10 : Gross Domestic Product By Industry of Origin 1980 - 1995

SOURCE : Statistic Department (1985a) in Cho.G. 1992, P.19
Sixth Malaysia Plan (1991 - 1995)
Seventh Malaysia Plan (1996 - 2000)

NOTE : During Fifth Malaysia Plan (SMP 1986 - 1990) annual GPP Grew at a rate of 6.7%, rising to 8.7 during Sixth Malaysia Plan (6MP 1991 - 1995).
The secondary sector grew rapidly while primary industry declined in the 6th Malaysia Plan.

balance of payments problem and caused severe recession (Jomo, K.S., 1989, p. 80).

It was reported in the Mid-Term Review of the Fourth Malaysia Plan, that overall poverty had increased from 29.0 per cent in 1980 to 30.3 per cent in 1983 (the Economic Planning Unit of Malaysia, "Mid-Term Review", 4MP, p. 79). It was also estimated that in 1983 about 717,600 households were living in poverty,¹¹ compared with 635,900 poor households in 1980. Rural poverty increased from 37.4 per cent in 1980 to 41.6 per cent in 1983, while urban poverty declined from 12.6 per cent to 11.1 per cent in 1983 (A. Muhamad, 1993; Jomo, 1985). However, the Seventh Malaysia Plan report claimed that poverty has been reduced from 37.4 per cent in 1980 to 17.1 per cent, in 1990 (7th Malaysia Plan) (Table 1.11).

The rapid recovery of the economy during the last three years of New Economic Policy (during Fifth Malaysia Plan, 1986-1990 period) has been induced by private investment. Apart from the petroleum sector, investment in manufacturing and services sectors has continued to increase. Foreign investment dominated the growth of private investment. The manufacturing sector played an important role by not only contributing to economic growth (about 11.1 per cent - Table 1.10) but also by creating employment. Employment created in the manufacturing sector expanded by 8.6 per cent per annum from 855,400 in 1985 to 1,290,200 in 1990, which accounted for 19.5 per cent of total employment in 1990 (Sixth Malaysia Plan, 1991-1995, p. 129).

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In Malaysia, poverty is officially defined in relation to an undisclosed Poverty Line Income (PLI). Although the three major components used by the Prime Minister's Economic Planning Unit's (EPU) in computing the PLI, namely (a) food (b) clothing and footwear and (c) non-food components, (such as rent, fuel and power, transport, health, education etc.), the actual figures supplied by the Institute of Medical Research and the Ministry of Social Welfare are not disclosed. The EPU claimed, that PLI is adjusted annually for changes in the Consumer Price Index. Thus, the poverty line in 1970 is referred to as the equivalent of MR\$33 per capita per month, or MR\$396 per annum. For 1990, the poverty line income was designated to be MR370 per month in Peninsular Malaysia (household size of 5.1). For Sabah, it was MR544 (household size of 5.4) and in Sarawak, it was MR542 (household of 5.2) (Jamilah Ariffin, 1994, p. 8). However, according to Jomo, 1985, the PLI used by Malaysia has weaknesses, because the recommended dietary intake and minimum food requirements varies between individuals - depending on occupation, age sex, bodyweight, etc. - and at different times. This blanket definition of the PLI does not consider the different costs of living in urban and rural areas, generally resulting in the overestimation of rural poverty and underestimation of urban poverty (Jomo, K.S., 1985).

	1970			1980			1990			1995		
	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
	Incidence of Poverty (%)	49.3	21.3	58.7	29.0	12.6	37.4	17.1	7.5	21.8	9.6	4.1
Number of Poor Households ('000)	791.8	85.9	705.9	6 35.9	93.8	542.1	619.4	89.1	530.3	417.2	95.9	321.3
Incidence of Hardcore Poverty (%)	n.a	n.a	n.a	n.a	n.a	n.a	4.0	1.4	5.2	2.2	0.9	3.7
Number of Hardcore Poor ('000)	n.a	n.a	n.a	n.a	n.a	n.a	143.1	16.3	126.8	93.5	20.5	73.0
Total Households ('000)	1,606	402.6	1,203.4	2,193	743.5	1,449.5	3,614.6	1,182.7	2,431.9	4,347.8	2,357.0	1,990.0

TABLE: 1.11 : Incidence of Poverty and Number of Poor Households. 1970 - 1995.

SOURCE : JOMO. K.S (1985) , Jamilah Ariffin (1994) and 7th Malaysia Plan.

- Note : - The calculations took into consideration the effects of programmes implemented during 1971-80 as well as changes in other factors such as prices and costs.
- Poverty estimation for 1995 is based on the following povertyline income : RM425 per month for households size of 4.9 in Peninsular Malaysia, RM601 permonth for households size 4.9 in Sabah and RM516 per month for a household size of 4.8 in Sarawak.
- Figures for 1995 are based on the preliminary data of the Household Income Survey, 1995.
- Except for 1990, urban areas are defined as gazetted areas and adjacent built-up areas with a combined population of 10,000 persons or more as in the 1991 Population and Housing Cencus. For 1990, built-up areas are classified as rural.
- Hewrd core poverty is estimated using half of the poverty line income.
- All Figures in table I. II include non-citizens.

Malaysia's approach to regional development changed under the Fifth Malaysia Plan. Interstate co-operation in joint programmes within regions (four regions in Peninsular Malaysia and two regions in East Malaysia) was promoted as a way of widening the potential for industrial development in a region. This is to correct the failings of past policies which the industrial development had been uneven. Thus, the new policy was to redistribute to a myriad of small industrial estates scattered from one end of the country to the other according to the dictates of regional policy (Taylor, M. & Ward, M. in Brookfield H., 1994, p. 127).

In the mean time, the strategy to combat rural poverty has concentrated more on "hard-core poverty" (defined as those with incomes lower than half of the poverty line income)¹². The effort to improve their living conditions, various public sector programmes have been re-examined to ensure that those in hard-core poverty had direct access to the benefits derived from the implementation of these programmes. For example, the 'New Approach' strategy was undertaken to identify and assist households and areas needing immediate improvements. At the same time, 'Project Ikhtiar' provided interest free loans to poor households to undertake income-generating activities (Ishak Shari in Jamilah Ariffin (ed), 1994, p. 31)

The New Economic Policy's Outline Perspective Plan (1971-1990) projected reduction of the official poverty rate from 49 per cent in 1970 to 16 per cent in 1990. This official poverty incidence however, was calculated for Peninsular Malaysia only. It was reported in the Second Outline Perspective Plan (1991-2000) that the rapid economic development and substantial growth in income has brought about reduction in the incidence of poverty. The official poverty rates for Peninsular Malaysia in 1990 were down to 17 per cent (higher than the OPP's 16 per cent target for 1990). However, the official poverty rate for Sabah and Sarawak in 1987 remained higher at 35.3 per cent and 24.7 per cent respectively. While in 1990 the incidence of poverty in these two regions has

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The official hard-core poverty line is placed half the official poverty line, MR16.5 per capita per month in 1970 prices. The hard-core poor in Malaysia have the same "distribution" as the poor, for example, they also tend to be among the rice cultivators and the rural Malays (Surjit Bhalla & Homi Kharas, 1994, p. 59).

declined a little to 34 per cent and 21 per cent respectively (Jamilah Ariffin, 1994, p. 10). The high incidence of poverty in Sabah is due to inclusion of poor temporary immigrant households in poverty estimates.

According to Jomo K.S. (1994), much of the reduction in poverty has been due to economic growth and increases in productivity, rather than more equitable redistribution of economic resources, especially capital and land. Jomo pointed out, that without such redistributive measures, existing property rights and the inequitable pattern of asset distribution underlying existing income inequalities and poverty have not been changed by government policy (Jomo, K.S., 1994, p. 10).

No doubt that the implementation of the rural development programmes during the New Economic Policy period has helped to raise the income of the rural population including the rural poor, thereby contributing towards the reduction of poverty incidence in Malaysia. However, the rural poverty which used to be identified with growing labour surplus was also reduced by out-migration of the younger age groups to the higher income opportunities in the urban industrial and service sectors. This may be seen particularly in the seventies and eighties.

The continuing migration of the young rural population to urban areas has resulted in the ageing of the agricultural labour force in some activities. At the same time a new rural generation is not attracted to agricultural occupations (Ismail Shari in Jamilah Ariffin (ed), 1994, p. 57). This situation has caused shortage of labour force in the smallholder sector. Thus, rural development programmes have become less effective because there was a decline in small household units of production.

Nevertheless, the New Economic Policy has given remarkable results. Heavy state investment led to a transformation of the economy from agricultural to an industrial base. Within twenty years the proportion of Malaysians living below poverty line was reduced from 49 per cent to 17 per cent. Although the incidence of poverty at the end of the New Economic Policy did not reach the target, it still represented a significant reduction. During the same period Malay corporate ownership has reached at 20.5 per cent,

compared to only 2.4 per cent in 1970. While the non-Malay indigenous ownership rose from 32.3 per cent to 46.2 per cent (Von der Mehden, 1991 in Jalal Alamgir, 1994, p. 72). In the banking and financial sector, Malay ownership rose to almost 70 per cent by mid-1985 (Ling, 1992 in Ibid). According to Jesudason (1989, during this period (New Economic Policy, a new business class evolved very rapidly, while some bureaucrats turned into successful businessmen (Ibid). This indicates, most of the benefits of the New Economic Policy went to a small Malay corporate class, while a large number of Malays continue to live in poverty.

The two main concerns of Malaysian development strategy have been overall growth and ethnic balance. However, under the New Economic Policy, the government has been a major actor in the economy. The New Economic Policy however, concentrated on a high rate of economic growth, but social objections were largely ignored. This may be seen in the public expenditure figures contained in the Fourth Malaysia Plan, 1981-1985 where there was a reduction in the development expenditure for social services to 13 per cent as compared to allocation made in the Third Malaysia Plan, 1976-1980 (Table 1.12). The worst affected services were health, housing and social welfare.

1.8.3 Development After 1990

The New Economic Policy expired in December, 1990, and subsequently the Malaysian government announced a twenty-year New Development Policy (NDP) in its place. The objective of New Development Policy is to attain balanced development in order to create a more united and just society. NDP emphasises growth with equity to enable all Malaysians to participate in the mainstream of economic activities (Sixth Malaysia Plan, p. 3). Thus, its strategy stresses more on eradicating hard-core poverty and developing entrepreneurial and technical skills of the Malays, while ethnic economic redistribution is given less emphasis.

The strategies of the New Development Policy embodied in the Second Outline Perspective Plan (1991-2000) consist of policies, strategies, dimensions and targets set for the next ten years. While the Sixth Malaysia Plan, 1991-1995, elaborates the strategies as

Expenditure Category	Second Malaysia Plan 1971-75		Third Malaysia Plan 1976-80		Fourth Malaysia Plan 1981-85		Fifth Malaysia Plan 1986-90+	
	\$m	% of total	\$m	% of total	\$m	% of total	\$m	% of total
<i>Agriculture</i>	2,129	22	6,487	21	8,924	12	12,330	18
Rubber replanting	158	1	263	1	397	1	1,910	3
Draining and irrigation	271	2	779	3	1,425	2	337	-
Land development	1,139	11	3,433	11	3,040	4	4,419	6
Other	561	8	2,012	6	4,062	5	5,664	8
<i>Transport</i>	1,781	18	4,462	14	12,966	17	10,789	16
Road	1,033	11	2,763	9	9,960	13	7,672	11
Rail	104	1	350	1	651	1	1,049	2
Ports	442	4	859	3	1,481	2	401	-
Aviation	202	2	490	1	874	1	1,667	-
<i>Communications</i>	604	6	1,363	4	5,033	7	9,706	14
Telecommunication	499	5	1,211	4	4,932	7	9,572	11
Broadcasting	87	1	110	-	94	-	120	-
Posts	18	-	42	-	7	-	14	-
<i>Utilities</i>	952	9	2,120	7	8,645	11	9,895	14
Electricity	634	6	1,407	5	6,589	9	6,385	9
Water supply	297	3	542	2	1,828	2	3,126	4
Sewerage	21	-	171	-	228	-	384	1
<i>Commerce and trade</i>	1,654	17	4,348	14	20,212	27	9,752	14
<i>Social services</i>	1,327	13	5,214	17	9,981	13	9,035	13
Education and training	676	7	2,153	7	4,688	6	5,583	8
Health and family planning	174	2	529	2	737	1	715	1
Housing	235	2	1,709	5	3,935	5	1,980	3
<i>Social welfare</i>	242	2	826	3	621	1	757	1
<i>General administration</i>	349	3	862	3	811	1	2,788	4
<i>Sub total: Non-security</i>	8,796	89	24,856	80	66,572	90	64,295	93
<i>Defence</i>	765	7	4,969	16	5,836	8	2,804	4
<i>Internal security</i>	259	3	1,340	4	1,658	2	1,901	3
<i>Total</i>	9,820	100	31,165	100	74,066	100	69,000	100

TABLE 1.12: Malaysia: Public Sector Development Expenditure Under Four Development Plans 1971-1990

SOURCE: Adapted from various Five Malaysia Plans (second Malaysia Plan - fifth Malaysia Plan)
Government Printer, Kuala Lumpur

Notes: * Indicates less than 0.5 per cent
+ Estimates only
Some totals do not add to 100 per cent owing to rounding errors

well as the programmes and projects designed to achieved the objectives of the NDP. At the same time in maintaining the basic New Economic Policy commitments there are additional main concerns of the Sixth Malaysia Plan:

1. To increase investment efficiency and growth. This include efforts to improve physical and social infrastructures, particularly human resource development and research and development (R&D) capability;

2. To improve competitiveness of the economy and accelerate the industrial development process; and

3. To mobilise and channel savings towards productive sectors of the economy.

(Ali Abul Hassan Sulaiman in Teh H.Y. & Goh K.L. (ed), 1994. p. 2).

Employment in agriculture declined in the 1990's, with manufacturing, trade, hotels, restaurants and other services growing rapidly. This was because public expenditure in agriculture has been reduced to 11.6 per cent in the Sixth Malaysia Plan compared to 20.8 per cent during the Fifth Malaysia Plan (Table 1.13). Government expenditure on social policies remained constant, however, the Sixth Malaysia Plan's economic expenditure share of 56.8 per cent was much lower than the Fifth Malaysia Plan's share of 64.8 per cent. Instead, security expenditure more than doubled from 7.2 per cent to 20.1 per cent, with defence rising from 4.2 to 16.9 per cent. The increase is alarming because despite the cessation of regional hostilities in Indochina and the termination of the communist-led insurgency (Jomo, K.S., 1994, p. 67).

Although government expenditure in economic has decreased in the Sixth Malaysia Plan, the Malaysian economy grew by 8 per cent in 1993. This was due to a remarkable performance of private sector and rapid growth of exports, especially manufactured goods.

The Sixth Malaysia Plan document appears to be more responsive, for example, the economy in 1993 continued to be one of the fastest growing economies in the region. Economic growth was higher in 1993 than in 1992, and at the same time inflation was reduced (Asian Development Outlook 1994, p. 103). The Malaysian GDP is projected to grow at about 8.7 per cent annually during the Sixth Malaysia Plan (Table 1.10). The

growth is supported by domestic demand, increased public expenditure on major infrastructure projects such as the new international airport, as well as sustained export growth (Ibid, p. 104). Manufacturing, construction and services are expected to be the leading sectors.

1.9 SOCIAL SERVICES

It has been observed that social development was not seriously emphasised in the past. In fact, one main feature of colonial economies is the way they limit the social expenditure and also provide social infrastructure unevenly. This is in order to serve the interests of colonial capitalism, for example through the internal transport network -which was developed to enable resources to be channelled from mines and plantations to the ports for export (Slater, 1975 in Overton, 1994). Despite a policy that favoured education for all, the colonial authorities followed the pattern of other British colonies and invested little in establishing a national mass education system (Andaya and Andaya, 1982: 222-35 in *ibid*). Government-funded English language schools were confined mainly to Europeans and the male children of the Malay elite, while the ethnic communities were left to organise their own respective education. Similarly, health facilities were gradually provided, but these were given low priority in government expenditure, and did not reach the majority of the population. Social welfare services were only provided after the Japanese occupation, which left behind it a residue of human problems and distress. However, at that stage the service was very limited in its scope and expenditure. Thus, during the colonial period, social development was neglected. The post-independence plan was for a high rate of economic growth. Social objectives were largely ignored. This may be seen in the First Five Year Plan (1956-1960) which emphasised the provision of an economic infrastructure including telecommunications, electricity, roads, railways and port facilities. These serviced the primary commodity export economy (Aziz Muhamad, 1994; Toh Kin Woon and Jomo, K.S., 1981). This is because the broader issue of enlarging the economic cake took precedence over all other considerations. However, there was a small increase in social services expenditure in the Third Malaysia Plan, 1976-80. About 17 per cent of the total public sector development expenditure was allocated for social services during this period. This is slightly better than the allocation made in the

Second Malaysia Plan, 1971-75, which was only 13 per cent. But under the Fourth Malaysia Plan, 1981-1985 social services expenditure was reduced to 13 per cent (see Table 1.12). The worst affected services were health, housing and social welfare. However, in the Fifth Malaysia Plan, 1986-1990, social expenditure increased to 24.8 percent of the total Federal Government development expenditure. But this amount has been shared with various programmes placed under social development including education and training, health and population, information and broadcasting, culture youth and sports, local town council and welfare services and village and community development. This social sector expenditure was rather small compared with 64.8 per cent or M\$22.886 million spent on the economic sector (see Table 1.13).

The government's privatisation policy also seems to neglect the importance of the social sector. For example, there was an anticipation of leasing public hospitals partially or wholly to the private sector and permitting private doctors to practise in public hospitals. This idea, however, is still being discussed at ministerial level and it is not known when it will be implemented. Undoubtedly, the privatisation of health and medical services will have implications for a majority of low income people. The danger here is that these services may be more costly although there could be some improvement in the delivery of medical services. Given the present average income of the Malaysian population, many people will not be able to have access to the services. Even the provision of medical insurance schemes will not guarantee that everyone is covered, especially the unemployed, retired people, the self-employed and those people outside the labour force. Housing expenditure has also been reduced and the role of housing development has been passed over to the private sector. This has caused an increase in housing price as the private sector is interested more in making profit than achieving social objectives. The minimal government intervention in housing development reflects its efforts to reduce public expenditure. As housing is the most important form of social infrastructure, it may provide a profitable investment, so passing it over to the private market will speed up the rate of development. In addition, the government is adopting what is called 'incorporation' policy to refer to the integration of the roles and functions of the government, the private sector, employers and employees, and producer and consumers, as the means of developing a united, stable and progressive society. However, without close monitoring

Sector	Federal Government					
	5MP			6MP		
	Revised Allocation	Expenditure	%	Allocation	Expenditure	%
I						
Economics	24,048	22,886	64.8	31,236	27,712	56.8
Agriculture & Rural Development	7,427	7,325	20.8	9,019	6,344	16.4
Mineral Resources Development	43	43	0.1	53	50	0.1
Commerce & Industry	3,981	3,981	11.3	5,752	4,047	10.5
Transport	7,393	6,823	19.3	10,759	12,270	19.6
Communication	815	792	2.2	73	70	0.1
Energy	947	918	2.6	979	829	1.8
Water Resources	2,954	2,667	7.6	3,773	3,433	6.9
Feasibility Study	74	52	0.1	228	99	0.4
Research & Development	414	285	0.8	600	570	1.1
II						
Social	9,046	8,764	24.8	13,468	13,555	24.5
Education and Training	5,812	5,700	16.1	8,501	7,315	15.5
Health & Population	981	931	2.6	2,253	2,387	4.1
Information & Broadcasting	33	20	0.1	128	108	0.2
Housing	1,452	1,452	4.1	803	1,825	1.5
Culture Youth & Sports	171	131	0.4	341	451	0.6
Local Town Council, Welfare Services	319	291	0.8	798	701	1.5
Village & Community Development	275	237	0.7	441	543	0.8
Purchase of Land	3	2	0.0	203	225	0.4
III						
Security	2,955	2,527	7.2	8,408	10,987	15.3
Defence Services	1,858	1,497	4.2	6,000	9,258	10.9
Internal Security	1,097	1,030	2.9	2,408	1,729	4.4
IV						
Administration	1,241	1,123	3.2	1,888	2,451	3.4
General Services	1,045	944	2.7	1,657	2,352	3.0
Upgrading and Renovation	196	179	0.5	231	99	0.4
Total	37,290	35,300	100.0	55,000	54,705	100.0

TABLE I.13 : Federal Government Development Allocation And Expenditure By Sector 1986 - 1995

Source : Sixth Malaysia Plan, 1995, Government Printer, Kuala Lumpur, p.62

Note : Include housing loan programme for the public sector employee.

and strict control from the government, housing developers are likely to manipulate and exploit the price and quality of housing projects. In fact, the price of housing is relatively high (by Malaysian standards) and the quality, design and material are poor (Guinness, P., 1994 in Brookfield).

1.9.1 Education and Training

Access to education reflects the development trends adopted by Malaysian government. Before Independence, the colonial government did not see education as an investment for development, but rather as a humane welfare policy (UNICEF, 1973 in Pieris, R., 1977, p. 82). Thus, education policy during that period conformed to the pattern in other British colonies and invested relatively little in establishing a national mass education system (Andaya and Andaya, 1982, p. 222-35 in Overton, J., 1994, p. 43). Informal education for most was left in the hands of the respective ethnic communities for instruction in their own language. Furthermore, government-funded English language schools were confined primarily to Europeans and the male children of the Malay elite.

However after Independence, traditional informal education was replaced by formal instruction based on an age-grade system by which a child entered primary school at the age of six or seven and is promoted through a succession of grades until he/she reached the upper limit of compulsory education.

Subsequently, the emphasis on economic development has placed human resource development as a major thrust to achieve the objectives. However, the achievement of socio-economic objectives depends on the availability of an educated, skilled and trainable labour force. This is to help develop a technically competent labour force that will enhance the competitiveness of the economy.

To this end, education and training programmes have been expanded and improved. Hence, a considerable high priority is given to education and training, and this is the only social subject that is given attention. This can be seen in public expenditure: education is the highest allocated of the total social sector expenditure in the Fifth and

Sixth Malaysia Plans (see Table 1.13). This is because it contributes significantly to the objectives of the National Development Policy (NDP), in particular to poverty eradication and the restructuring of society. Providing greater access to education and training will increase the income and employment opportunities of those in low income groups. Thus, educational quotas have been set up to give priority to the Malays in education, training and scholarship. Educational policy in Malaysia has been an enormously complex subject. Basic issues include the productivity of different kinds of education, and the distribution of benefits from various types of education to students and to the community at large, the degree to which non-economic values should be emphasised has not been settled generally. Various measures were undertaken to improve the quality of education and the delivery system, for example, the implementation of the New Primary School Curriculum in 1983, which culminated in the Integrated Secondary School Curriculum in 1989. The emphasis of the school curriculum is on science, mathematics and the English language. An effort to strengthen vocational education has also been carried out, by restructuring the curriculum for vocational schools in 1987. In this way the output from the local education and training institutions will have the relevant knowledge and skills to find employment in industries. Pre-school education, aimed at preparing the child for primary school, has been provided by both the public and private sectors. About 77 per cent of these pre-school institutions were run by government agencies and statutory bodies. The number of children aged between four and five years enrolled in pre-schools increased by 10 per cent from 30,0850 in 1985 to 331,520 in 1990. However, the role of the Ministry of Education was limited to the preparation of the curriculum and the registration of pre-school centres (Sixth Malaysia Plan 1991-1995, p. 158).

At the primary level, total enrolment in government and government-aided schools increased by 11.7 per cent from about 2.19 million in 1985 to about 2.45 million in 1990. Participation at this level had reached 99 per cent of the relevant school-going population. However, the increasing number of students entering primary schools led to the need for more classrooms. Rural-urban migration also increased demands for classrooms in urban areas. Thus, shortages still existed and resulted in overcrowding in the urban areas where the average class size was as high as 44 children per class (Sixth Malaysia Plan 1991-1995, p. 159). Enrolment in government and government-aided schools at the lower

Level of Education	1985		1990		1995		Increase (%)	
	number	(%)	number	(%)	number	(%)	5MP	6MP
Pre-School	162,980	4.3	188,840	4.6	362,400	7.0	15.9	91.9
Government	144,720		153,890		327,400 ¹			
Semi-Government	18,260		34,950		35,000			
Primary	2,191,680	58.5	2,447,210	59.1	2,808,210	54.5	11.7	14.8
Government ¹ and Government-aided ² schools	2,191,680		2,447,210		2,808,210			
Lower Secondary	922,210	24.6	943,920	22.8	1,126,450	21.9	2.4	19.3
Government and Government-aided schools	918,240		942,800		1,123,950			
MARA Junior Science Colleges	3,970		1,120		2,500			
Upper Secondary	333,060	8.9	368,500	8.9	589,580	11.5	10.6	60.0
<i>Arts and Science</i>								
Government and Government-aided schools	309,620		331,290		529,600			
MARA Junior Science Colleges	2,960		6,050		7,800			
Kolej Tunku Abdul Rahman	140		120		n.a			
<i>Technical and Vocational</i>								
Government and Government-aided schools	20,340		31,040		52,180			
Post-secondary	52,390	1.4	75,140	1.8	82,460	1.6	43.4	9.7
Government and Government-aided schools	43,850		62,710		68,720			
Kolej Tunku Abdul Rahman	2,790		2,130		2,280			
Pre-diploma and Pre-university Courses ³	5,280		9,010		9,360			
MARA Junior Science Colleges	470		1,290		2,100			
Teacher Education	16,560	0.4	21,580	0.5	27,300	0.5	30.3	26.5
Primary and Secondary	16,560		21,580		27,300			
Certificate	6,880	0.2	9,180	0.2	18,290	0.4	33.4	99.2
Diploma	25,050	0.7	28,000	0.7	44,230	0.9	11.8	58.0
Degree ⁴	37,840	1.0	60,010	1.4	89,680	1.7	58.6	49.4
TOTAL	3,748,650	100	4,142,380	100	5,148,600	100	10.5	24.3

TABLE 1.14: Student Enrolment In Local Public Institutions 1985-95

SOURCE: Sixth Malaysia Plan, 1991-95, Government Printer, Kuala Lumpur, p.160

Notes:

¹ Fully assisted schools

² Partially assisted schools

³ Preparatory courses conducted at *Institut Teknologi MARA* and all universities excluding *Universiti Teknologi Malaysia* and enrolment of foreign students at *Universiti Islam Antarabangsa*. Enrolment also includes preparatory and language courses for students pursuing diploma and degree level courses overseas.

⁴ Includes enrolment in post-graduate courses and enrolment at *Institut Teknologi MARA*, *Kolej Tunku Abdul Rahman* and enrolment in off-campus courses of *Universiti Sains Malaysia* and *Institut Teknologi MARA* but excludes enrolment of foreign students at *Universiti Islam Antarabangsa*.

n.a Not available

secondary level increased by 2.4 per cent from about 922,210 in 1985 to about 943,920 in 1990. At the upper secondary level, enrolment increased by 10.6 per cent from 333,060 to about 368,500. During the Fifth Malaysia Plan, 1985-1990, about 12,960 classrooms were built to cater for the increased enrolment. The increased demand for tertiary education led to the expansion of institutions such as polytechnic and universities. The enrolment in certificate, diploma and degree courses registered an increase of 33.4 per cent, 12 per cent and 59 per cent, respectively in 1990 (see Table 1.14). The number of teacher training colleges has also increased. From 1985 until 1990, the 28 teacher training colleges produced about 34,600 teachers for primary level and about 7,700 college-trained teachers for the secondary level, and about 2,000 graduate teachers under the Post-graduate Teacher Education Programme for the upper secondary school. In 1990, there were about 120,000 teachers in government and government- aided primary schools, while at secondary level there were about 72,500 teachers in 1990 (Sixth Malaysia Plan, p. 166). Private educational institutions emerged as important avenues to meet the increasing demand for higher education among Malaysians. The rising cost of overseas tertiary education led to the growth of private educational institutions. This indicates that education had developed into a service industry which attracted private sector investment and helped to supplement government efforts in providing education at all levels.

1.9.2 Health Services

As mentioned earlier, the health service are an essential part of socio-economic development. It supports the government's development efforts in attaining improvements in the health status of the population and productivity of the workforce. The improvement in health means a longer life expectancy, a decreasing rate of infant mortality and a diminishing incidence of infectious diseases. As claimed by the government, the health of Malaysians has improved progressively over the years; for example, the mortality rate, particularly infant mortality has declined from 19.70 per cent in 1980 to 16.95 percent in 1985 and 13.50 per cent in 1990 (Sixth Malaysia Plan, 1991-95) (Table 1.15).

During the Fifth Malaysia Plan 1985-1990, the government constructed about 33 hospitals, 170 health centres and 464 rural clinics as well as upgrading 94 health facilities

Indicator	1980	1985	1990	1995 ¹
Life Expectancy At Birth Male	66.7	67.9	68.9	69.3
Female	71.6	73.0	73.5	74.0
Crude Birth Rate (per 1,000)	30.9	31.7	28.4	28.0
Crude Death Rate (per 1,000)	5.3	5.0	4.7	4.5
Doctors per 10,000 population	2.8	3.2	3.9	4.5
Dentists per 10,000 population	0.5	0.66	0.8	0.9
Infant Mortality Rate ² (per 1,000)	24.0	17.0	13.0	10.5
Toddler Mortality Rate ² (per 1,000)	2.0	1.4	0.9	0.8
Maternal Mortality Rate ² (per 1,000)	0.6	0.4	0.2	0.2
Prenatal Mortality Rate ² (per 1,000)	26.7	n.a	13.8	11.0
Neonatal Mortality Rate ² (per 1,000)	18.8	n.a	8.4	6.7

TABLE 1.15 : Selected Indicators of Health Status

SOURCE : Seventh Malaysia Plan (1995 - 2000)
World Development Report, 1995

NOTE : 1. Refers to 1994
2. For Peninsular Malaysia only

n.a : not available

in both rural and urban areas. In spite of these additional facilities, health delivery services were affected by a shortage of doctors and specialists in the public sector hospitals. In addition, the over-concentration of private doctors and specialists in urban areas further affected the distribution of health services in the country. In 1990, the doctor-population ratio was 1:2,660 (Sixth Malaysia Plan, 1991-95), this is considered very low in comparison with other industrialised countries in Asia such as Singapore, Taiwan, Hong Kong and South Korea. The status of health in Malaysia has not attained the desired level stipulated by the WHO to meet the "Health for All by the Year 2000" requirements. As cited by W. Manan W. Muda, 1991, Malaysia falls short in the following areas:

1. The minimum five per cent of the national product that should be spent on health has not been met.
2. The national health expenditure is not devoted to health care which includes preventive health, community health care, health centres and dispensary care. Instead, a large proportion of the expenditure (54 per cent) goes to building new hospitals, building extensions and building improvements (FMP, 1986).
3. Resources are not distributed equally. Disparities exist in terms of facilities provided to basic health care between the urban and the rural areas.
4. There is a significant level of malnutrition among children. A substantial number of children have weight-for-age measurements that are below the WHO standard reference values.

The above indicators reflect the current state of health of the nation in general. It has been observed that a large amount of expenditure allocated for health care systems has been spent on the expansion of hospitals, the building of new hospitals, medical schools and other related hospital developments. Such expensive services are mainly directed towards the wealthier and the urban segment of the society, while "...the poor and the rural population bear the burden of debility illness and inadequate access to the services..." (Consumer Association of Penang, 1983 in W. Manan W. Muda, 1991). Also, large amounts of medical expenditure in Malaysia have been spent primarily for curative purposes rather than preventive care (Malaysian Medical Association, 1980; Consumer Association of Penang, 1983 in *ibid*). Even the budget spent on curative services was in the form of building new hospitals and hospital extensions. As shown in Table 1.16,

Programme	3rd MP 1976 - 1980		4th MP 1981 - 1985		5th MP 1986 - 1990		6th MP 1991 - 1995	
	Estimate Expenditure	%	Estimate Expenditure	%	Actual Expenditure	%	Actual Expenditure	%
Public Health Service	66.1	21.0	194.20	25.0	181.0	19.4	280.2	11.9
Patient Care Service	166.4	52.9	470.64	60.6	n.a	n.a	1,943.2	82.6
New Hospitals	89.97	-	470.64	-	311.0	35.5	-	-
Hospital Extension & Improvement	76.63	-	n.a	-	371.0	39.9	-	-
Pental Health Services	3.96	1.3	4.02	0.5	6.0	0.6	n.a	-
Training	16.15	5.1	18.96	2.4	11.0	1.2	n.a	-
Applied Food & Nutrition Programme Other Health Prog.	29.3	9.3	26.85	3.5	31.0	3.3	128.3	5.5
Populationd Family Health Programme	25.36	8.1	46.75	6.0	10.0	1.1	n.a	-
Total Health Expenditure	314.54	100	775.75	100	931.00	100	2,351.7	100
Total Public Expenditure	24,937		74,066		35,300		55,000	

TABLE 1.16 : Public Development Expenditure For Health Programme (MR Million)

Source : Third Malaysia Plan - 1976 - 1980
Fourth Malaysia Plan - 1981 - 1985
Fifth Malaysia Plan - 1986 - 1990
Sixth Malaysia - 1991 - 1995

W. Manan W. Muda, 1991, "Implication of The Seventy Million Population", Social Science Association, Kuala Lumpur.

Note : Some totals do not add to 100 percent owing to rounding errors.

n.a : not available.

dental health services were neglected, which had only 1.3 per cent of the total health budget allocated to it during the Second, 1970-1974 and Third Malaysia Plans, 1975-1980. This was further reduced to 0.5 per cent in the Fourth Malaysia Plan, 1981-1984. Population and Family Health programmes for the Fifth Plan were reduced to 1.8 per cent from 6.0 per cent in the Fourth Plan (ibid). Of the total government budget for public expenditure in the various Malaysia Plans, health has been given a very low priority. The increasing demand for health services has led to the growth of private hospitals. As these hospitals are serving the wealthier sections of the population, they are mostly located in urban areas.

In addition, in line with the government's privatisation policy, most non-clinical services have been passed over to the private sector. The National Heart Institute which is the only one of its kind in this country, is also managed by the private sector. The total allocation for the health services in the Sixth Malaysia Plan (1991-1995) is 4.1 per cent of total public expenditure. This is slightly higher than the allocation made under the Fifth Malaysia Plan (1985-1990), which was only 2.6 per cent (Sixth Malaysia Plan, p. 359). The increase in the health budget in the Sixth Plan emphasises the moves towards upgrading and renovation of existing health facilities as well as the construction of nucleus hospitals and the National Health Institute.

1.9.3 Housing Development

The provision of low-cost housing in Malaysia was first introduced in 1967. It was based on the concept of home-owning, aimed at ensuring that all lower income groups had access to public housing. Public housing then was popularly known as 'cheap housing', 'people's housing' and 'Koh Kai Boh housing'. Massive public housing projects were planned all over the country. However, only less than 40 per cent of the low-cost houses were built at selected and strategic locations in Peninsular Malaysia. This was part of the Alliance's (the ruling party) strategy to ensure continuation of political domination in the country.

When the New Economic Policy was introduced the public sector was given a greater role in meeting housing needs. However, the creation of employment opportunities

in the urban industrial and service sectors encouraged the Malays to migrate to urban centres. As a result, acute problems of urban housing began to emerge in many cities. Thus, a bulk of public expenditure for housing went to rehousing of squatters in low-cost housing.

In fact there is very little information on the housing sector policy in Malaysia. For the past 25 years allocation for the social sector particularly in housing has been given lower priority by the Malaysian government. The public expenditure from 1971 to 1996 (Table 1.12 and 1.13) shows the allocation on public housing had never exceeded more than 10 per cent of the total development expenditure. The housing development was always allocated the second highest budget after education and training of the total social sector expenditure.

There are also serious housing problems faced by medium income groups in major urban centres. To overcome this problem, the government introduced a new concept of public-private cooperation in housing development. It was envisaged that this new strategy would enable the housing industry to play the leading role in stimulating economic growth and accelerate further industrialisation and urban development in Malaysia. However, the performance of the housing programme has not been satisfactory (Mohd. Razali Agus in Rokiah Talib & Tan Chee Beng (ed), 1995, p. 145-146).

According to the Fifth and Sixth Malaysia Plan report, Malaysian housing policy is aimed at providing a reasonable standard of living as well as promoting social integration for the community in the long run. Housing programmes are being implemented in the context of human settlement concept. Under this concept, the provision of social facilities such as schools, health clinics and community centres was emphasised in addition to the provision of basic infrastructure facilities and the promotion of economic opportunities. However, this policy is dependent on the role played by the private sector. This could be seen in the Fifth Malaysia Plan where the public sector was to build only 21 per cent of new housing while the remaining 79 per cent was given to the private sector to build all types of houses (Sixth Malaysia Plan, 1991-1995, p. 363)

There were delays and slow progress was made by the private sector in low cost housing during the Fifth Plan. This was partly due to the shift in emphasis to a Special Low-Cost Housing Programme¹³ to take advantage of the special incentives offered by the scheme (Sixth Malaysia Plan, p.364). In addition, there was close control of the price of low-cost housing in order to protect low income people, its cost was set at M\$25,000. At this price the housing developers were unable to gain large profits, and therefore, their development was purposely delayed. Some of the housing developers do not build them at all, although this is a requirement of the license. There have been cases where the quality of the houses built has been very poor. Furthermore, there are cases where many cannot buy these houses because of the stringent terms and conditions laid by the Ministry of Housing and Local Government. To solve these problems, the 1994 Budget launched a low cost housing package involving a sum of M\$1,404 billion. This involves an allocation of M\$504,000 million for development expenditure and the creation of a Low-Cost Housing Fund with capital of M\$300 million. The first tranche of this fund will be used to provide concessionary financing to developers to accelerate the construction of low-cost housing. The second tranche will be used to finance the building of flats, to be rented out to the very poor in major towns with acute squatter problems. Another promising plan is to encourage manufacturing companies to provide accommodation for their workers. Their expenditure on the construction or purchase of houses for their workers would be allowed as a deduction for tax purposes. The outcome of this approach is yet to be seen, as it involves the participation of the state governments. There is the need for land to be provided at minimal cost, to control the quality, and to determine the eligibility of access to such housing. Both land and housing fall under the responsibility of the state government. The most common problem of the public sector are the bureaucratic delays such as in the processing and approval of application for land

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"Special Low-Cost Housing Programme (SLCHP) was launched in 1986 and planned for completion in 1989. It was part of the anti-recession measures designed to stimulate the growth of the economy during recession period as well as to increase the supply of low-cost houses. The special privileges accorded to SLCHP facilitated its implementation. Such privileges included the establishment of a one stop approval agency, flexibility in rules, regulations and standards as well as greater accessibility to financial facilities from commercial banks. These measures were introduced with a view to reducing construction costs" (Sixth Malaysia Plan, p. 364).

development, conversion, subdivision and issuance of titles (Lim, 1982: 1-9 in Mohd. Razali Agus, 1995, p.153).

In order to raise the quality of life of the rural community, two programmes have been initiated. One of them is the Traditional Village Rehabilitation Programme. In this programme, priority is given to the redevelopment of scattered villages located in flood-prone areas, villages in coastal areas which are affected by coastal erosion, and small villages in remote areas. A second programme is The Village Rehabilitation Programme which targets the hard-core poor. Under this programme, financial and material assistance is provided to rehabilitate dilapidated houses. By 1990, a total of 15,720 houses were rehabilitated (Sixth Malaysia Plan, p. 368). However, there has not been any study to evaluate the achievement of such programmes. It is impossible to assess the achievement of the objective, due to the absence of data.

1.9.4 Social Welfare Services

The provision of social welfare services in Malaysia has been a joint enterprise, undertaken by the government, voluntary organisations and sections of the community. However, a large share of the work is carried out by private charitable and voluntary service organisations. These organisations were established to meet a particular need and therefore play a complementary role at certain times or for certain people. Some voluntary organisations such as Service Clubs do not claim welfare as their main focus, but rather provide a community service from time to time, such as providing services for elderly people (Sushama, P., 1992). The community development programmes undertaken by the government during the Sixth and Seventh Malaysia Plan (1990-1995 and 1996-2000) mainly aimed at increasing the participation of the deprived hard-core poor rural population in socio-economic. The programmes include the provision of basic social amenities and family life education as well as support to those target groups wishing to participate in income-generating activities. Government agencies such as Community Development Division of the Ministry of Rural Development was entrusted to carry this programme.

The Ministry of Welfare is responsible for providing a temporary residual and rehabilitative services for the elderly, orphans, and handicapped people. The national development now emphasises high levels of productivity, not only from the workforce but from all. Towards this end elderly and handicapped people have been assisted in developing their personal potential and contributing to the total effort, to the best of their ability. The idea is not only to provide services for these people but also to help them to be independent as well as to achieve the National development objectives. The government has therefore, encouraged the involvement of the family in their care, and that of the community. This stance is enunciated in the Fifth Malaysia Plan (1986-1990). Under this five year plan, the revised Federal Government Expenditure was about M\$291,000 for welfare services but this amount has to be shared with local town councils (see Table 1.13). The National Social Welfare Policy in 1990 also aimed to promote a stable, self-reliant and caring society for the nation's progress (Sixth Malaysia Plan). It has been mentioned that the policy supports greater assistance to the handicapped, disabled and destitute as well as to old people who have no family to support them. However, a very small proportion of the total public expenditure is allocated to these services. During this period, various voluntary organisations and district welfare committees organised activities for orphans, the disabled and the elderly, and small grants were given for such activities. The government is expecting communities to play a more important role in supplying welfare services. Public awareness and involvement is needed in caring for the old, the disabled and the destitute through the Community Rehabilitation Programme (Sixth Malaysia Plan, p. 371).

Until now there is no policy on the elderly in the Development Plan or other official documents. The needs of the elderly are considered as an integral part of the disabled and disadvantaged groups in the country and incorporated in the National Social policy 1990. Most of the programmes and services for the elderly fall within the responsibilities of the Department of Social welfare. Financial assistance and help and the provision of institutional services in old folk's homes. The Department is also responsible to ensure that the elderly stay with family members. It only admits the destitute elderly who do not have relatives into old folks' home as a last resort.

The elderly poor are given monthly allowances to remain in their own village, and additional funds are provided for them to build their own homes on a co-operative basis by the village community. Other members of the communities are responsible for their needs. In addition, elderly persons are given care and protection in village welfare homes or cottages maintained by the central welfare council with the assistance of the local community. The private sector and voluntary organisations also operate homes for the elderly, orphans and the handicapped.

The government has also provided for the support of elderly parents in the form of tax relief since 1979. However, the impact of this is not fully appreciated because it is applicable only to personal income tax payers. Children who pay for their ageing parent's medical expenses are given further tax relief.

1.10 CONCLUSION

Remarkable economic growth is transforming Malaysia into one of the fastest-growing industrial countries in the Asian region. Malaysia is entering a new phase in its industrial development, which focuses on the manufacturing sector. This sector is going to make the largest contribution to value added growth and export earnings as well as being a major source of employment. However, the social benefits of the development are not clear. The growth in industries has brought large scale migration into the area, accentuating the inadequacy of social services such as health, housing and welfare services. The standard of living of the rural population remains low, and poverty and inequality remain pronounced. The emphasis on economic growth as a measure to solve the problem of poverty neglects the important aspects of social policy. This includes a direct measure to welfare especially social security for the poor. The targeted period of New Economic Policy ended in 1990, but the objective to eradicate poverty and restructure society has not been achieved. A greater emphasis on social development policy may contribute to more balanced overall development programmes. The changing structure of the economy has important implications on the future demand for human development in the country. The transformation of the economy from agricultural into sophisticated and higher technology-based manufacturing activities will mean a demand

for an adequate supply of skilled manpower. Industrialisation also depends on the role of human resource development and it will only be effective with the enhancement of the workforce through education and training. The growth of the working population will have some consequences for public and private provision of the quantity and quality of benefits, not forgetting the retired elderly, who will need to have social and financial support after their productive years. All these will need effective and wider coverage of social protection. In those countries experiencing sustained economic growth, issues related to the quality of life, including social security and employment related benefits will increasingly dominate the public policy debates. This is because economic growth alone would not be able to protect and improve the living standards of the whole population. Undoubtedly, growth-mediated security as suggested by Dreze and Sen (1991) can play a very significant role in reducing the deplorable living conditions of the poor. Nevertheless, they also indicate that there can be disparities in the sharing of the fruits of economic development. Certain groups of people may suffer hardship even when average income rises, and actually there are a number of people still living in poverty during economic prosperity (Dreze & Sen, 1991, p. 13). Thus, the need for another approach for social security to deal with the plight of these unfortunate groups remains strong even when a country is achieving a remarkable economic growth such as Malaysia. For this reason it is essential to examine further (in Chapter Two) why social security schemes are crucial in a society where a majority of its population is engaged in industrial employment.

CHAPTER TWO

THE CONCEPT OF SOCIAL SECURITY: THE RELEVANCE OF WESTERN CONSTRUCTS

2.1 INTRODUCTION

Industrialisation and economic development, as presented in Chapter One, will certainly set in motion a process of social and cultural changes in Malaysia leading to problems which have to be solved through a combination of social security and welfare services. These problems have been experienced by advanced industrial countries and may set an example to Malaysia in its drive towards industrialisation. It may be seen from the 'logic of industrialisation', that, as a society industrialises, social security and welfare services also develop. This statement is based on the assumption that changes in the economic structure generate the need for social and welfare protection (the economic structure indicates a combination of modes of production, for example industrial production, relationships of production between workers themselves and between workers and employers, and the outcome of economic production as represented by the rate of GNP) (Chan, G. H., 1984). A change in the mode of production will consequently result in more adaptive reactions in the social and political structure.

This chapter provides an overview of the features of social security arrangements and the principles which should govern the implementation of such a system. Here an attempt is made to highlight the aims of social security as a mechanism not only for individual social protection, but for protection of the whole of society as well. However, it is stressed that the effectiveness of securing social protection to those in need requires active state intervention. The evidence and argument necessarily reflect the dominant tradition of the international literature and have deliberately sought to identify 'western' models and principles with a view to application (as appropriate) in a Malaysian context.

A brief examination of formal social security schemes in developing countries reflects the limitations and priorities imposed by poverty and a lack of resources, and shows that substantial numbers of people in these countries are not protected. However, in some developing countries such as Malaysia, government interventions in the poverty eradication programmes and distribution of economic resulted a rapid process of income growth. These development programmes are actually indirect social security measures which can contribute greater security to the poor and destitutes. Thus, social security measures may not be restricted through direct programmes and institutional mechanisms designed to deliver support, which is the approach of conventional social security.

2.2 THE NEED FOR SOCIAL SECURITY SCHEMES

The problem of insecurity before the growth of modern industries was different from, and the solutions adopted were simpler than in, a complex industrial society. In the waged economy, the insecurity of a family's income is caused mainly by unemployment of all kinds, including seasonal unemployment. Insecurity in a rural economy of peasants, cultivators, and small holders is caused by unfavorable weather and other causes of bad harvests, and also by fluctuation in agricultural prices, particularly for exported agricultural products. This has been seen in the unstable standard of living of farmers, small holders and workers in rubber and oil palm plantations in Malaysia, as the result of big fluctuations in prices. In keeping with these uncertainties and to meet needs, children of these communities have to help their parents to earn their living at an early age. Thus, in these societies, large families are usually regarded as an economic asset. Sick people and victims of accidents who were temporarily unable to work were provided with food and other necessities by members of their families, or by neighbours in the village who knew them well. Voluntary organisations such as religious institutions also played an important role in supporting vulnerable families. Similarly, invalids, widows, orphans and the aged were supported by these traditional measures. Thus, families in this community, especially in rural areas were knitted together for mutual support and security. This neighbourliness forms the most valuable feature of communities of human relations today, and often does not exist in urban industrial communities. This is because the frequent movement of people in the community prevents them from establishing close friendly relations, which

strengthen the foundations of security through direct mutual aid. However, rapid economic growth and industrialization in this country in the past few decades seems to have gradually loosened the close knit relationship of families and communities. The changing values among Malaysian as mentioned in Chapter One raised questions that deserve attention with regard to the role of the family: How long will the family be culturally and socially pressed or expected to take care of its elderly, invalids, orphans and those unemployed? This is not a problem nowadays. This cultural tradition will continue to be accepted by Malaysian's collective consciousness for as long as is necessary and feasible. It will be necessary for as long as there is a lack of support systems existing outside the family. These supports will be feasible for as long as industrialization is handled humanely, meaning that the interest and welfare of individuals are borne in mind. However, indiscriminate urbanisation encourages cultural lag, dislocation, and alienation. When human values are converted into money values, then family support becomes a material liability (Adel G. Abaya, 1982). The second critical issue that is related to the above is: How much responsibility must a family take for those in need? As far as the Malaysian government is concerned, the family is expected to provide everything, including material and non-material needs, for the elderly. This has been stressed through an introductory programme of community domiciliary financial assistance (non-statutory) to encourage the use of the traditional resources of the extended family system to support the elderly (The Min. of Welfare Services Malaysia, 1982). Others (Mukul G. Asher, 1994) have stressed a blend of formal social security mechanisms, where government bears the financial responsibility while the family provides informal emotional and psychological support. The fact that these questions are being asked indicates the changes in values that have already taken place. Nevertheless, there is a decline of the traditional extended family in Malaysia.

A similar situation is occurring in other South East Asian countries. Adel G. Abaya (1982), in his research on Ageing in South East Asia, cited that in urban areas in this region, nuclear families are increasingly the rule more than the exception. However according to him, sociologists suspect that as the separation of the young family from the original family is merely physical, for all purposes, the relationships are still very much extended. He argues however, that such an extended model of relationship, despite

physical separation, is transitional. As the pressure of modern living becomes greater, the link could be permanently cut. In his observation of Thailand, the families have been structured in an extended type which are usually large in size and family ties are strong. The Buddhism ethic which is embedded in Thai culture places stress on the highly respectable position of the elderly within their families. Thus, younger generations are obliged to look after the welfare of their parents as well as elderly and sick relatives. However, rapid economic and social development in Thailand has changed the situations of the aging population because the size of families has become smaller (Ibid).

The case of Hong Kong is also similar where traditionally Chinese people are family-centered, and place a high value on social and emotional ties with family members and relatives. But according to Adel Abaya (1982), the married children are now living apart from their parents. Hence, the extended family has broken down into nuclear family units.

The above situations reaffirm that families are no longer capable of supporting the aged, the sick, invalids, the unemployed and other needy members of their families in the manner that they used to some time ago. Thus, in principle, it is essential to look to outside economic support for the family. The problem is whom to help, how much, by what means and why?

In a modern industrial society, workers are exposed to industrial risks such as accidents, prolonged illnesses caused by injurious industrial processes, dismissal and redundancy that leaves workers to face poverty from loss of wages. The Malaysian government often argued, that the unemployed person had only himself to blame if he became unemployed, but this may not be true in circumstances where those employed are laid off due to an economic slump. They are actually victims of a system which is unknown to them. In some industries or states, these conditions have been given some attention and thus, responsibility is placed on the employers to plan and organise their labour force, in order to reduce lay-off practices. Those who are made redundant have to be paid appropriate compensation. Although measures may have been taken by industries to give a guaranteed annual wage level and to provide severance pay based on length of service

in order to give workers some security against lay-off, for industries which were badly hit by economic slumps these payments will not be met.

Industrial expansion and technological development in automation and electronics controls accelerated industrial change. Although industrial changes provide some advantages to communities, some people may lose their jobs when their skills are no longer wanted. There are uncertainties about the effects of the new automated industrial processes on the health of the workers. In addition, these insecurities are increased largely by industrialisation, and particularly by the mobility of labour between jobs and places, the wage economy, a more individual focus within of society, and, as mentioned, the breakdown of traditional methods of provision by rural communities.

One solution to the problem of economic and social insecurities may be traced back briefly through the experience of an industrial country, such as Great Britain. In the nineteenth century poor relief in Britain such as the Poor Law was an important form of social protection, based upon support for the waged labour market. Entry to the workhouse was one of the greatest fears, and although the poor were fed and nourished, the stigma attached was considerable (Spicker, P, 1993, p. 15; Alcock, P., 1993, p. 217). The welfare of workers, particularly low-paid ones at that time, was not protected as the law was unable to provide support for all who were unable to provide adequately for themselves (Alcock, P., p. 214). Thus, a growing awareness of the need to protect workers' welfare brought the formation of friendly societies to protect workers against loss of employment due to illness and old age. However, as the friendly societies suffered financial difficulties, there was a need for government intervention to take over responsibility for providing old age pensions. The rise of strong trade unions became an important feature in protecting workers and led to a realisation among industrialists of the benefits of protecting worker's welfare. Thus, the economic and humanitarian value of social security became increasingly recognised. From the beginning of the twentieth century, Britain and other industrial societies (such as Germany) began to see the need to provide income security to protect workers from destitution. There was a growing recognition in these societies that social welfare should be a responsibility of government. Subsequently, in Britain, social insurance based on the Bismarck model for sickness and unemployment benefits was

introduced, and has since evolved as the most effective form of security. The impact of modern industry was rapid, and in some industrial countries it was only after the chaos and distress caused by the depression in the 1930s, that a substantial advance in the provision of security was made (Richardson, 1961; Abel-Smith in Hills et al, 1994).

The essential aim of social security is to ensure 'freedom from want' by collective or community provision for those people who, because of misfortune, are temporarily or permanently without sufficient resources for their subsistence and health needs. It is generally impossible for individuals to meet the risks of life unaided, or even with the help of relatives and friends. A younger worker with a wife and children may be totally and permanently disabled by an accident, long before he could be expected to have saved enough to provide for his maintenance and for that of his dependents. Many low paid workers, after meeting all the necessities of life for themselves and their families, have nothing left to save. Their low pay is not sufficient to take up voluntary insurance and they are unable to make provision for retirement and other risks. Therefore, the state should be involved to relieve individuals of their responsibility for the protection of themselves and their dependents against the risks of life. According to the ILO,

as the state is an association of citizens which exists for the sake of their general well being, it is a proper function of the state to promote social security (ILO, 1942).

A state responsibility is placed on establishing legislation to provide some protection to people whose incomes are insufficient for their subsistence, as they suffer from both economic and social disadvantages. Of course there are questions pertaining to the extent of state involvement in providing social security and coverage. People who are likely to suffer poverty are mainly those with small means and social security systems should primarily be provided for them. However, those who have stable and high incomes are generally able to cover themselves and their families from any risks of life from their savings, and through provision from voluntary insurance. Although there are countries like Britain, Canada and other European countries who exceed the functions of social security, where universal old age pensions and family allowances are paid to the rich as well as the poor, they have good reasons for this system. Such systems involve a wider conception of

the approaches to social security. It depends on how the problem related to poverty is being interpreted, and this includes characteristics such as gender, age, race or locality.

2.3 THE AIMS OF SOCIAL SECURITY

The purpose of social security is to ensure the maintenance of income sufficient for the subsistence, health and decency of persons who are unable to make adequate provision for themselves and their dependents. This may be due to the cessation of earnings, or earnings that have never been sufficient or have been seriously reduced, generally through causes over which they have little or no control: sickness, unemployment, occupational diseases, injury from accidents, invalidity and long term incapacity, old age or the death of the breadwinner of a family. Poverty may also be caused when a person receives insufficient wages to maintain a large family. Another exceptional cost that may be incurred is associated with birth and death. Therefore, social security is designed to help individuals who are in need due to any of the above circumstances, and this includes medical care (Richardson, H., 1960).

The range of social security schemes, the risks covered, the methods adopted and the duration of benefits vary widely. For example, in Britain and New Zealand, the schemes cover all citizens and virtually cover all risks. In some countries, some schemes apply only to wage earners on the grounds that their income is relatively low or not sufficient for their maintenance. As such, social security schemes are limited to employees whose wages are below a specified level. Thus, those whose earnings or income is higher than that level should be able to provide for themselves. Schemes that require employers to contribute are also restricted to employees and their dependents. In some countries, the self-employed are also required to participate in such schemes and to make contributions to social security institutions.

Social security, however, is not only concerned with an individual's welfare but also with the welfare of society as a whole, which includes redistribution, solidarity, social control and economic development. As an instrument for redistribution or transferring income, social security may improve the quality of life of poor people in general. If social

security is financed from general revenues by progressive taxation, there is a substantial transfer from rich to poor in countries where the range of wealth and incomes is wide¹⁴. In this situation, lower income people will pay less in taxation but receive more in benefits. Redistribution of income may be described horizontally within the same class of beneficiaries. The contributions or taxes are collected from employees on insurance principles or solidarity, and the income is transferred from the fit worker to the injured worker; the active employee to the retired employee; the retained employee to the unemployed; people without children to those with children; single men and women to mothers; and from the more fortunate to widows, orphans and victims of industrial accidents. Thus, resources are transferred from the economically active to those in need. These transfers are generally among the beneficiaries, as the risks are pooled among themselves. It is a main concern to solve 'life-cycle' poverty (Richardson, 1960; ILO, 1984; Alcock, P., 1993, Spicker, P., 1993) The economic effects of social security payments to the recipients vary widely from one category to another. Vertical redistribution is concerned to redirect resources from those with enough to those in need. The benefits paid to the aged, the totally and permanently disabled and others incapable of work give no direct returns in productivity (Alcock, P., 1993).

In developing countries, where horizontal redistribution of income is mostly found, this only covers a part of the population, particularly the working population. Thus, redistributive effects may be quite small in relation to the national economy. By rights, the scope for redistribution of income ought to be wider in developing countries. This is on grounds of a disparity of per capita income between rural and urban workers. But these are the areas where social security is limited to the waged sector, and thus, the principle of social security is not appropriately applied.

Social security is also a measure to create economic stability. High standards of

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It has been supported that measures of social progress should be directed towards reducing inequalities in incomes earned, so that less redistribution would be necessary through taxation and the provision of social security and welfare benefits", Fisher, A.G.B., "Economic Progress and Social Security", 1945, London) in Richardson, 1960. This text remains both a pioneering and valuable review of the principles and objectives of social security policy in an international context.

health and education are considered as essential elements in social security and social welfare that can contribute to higher productivity among the workforce. Thus, this will reduce the risks and costs of unemployment (Richardson, 1961) In Canada and the United States, emphasis is placed on the expansion of the economy where the introduction of a family allowance system after the Second World War aimed to prevent severe depression. The payment of allowances to beneficiaries is actually a stabilising factor. During a depression, family allowances are spent on food and other consumer goods and thus prevent the industries that produce these goods from being as depressed as they otherwise would be (Ibid). Social security schemes indirectly help to stabilise the economy from being severely affected by depression. However, it has been argued that the decline in purchasing power during a depression is much greater than the value of social security allowances. Unemployment insurance and assistance benefits are important economic stabilisers, but are only one of the means by which the severity of depression can be limited (Ibid). This is in line with the Keynesian view, in which an increase in public expenditure can be an economic regulator. During an economic downturn, more money needs to be injected into the economy by the state, which will reinforce the demand for goods, reducing the extent to which they are affected, and thus, stimulating economic activities to turn the economy around. In turn, as economic activity increases, the need to spend money on social security for unemployed people will eventually fall, and the amount of money spent on social security for unemployed people will be reduced. These were the arguments put forward as a basis for social security formation in the United States in the 1930s (Spicker, 1994).

Approaches to development in Third World countries, as recently recommended by ILO, emphasise that economic growth should include social factors in the overall national development. This has been stressed in the International Development Strategy by the ILO in the 1970s, as follows:

The ultimate objective of development must be to bring about sustained improvement in the well-being of the individual and bestow benefits on all...to bring about a more equitable distribution of income and wealth for promoting

both social justice and efficiency of production, to raise substantially the level of employment, to achieve a greater degree of income security, to expand and improved facilities for education, health, nutrition, housing and social welfare, and safeguard the environment (ILO, 1984).

In the perspective of social objectives, social security is essential to prevent famines. This may be seen in the long term, where entitlement promotion may eliminate vulnerability, through general prosperity and economic diversification. Although social security is not a primary measure for famine prevention, it has a role to play in reducing the severity of the conditions. For example, the improvement entitlement protection system in Africa would not only save lives, but would also contribute to preserving and reviving the economy of the African continent (Dreze and Sen, 1991). The contribution of social security schemes may be seen as enhancing the average income level that consequently promotes living standards. The need for social security remains strong, even though the country has successfully generated economic growth. This is because the average income is also a changeable variable for protecting the entitlement of the population. Different occupational groups can be affected with changes even when average income rises, and thus, although the overall economy is booming, there will still be people who are living in poverty (ibid).

A person's income may change not only with age but also during business fluctuations, international economy slumps, crop failures, agricultural seasonality and so on. These situations, however, will not adversely affect the living conditions of a person if capital markets are good. This is when there is a fluctuation in the economic market, and adjustment can be made in the expenditure. The unexpected fluctuations could be similarly dealt with if insurance markets were efficient. But, in developing countries, where capital markets are frequently non-existent, social security is needed to play a role for the protection or promotion of living conditions (ibid).

The aims of economic development and social security in Malaysia are formulated to achieve the common goal of improving the living conditions of the population, to protect citizens from destitution and to provide economic security. Thus, approaches to

social security programmes and economic development plan should complement rather than compete with each other. This is because social security itself is an important measure to promote economic growth. The economic objectives of social security significantly contribute to economic stability and overall development objectives. Undoubtedly, social security may not only lessen insecurity among workers and their families, but also contribute to the building-up of a more stable, healthy and productive labour force. This is particularly relevant, for example with education and health, which is considered to be investment in human capital, because investment in education may provide technological knowledge and skills that eventually promote economic growth. Investment in health may improve output by reducing the amount of time lost through sickness; increasing the fitness of workers at work; and health care service may decrease mortality rates largely among the working population and thereby bring about increase in output. Thus, investment in human resources is a constructive and essential investment, and one which contributes to increasing a nation's productive capacity. Therefore, while a social security scheme promotes a worker's sense of economic security, health and morale, it will also significantly contribute to overall development in Malaysia.

Apart from the above contributions, the financial reserves accumulated under any contributory schemes which are basically designed to meet long-term risks may also contribute to economic development. Such reserves may represent a form of national savings that add to capital formation (Reviglio, F., 1967). This can be seen in the insurance and provident fund which when built up can be used for development purposes; for example, in Singapore the provident fund is used to finance the building of public housing; while in Malaysia, this fund is largely used for investment in government securities. This method of capital accumulation is essential to a developing country like Malaysia where domestic savings are not sufficient to meet the growing financial requirements for economic development. However, at what rate the accumulation of reserves may proceed, whether moderate or rapid, and the maximum size of expected reserves depend on the financial plans underlying social security schemes. It is predictable that a sizeable amount of reserves may be accumulated at an initial stage because in any event the substantial benefits usually do not begin to be paid until several years after the start of the programme. This also takes into account the fact that large numbers of contributors are new to the

scheme (Park, C.K., 1975).

According to Park (1975), the ultimate effect of such saving however, depends on the manner in which they are utilised and invested. If appropriately invested, the reserves fund under the social security scheme may be built-up and can play an important role in meeting the shortage of capital. In turn this approach to the social security scheme may genuinely contribute to the promotion of economic development. Of course, one should bear in mind that the primary aim of social security is to provide welfare and economic protection to contributors. It is obviously important that any such investment should yield returns large enough to pay benefits and to match inflation. However, the situation in Malaysia today which is well recognised, is that the inclusion of provident fund and social insurance schemes within its economic development plan indicate the subordination of social security to economic development. This is seen where contributions are relatively high, benefits provided are too low, and a too low rate of interest is placed on government's borrowing from the funds. In this case, the fund is not being run on a strict actuarial basis (Jones, H., 1990).

2.4 THE NEED FOR STATE INVOLVEMENT IN SOCIAL SECURITY

The notion of economic policy has always been based on the principle that individuals may consistently attempt to be responsible for their own well-being. However, there are reasons why governments should involve themselves in social security. Although individuals could voluntarily participate in insurance schemes, some may not be able to do so at the 'optimal' extent. This is because individuals tend to underestimate the probability of events such as sickness, accidents, unemployment, bankruptcy, death invalidity and so on.

In a market economy which relies on the price mechanism to allocate resources, the intervention of the government is necessary on the grounds that a market of individual trade is not efficient in term of theorems of welfare economy. In the welfare economy theorem, if there is an equilibrium condition it must be Pareto-efficient (it is impossible to make one person better off without making another worse off - better off is defined with

respect to individual objectives) (Burgess, R. & Stern, N., 1991). Whereas in another condition there is no market existing, or even if there are existing markets, they may not be competitive, and there may be externalities (Ibid). In short, there may be a situation where technological external effects are such that one consumer's utility level is dependent upon that of another, or one producer's output is dependent on the output of another.

Another economic reason is the improvement of the distribution of welfare. Whether or not an equilibrium is Pareto-efficient, the government might regard the distribution of welfare as unsatisfactory, and its responsibility is to improve it in order to pursue distributional justice (Ibid). In these circumstances, the state may attempt to introduce mechanisms for the redistribution of income, wealth or assets. Based on the standard theory of welfare economics, the most efficient way to redistribute is through lump-sum taxes and transfers (Ibid). Therefore, the need to institutionalise the social security system so as to provide coordination, to ensure uniformity in the dispersement of benefits and to avoid duplication of effort and waste of resources, would be the reason for the government to intervene and take charge of the social security system.

In a laissez-faire capitalist system, individualism is the supreme sovereignty where the welfare and well-being of persons would be taken care of by the individual himself. An individual is supposed to plan for his own well-being and his family through his lifetime. He is assumed to be able to make provisions not only in the short term but also for long term plans on matters related to his consumption, savings, welfare, and leisure. Thus, if the individual were able to manage his own welfare from cradle to grave, there would be no reason for the government to intervene on his behalf. As mentioned earlier, psychologically, for some reasons this aspect may not be able to be handled by the individual alone. Human beings are not perfect and certainly do behave irrationally sometimes. Furthermore, there are costs associated with obtaining information and choices which are either above or beyond the individuals capability. Greater efficiency for pooling of resources to reduce transaction costs and economies of scale can be obtained through collective action. Thus, government intervention is considered necessary, more so if there are a number of merit goods the authorities want people to consume for their own good (Low & Heng, 1986).

There are also contingencies which are not so easy to insure against. It is not possible, for example, for a child to insure himself against the contingency that he might become disabled and an invalid even before he acquires an earning capacity. It may be impractical to require parents to purchase such insurance for all their children, as this will involve very high costs. To this objective, the state would be administratively more capable of taking over of this 'insurance' function by providing a basic level of support for such handicapped individuals.

It has been recognised that the state should play an important role in providing social security to its citizens. It has also been pointed out by a Consumer Review of Social Security that the state should be involved directly in providing social security programmes; the arguments are generally applicable:

This is because other institutions are unable to cope with the needs of many of the citizens for financial support at different stages of their lives. The family can and does take primary responsibility for its dependents but responsibilities can become too heavy for family finances to bear fully and many vulnerable people do not have families to whom they can look for support. Even when families are in a position to assume responsibility, in generality of cases they can do so only by drawing on their earned income which come to them initially through the wage system. The wage system is itself unlikely to be able to adopt to family circumstances. This is because the principles according to which it is geared - the need for productivity, the responsibilities of seniority, length of service or whatever else - are not usually those that correspond with the needs of families at different stages of the life cycle. Of course, families can and do make provision for themselves (saving for retirement), however, there are three reasons why the process cannot be sufficient. Firstly, some workers have incomes which are so low that any notion of saving for unspecified contingencies is quite unrealistic. Secondly, for many workers the time of heavy burdens arrives too early in their working lives for provision to have

been made, for example young families with children. Thirdly, some contingencies are sudden and unexpected such as unemployment, sickness, disability, bereavement. Such events could be insured against in various ways but the imbalances of risk across society are such that many people would be virtually uninsurable, or only covered at a cost disproportionate to their resources. So, for such people to be protected, a fully comprehensive social security would need to be developed by the government (A Consumer Review of Social Security, NCC, p. 3, 1984).

The above situations marked a strong case for the need to have social security programmes and, very importantly, for them to be institutionalised by the state. This is especially crucial in developing countries where the extent of uncertainties with respect to livelihood and the life of the population are considerable. The uncertainties in economic systems that often fluctuate due to a degree of dependency on international markets, affects the living standard of farmers and agricultural workers. A downturn in living standards may in turn cause longer term deprivation. As described by UNICEF, 1989; United Nations, 1987 and World Bank, 1986, the incidence of these circumstances has been widespread and the consequence are severe (in Burgess and Stern, 1991). It is essential to stress here again, the unreliability of traditional family supports due to the breakdown of the system as mentioned earlier, which means that they have to be placed by various forms of formal social security systems.

2.5 SOCIAL SECURITY PROGRAMMES

The expansion of social protection has been developed in a modern form to provide income security, medical care and other services to a great deal of people, and has helped individuals to deal with contingencies created by modern life such as new economic systems, industrialisation, and urbanisation. There has also been a recognition that citizens have a right to statutory forms of protection, therefore, governments have established various schemes designed to provide social security. However, most countries developed their social security along the lines of the nine-scheme model set out in ILO Convention

No. 102¹⁵. But the techniques of operation of the schemes, eligibility, conditions, scope, types of administration and benefits levels are considerably different in these countries. For instance, circumstances in developing countries regarding contingencies, coverage and effectiveness of the schemes are attributed to their limited resources and the lack of institutions to administer transfers to the persons concerned (Theopiste Butare, 1994). In these countries, the conventional social security measures are difficult to implement because the labour force is not fully organised. For example, a large proportion of the labour force are self-employed persons, engaged in the urban or rural informal sector or the rural sector (Table 1.4 in Chapter One shows the situation in Malaysia). It can be argued here that in some developed countries those in the agricultural sector and the self-employed were brought into the social security scheme with government subsidies. But this may only be possible in those countries where there is a declining population in the agricultural sector. Moreover, in developed countries employment is almost completely formalised and this helps in the extension of coverage, whereas in developing countries like Malaysia, extending coverage to the informal sector seems to be more difficult. This is because there is more under-employment than unemployment, which makes it difficult to organise an efficient system of social security such as unemployment benefit. There are also administrative and technical problems such as problems of infrastructure and of identifying those in this sector, before a suitable scheme to cover them can be designed. Other problems include the availability of data on the self-employed, the determination of income especially if income is not in the form of cash, the level of contributions and benefits, the mechanism to deliver these benefits as well as the administrative infrastructure necessary to register the members and collect contributions (Panelary comments in the Workshop of Social Security Towards 2020, 1994, Kuala Lumpur). Furthermore, in the least developed countries, illness is often due to inadequate standards of hygiene and poor nutrition, and thus, sickness insurance may be not appropriate and may cause a disaster (Ibid).

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The nine branches of social security benefits under the Social Security (Minimum Standards) Convention No. 102, which was adopted in 1952 are: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit, and survivors benefit (ILO, Geneva, 1984).

Thus, a reliance solely on a formal system of social security for developing countries would be inappropriate. This is also due to the level of economic development and the structure of their economies. Basically, the diagnosis of poverty in developed industrial countries from which formal systems of social security are derived is not applicable to low-income developing countries. This is because the incidence of poverty is high and has been persistent overtime. However, the nature and magnitude of deprivation in developing countries reflect a need for intervention of some kind but not the conventional or formal models of social security. Credit and insurance markets are not fully developed, and this restricts the scope of insurance schemes (Guhan, S. 1994, p. 37).

What is more appropriate to developing countries is a combination approach of formal security and promotional measures to secure lives and livelihoods against adversity and deprivation (Ibid). A key objective of social security is the prevention of very low standards of living, regardless of whether these are the result of chronic deprivation or temporary adversity. Social security measures must not be limited to 'direct' interventions through alterations in market, functioning and redistribution policy. As mentioned earlier, indirect measures can contribute greater security. For instance, policies to promote employment can reduce unemployment, health development programme can promote well being and prevent sickness, macro economic, sectoral and institutional measures of major importance for poverty eradication operating at macro and micro levels (Ibid). Hence, social security provision in developing countries requires a multiple approach.

2.5.1 Social Insurance

There are several techniques that are used to provide formal social security. The most popular social security scheme today is social insurance. However they are coming under pressure for demographic and socio-economic reasons such as low incomes, low revenue-raising capacity and widespread of poverty and deprivation: hence growing reliance on social assistance. Social insurance schemes are favoured by most countries because of their contributory funding, which has clear links between contributions and benefits. In addition, these schemes explicitly guarantee entitlement, and this leads to the assumption that social insurance is a better form of social protection than employer

liability, social assistance or demogrant social allowance schemes¹⁶. As a result, according to Midgley, (1984), social insurance principles have been widely adopted and most developed countries have comprehensive insurance schemes in which a large proportion of the population are covered against various contingencies. Many developing countries today have established social insurance schemes, but, as mentioned earlier, only a small proportion of the population are covered.

The basic element common to voluntary or private and social insurance is the covering of risks, although the methods of operation are different. In private insurance, risks are pooled and the contributions are paid voluntarily at roughly equal rates by people whose risks are approximately equal. Although in social insurance the risks are pooled, usually large categories of persons are covered by a specified contribution without specific distinctions in degrees of risk between individuals or groups. Private insurance contributions are linked to benefits. This means that the link is strong only if beneficiaries contribute substantially to the cost. However, in social insurance the state takes over the major financial responsibility, and often bears a part of the cost. Thus, the distinct difference from the principles of private insurance is that bigger benefits are paid to a person with a family than a person with no dependents, even though both have contributed at the same rate. In some systems the contributions and benefits are fixed at different levels according to the wage category of the worker, but the benefits are more favorable to workers with lower wages. In this situation, the higher waged workers subsidise the lower waged workers. In private insurance, reserve financing is needed in order to help ensure that benefits promises are met, such as in private pension schemes. This means that a proportion of funds have to be accumulated in advance in order to pay claims. However, in social insurance, reserve financing is not necessary as it can be financed on a pay-as-you-go basis, because it is backed by the taxation power of the state (Thompson, L.H., 1995)

There are also other significant characteristics of social insurance that make it different from other forms of social security. It is compulsory for most people to participate

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The features of social security schemes as classified by Kaim-Caudle, 1974, are shown in Chart 2.1, p. 120-123.

in social insurance programmes because of a legal requirement. However, in some programmes, a small minority are allowed to choose to participate. As social insurance is a government- created programme, interventions are necessary through government supervision since the schemes are usually managed and operated by private-sector institutions (for example, the German health and supplementary pension scheme). There are also programmes that are managed together by public and private sectors such as Medicare the health insurance scheme for the aged in the United States. In Anglo-Saxon countries, public sector agencies operate their public pension schemes. Almost all social insurance schemes need resources from employer's contributions or from both employer and employee. A worker's contribution is usually a fixed percentage of his or her wage or income (Ibid)¹⁷. However, in some countries, state participation in the form of supplementary contributions or other type of subsidy, forms the general revenue. Eligibility for benefits in part rests on current or previous contributions by the individual or the individual's employer. The benefits entitlement as mentioned earlier is secured by the person's contribution record, without any means test or specific need. Moreover, the contributor's benefits are prescribed in law, and are prescribed in uniform sets of events and schedules of benefits applied to all participants. However, the benefits are not directly related to contributions, it means contribution are not allocated to individual account. Title to benefits depends on payment of contributions, but the amount of benefits of each member may not be equivalent to the amount of contributions. This is because it is a pooling of risk and of resources (redistribution) with in any given generation. However, it can also be extended to include an element of intergenerational redistribution (Subramaniam N. Iyer, 1994, p. 189).

This, as mentioned above, is usually redistributed toward lower-wage workers or persons engaged in activities regarded to be socially desirable. Thus, the low-waged worker tends to get proportionately more than the higher waged worker. In some countries, social insurance schemes subsidise benefits for contributor's non-working families,

¹⁷ In some countries, for example the United States, social insurance contributions are included in taxes and therefore are collected by the taxing authority. This requirement has been specified in the law (Thompson, L. H., 1995).

students, members of the armed forces and others whose activities are regarded as socially beneficial (Ibid). Some of the characteristics of social insurance programmes are to achieve the redistributive objective which has to be implemented compulsorily method or the higher paid workers may choose not to participate. These programmes have been claimed to promote a sense of individual worth and dignity among recipients, because of their contributory characteristics (Ibid).

Government intervention in social insurance programmes has certain advantages in that it gives financial information that integrates social insurance with other government operations. This information is needed in order to guarantee that projected revenues are sufficient to finance projected expenditures for future years (insufficient revenues will affect a government's plan to balance projected receipt and schedule benefits). This plan is essential to ensure that social insurance is adequate to support the lower-income households, and must be redistributed from higher-wage to lower-wage participants.

However, employment injury schemes are found to be less likely to redistribute and are focused almost exclusively on individual equity at the expense of social solidarity. This approach to social insurance is common whereby employers are required by law to provide. Although it has almost all the characteristics of the social insurance scheme the financial reserves are accumulated in advance in order to pay claims. The compensation for work injuries in United States is an example of this scheme.

2.5.2 Social Assistance

Social assistance has often been referred to as a form of social protection provided to those who suffer from limited economic resources as a 'safety net' that otherwise may leave them likely to face poverty (Eardley, T., et al, 1996). Although social assistance has no definite definition, the International Labour Office defined social assistance as:

a service or scheme which provides benefits to persons of small means as of right in amounts sufficient to meet minimum standards of need and financed from taxation (In Midgley, 1984; Guhan, S., 1994, p. 46).

This definition implies that social assistance schemes aim to help people who lack sufficient income to maintain themselves and their families at minimum subsistence level. The main element of social assistance are targeting of the poor; need-based minimal assistance; tax financing; and protection as a matter of entitlement (as ILO definitions above) (Guhan, S. 1994, p. 46). Why is social assistance important and necessary? Firstly, a large proportion of the poor are trapped in long-term poverty. Such 'chronic poverty' can be explained by contingent poverty arising from large family size, unemployment, old age, sickness, disability, maternity and widowhood (Ibid). Secondly, in some cases promotional measures are insufficient to reduce the need for protection in the case of all contingencies. Undoubtedly, unemployment and sickness can be alleviated through the provision of employment and health care measures. However, old age and death cannot be prevented through measures promoting respectively, eternal youth and immortality! Hence, poverty in such contingencies has to be tackled through direct relief and could have a reasonably high targeting efficiency because it is contingency related (Ibid).

The current social assistance conditions for entitlement are specified in law and have nothing to do with whether claimants have had prior earnings or have ever paid taxes. The eligibility for benefits tailored to current individual circumstances on limited incomes and assets, and the assessment of the claimant's financial status, is known as a means test. Means-tested benefits tend to be linked with 'safety net' benefits, on the basis that most people do not require social protection and only those whose income falls below a certain level should qualify. Only those who can prove that they have no other source of adequate financial support are eligible to receive means-tested benefits. Other conditions may be considered for the entitlement of this benefit: for example those who are physically handicapped and unable to work and have no relatives to support them may be eligible. In some countries, social assistance is provided in the form of cash benefits or in kind such as clothing, food rations, travel vouchers, rent rebates, institutional care, or free medical treatment. The level of benefits are usually based on subsistence criteria, such as the level of income of the community or the national relative poverty standard. In Britain, means-tested benefits are generally provided for low-income people (Income Support is one example) and they are general safety-net benefits.

Social assistance is one of the oldest forms of social security. Before there was a modern form of social assistance, a similar provision existed many centuries ago: for example, the practice of 'zakat' which was instituted in Islamic societies in the seventh century A.D. In some Islamic communities, this provision is still in operation today. The characteristic of 'zakat' is that it is a self-administered tax in the form of contribution given to the needy, and is determined by the donor and specified by religious principles. The treasuries were established later, to collect the funds and to redistribute them to the poor. The first of these institutions was formed by the Caliph Omar in the eighth century A.D. (Midgley, 1984). Also, the laws of ancient Hindu India contained various provisions for the care of the needy (Ibid). The Christian virtue required part of a person's income to be paid to the church for religious purposes and the relief of the poor (Dietlein, D. 1967 in Aziz Muhamad, 1993)

The development of social assistance in Europe can be traced back to the provision of poor relief laws. These schemes were designed to relieve the poor and were established in several European cities in the fifteenth and sixteenth century. However, the best known is the Elizabethan Poor Law of 1601 which was a statutory poor relief in England and later replaced by the New Poor Law Act in 1834. Although the Poor Law had many adverse effects, on the whole the system was quite successful, on the grounds that it provided millions of poverty-stricken persons with adequate food and shelter. It was a truly comprehensive national system of welfare, and it accomplished its objectives in a way that minimised the social problems that threaten to attend any attempt at the relief of poverty (Goodman, C. G., 1981).

Statutory provision of social assistance in the form of the Poor Law in Europe has been superseded by contributory social insurance schemes while social assistance remained as a residual element of social protection. This may be seen in some countries such as Denmark, New Zealand, Australia and Britain, where specialised forms of poor relief have been designed, such as means-tested pensions in the early part of this century to assist the needy elderly and infirm (in Midgley, 1984). In Britain, although social insurance has been introduced, social assistance schemes have not been discontinued. In fact, Beveridge recommended the retention of social assistance schemes. He recognised that there are

people with no adequate income who would not be entitled to any insurance benefit because they could not meet the contributions. Over the years since 1948 the social assistance scheme has become an important social security scheme in the United Kingdom. In 1994 approximately 15 per cent of the UK population were dependent upon social assistance (Eardley, T., et al, 1996)

There are continuing debates over the approach for the social security system, such as social assistance, on the grounds that it restricts benefits to smaller numbers of people. Historically, targeted programmes have proven to be stigmatizing, socially divisive, and politically vulnerable in most countries (in Schulz, J. H., 1992). Thus, universal programmes have been argued for as generating widespread political support, promoting social cohesion and national solidarity; their broad economic and political base provides the potential for them to be effective anti-poverty programmes (Hudson, R.B. & Kingson, E. in Schulz, J.H., 1992). In addition, some argue that problems such as old age support, disability and unemployment are not only experienced by low income people. They are problems of the broad spectrum of society, thus they should be dealt with through universal programmes. However, those who defend targeted social assistance programmes fear that universal programmes may promote growing dependence of individuals on government, with consequent threats to economic growth and political freedom. Moreover, by targeting benefits, one can ensure a better re-allocation of income while minimising the distortion effects of the taxation needed to pay for the benefits. Selective programmes would not only be "target efficient", but would provide to those most in need, because limited resources would be divided among a smaller number of people (Ibid). Social assistance programmes are further attacked as they involve high administrative costs and are not precisely targeted (providing benefits for the wrong people). The stigma related to receiving benefits, the inappropriate determination of eligibility, and the low participation rate by those eligible are factors highlighted against social assistance programmes (Ibid). The attack on social assistance was further linked to serious economic disincentives. It was claimed to consume high expenditure that in turn requires high taxation and also benefits have to be deliberately kept inadequate, so as not to actively discourage people from working (Ibid). Even the low benefits provided by social assistance programmes have caused a "poverty trap". This is due to the loss of entitlement to means-tested benefits for low-paid workers

if their wages rise. The means-tested additions generally provide a fraction of the difference between low wages and the income level fixed in the scheme. If wages rise, these additions are progressively lost, even high marginal tax rates are faced by the low waged workers (Alcock, 1993, Deacon & Bradshaw, 1983). However, both universal and means-tested programmes still exist today in all industrial countries and in some developing countries. The emphasis on the entitlement and administration of means-testing now is to have as simple and effective a method as possible.

2.5.3 Universal Programmes (demogrants)

Some programmes provide social security benefits to all legal residents in a specified category. They rely on membership of a demographic category such as young children or old people, thus implying that social security is provided universally for certain classes of people and certain minimum levels of income for people of that class (Spicker, 1993). These universal programmes share several characteristics of social insurance, where benefits are prescribed by law and participation is compulsory. However, the provision comes from general revenue and is directly provided by the state. These benefits may include a pension to every aged, invalid, orphaned or widowed resident. Similarly, some countries operate a national health service which provides medical care for all residents without contribution or means-testing. In the United Kingdom, child benefit is the principal demogrant, and apparently aims to support families with children for childcare costs. This was based on the argument (Oppenheim, 1990) that a lack of child care support may cause families with children to be poor. Oppenheim (1990) reveals that in 1987 the proportion of couples with children, who were poor, was twice that (20 per cent) of those without (10 per cent).

The advantages of these universal schemes are simplicity and stability because the benefits are simple to administer as people are old or young dependents for an extended period of time. Thus, adverse effects such as stigma, the poverty trap and low take-up can be largely avoided. Unlike means-tested benefits because the circumstances change they need to be defined by using some kind of test. Universal benefits were claimed to be redistributive as resources are transferred from people without children to people with

children, as childrearing is costly. Thus, it carries an element of solidarity and represents an acknowledgement of the social responsibility of child rearing. However, there are some disadvantages in these schemes, as the cost has been viewed as prohibitive. It provides a disincentive to availability for work, particularly for those whose intention to work is minimal. The scheme has not been able to reduce inequalities fully, and on the contrary, many of the beneficiaries are probably non-working spouses in relatively wealthy households. Due to its oversimplifying nature, those with special needs have to be provided with a supplementary response which may not be available through universal benefits (Ibid).

2.5.4 Employer-Sponsored provisions

In some countries employers are required by law to take responsibility to provide social security programmes for their employees. Employer's liability schemes in the early stages were mainly directed towards the risks of employment injuries. However, they have developed to a wider coverage, such as sickness and medical care, either in respect to employment injuries or to other causes. These schemes are generally operated either under private or social insurance policies, and thus possess the same characteristics as mentioned earlier in either social or private insurance schemes. The scope and extent of provision by employers has expanded considerably over the years. For example some countries extend the legislation to cover sickness and maternity benefits, redundancy compensation and medical expenses for employees' families at the expense of employers. This kind of arrangement may be provided even though there is no statutory requirement, but the provision is included in employer-union collective agreements (ILO, 1984).

Even more significant in the expansion of employer-sponsored provisions in recent years are pension schemes. These schemes can be introduced by employers for their employees but this is not a statutory requirement. Unlike the social insurance pension scheme which is uniform in its programme provisions, employer-sponsored pensions are more flexible and can be adjusted to meet differing situations and conditions of various industries. For instance, flexibility can be used to design plans to achieve an employer's goal in managing the labour force such as encouraging the less valued employee to retire

early. This strategy is a controversial aspect of the scheme's objective, because as Scultz (1992) argues, over the years employers have been using their pension plans to promote greater efficiency in the productive process by facilitating the hiring, and encouraging early retirement, of workers who are perceived as least productive. At the same time it is necessary to retain highly productive employees such as white-collar professionals, and thus the employer-pension scheme is a desirable method. It also helps in adjusting the company's workforce to shifting demand. Finally, manipulating the pension plan funding process contributes to the company's particular financial needs and to a profitability situation if the management wishes to convey this in the financial statements. This reflects the conflict of management objectives with the retirement provision interests of the worker's plan (Schulz, 1992).

The employer-pension scheme is not a statutory provision and thus, a large proportion of the labour workforce are not covered. This is because not all employers provide pension-plans for their workers. Despite its controversial nature, the employer-pension scheme is necessary in the absence of a state pension scheme. In some countries public sector employees benefit from special pension arrangements (civil service pension scheme) as part of employees welfare plan. The schemes are usually financed on a pay-as-you go basis from the government budget. Some times contributions are deducted from salaries to cover part of the cost of benefits. It is common practice to exclude certain categories of civil servants from participating in other public social security scheme while other categories of government employees are covered under the public scheme.

Another employer-sponsored scheme is provident funds which are generally statutory programmes. It is a protection against the long-term contingencies, in which a public scheme is the main element. A number of developing countries like Malaysia and Singapore have established this programme not only because of the simplicity of its administration but most importantly because it gives benefits to the government, as the bulk of the funds are used for domestic investment. It is a compulsory retirement saving scheme that both employer and employee contribute towards, into the central fund. The contributions are credited to a separate account, to which interest is added periodically, for each worker. When the specified event occurs such as reaching of retirement age, invalidity

or death, the total standing to the credit of the account is paid out to workers or to their survivors. However, certain provident funds permit premature withdrawals or advances from the balance for specified purposes such as in the event of sickness or unemployment or for other purposes such as house purchase, children education, health care or to pay an insurance premium. However, premature withdrawal will dilute the protection against long-term contingencies.

The idea of a provident fund scheme is to promote self-help, and certainly the lump-sum benefit is valuable in times when wages cease, for example on retirement, or are lost due to invalidity (ILO, 1984). However, the lump-sum benefit is not adequate to sustain beneficiaries throughout their retirement, and hence, leading to poverty during old-age. During inflation, contributors may lose much of their purchasing power even before they receive it as benefit. This may be seen in the provident scheme operated in some developing countries for example Malaysia, the rate of interest paid to the contributors is at times lower than the rate of inflation which cuts the money value, and no adjustment is made in view of the rate of inflation. As a long term contingencies scheme, the provident fund is able to constitute reserve funds, which are necessary for capitalisation and the accumulation of funds needed for economic development. Thus, for many reasons, capital investment is essential, firstly in its role to finance the scheme itself. Secondly, the contribution of the fund is crucial towards the development of national savings (Butare, T., 1994).

Provident fund schemes at present exist in about twenty countries mostly in the former British colonies in Africa, Asia, the Caribbean and the Pacific island. However several African countries have transformed their national provident funds into social insurance pension schemes. Part of the reason has been economic instability, inflation and inappropriate investment of accumulated funds (Iyer, N. 1993, p. 193; Vittas, 1993 in Asher, M., 1994, p. 230). However, this programme generally covers only a small proportion of the population, targeted to those in the wage employment. Self-employed persons and rural workers were generally excluded in the beginning but may at the later stage be covered.

This scheme emphasises individual (and family) responsibility for financing social security. It also substantially reduces resources to the tax-transfer process, making it easier to administer the entitlements. At the same time reliance on individual or family provision allows greater flexibility in pursuing an internationally competitive income tax rule (Ibid). This is especially important for countries which are heavily dependent on foreign investment, trade and technology. This is because they need to retain their own, and attract from abroad, professional and skilled workers. Provident fund also helps to inculcate the saving habit in the population and allowing greater scope for self-discipline and habitual rules (Ibid).

2.5.5 Voluntary Arrangements

Personal saving plans are a personal initiative through individualised personal saving. There are various arrangements which have been developed to enable individuals to save money in special accounts to be used for contingencies such as retirement plans. The government's encouragement usually takes the form of a "tax expenditure"- an arrangement whereby an individual's tax liability is lower than it otherwise would be as a result of the undertaking of the activity. This gives a substantial financial advantage to individuals to save money in this way. Usually the accumulation in these special accounts are not allowed to be withdrawn until a specified period, otherwise penalties will be charged. Some of these plans are voluntary, while in some countries they may be compulsory. An example of a voluntary saving plan in the United Kingdom is the special tax laws that allow self-employed individuals to establish their savings plan. In Canada, for those self-employed who are not covered by an employer's sponsored scheme, there is a saving plan called "registered retirement savings plans" (Schulz, 1992), whilst in the United States, certain individuals deduct from their taxable income contributions to an "individual Retirement Account" (Thompson, 1995).

Voluntary saving plans are usually targeted to individuals who are not connected to any particular situation of employment. However, government influence is necessary: in order to qualify for a special tax the plans should meet certain conditions. Although the voluntary saving plans have a freedom of choice, the savers run the risk of not getting an

increase in their personal saving. Vittas and Skully, 1991, pointed out, " their ability to meet retirement needs of savers depends on the solvency and investment performance of the institutions with which they are trusted" and they are exposed to "much higher operating and marketing expenses, especially if no restrictions are placed on the ability of individual members to transfer their pension accounts" (in Schultz, 1992). This form of saving plan is actually similar to compulsory saving plans imposed by law in some developing countries, such as provident funds. However, the disadvantages of voluntary plan are higher as savings are made solely by individuals.

2.5.6 Discretionary Benefits

Benefits may be provided for people in special circumstances on a discretionary basis. This scheme has the advantage that it can be adapted according to the needs of individuals in a way which statutory benefits cannot (Spicker, P., 1993). In the United Kingdom, the Supplementary Benefits Commission administered this kind of scheme until 1980. The term 'discretionary' refers to a decision of officers based on circumstances without any formal entitlement to payment of benefits (Ibid). However, the judgement of officers in any individual case is limited by the creation of administrative rules, which define the limits of judgement. But judgement under this benefit may not be consistent. Examples of discretionary benefit are Social Fund, and Independent Living Fund. These are payments to individuals who had lost out under the social security reforms in Britain and needed to pay for domestic and caring services (Huby and Dix, 1992). However, discretionary benefits play only a marginal role in the social security system (Ibid).

2.6 THE PRINCIPLES OF SOCIAL SECURITY

The scope and form of social security programmes has been raised internationally in recent years. In spite of the re-examinations and solutions proposed, particularly on targeted social assistance approaches and privatisation of social security programmes, these policies are still under attack. However, social security programmes will have to continue to involve transfers of resources from the working to the dependent population. The role social security institutions are expected to fulfill consist of making transfers between

generations, between the healthy and the sick, and between the economically better off and poorer members of the population. The solutions certainly vary from country to country, but the principles of social security remain the same. It has been suggested however, that in looking forward to the future of the social security system, it would be necessary to look back at the principles contained in the Beveridge Report, which has greatly influenced the development of social security around the world. The Report became a very important document as it synthesised and articulated various currents of thought on the role of social security in modern society especially in the United Kingdom but also elsewhere in the world (Report of the Secretary General, ISSA, 1992; Hills, Ditch and Glennerster, 1994).

One of the principal objectives of the Beveridge plan was that through a link with the labour market and family structure, the social security scheme, particularly social insurance, would provide comprehensive protection for all. Thus, in this system, all would share in supporting the burden of those subjected to the prescribed social risks. This objective has been implied in the term of social insurance itself: "social insurance... implies both that it is compulsory and that men stand together with their fellows" (Beveridge, para 26, in *ibid*). Thus, the policy came out with the following important modifications of the pre-war schemes. The social security programmes should be compulsory and should extend to the greatest possible number of the total population including those previously above the income limits. It also included those substantially free from one or more of the social risks such as civil servants or those with sufficient protection under their terms of employment. The self-employed were covered except for unemployment and industrial injury (*ibid*). Legislation should also be provided separately for certain categories of women. Only some of the proposals for comprehensive programmes were implemented in Britain, and were modified in later years (Baldwin and Falkingham, 1994).

One of the principles in relation to social security provision is the redistribution of resources from the healthy to the sick, from the young to the old and from the richer to the poorer members of the community. The extent to which such redistribution is involved depends on the criteria adopted for the selection of beneficiaries and the method of financing. This raises the question of to whom are the benefits paid? Should they be universal or selective? However, at a general level two different approaches should be

distinguished. Firstly, in a means test method, the target is poverty as such, and the primary condition of entitlement is a level of resources below a specified amount. The second approach should focus on the presumed needs (often but not exclusively involving income deprivation) as a result of certain circumstances, such as unemployment, disability, old age and the maintenance of children.

The means test approach assumes that deprivation of income and other resources constitutes the greatest need on which the social security system should concentrate. Thus, welfare expenditure which aims at redistribution should be limited to cases of proven need, and the conditions for receipt should be kept under close observation. Certainly, this approach has been criticised by many because of its adverse effects, such as stigma, low take up and humiliation. However, the selectivity process in using mean tests is necessary for locating those in greatest need at the lowest cost. In practice, this approach appears to be an expensive form of welfare (Ogus & Barendt, 1982). This is because of the complexity of the means-test process, which requires a different test for each different benefit. For example, there are about forty five different means-tested benefits (including local authority grants) in the United Kingdom. As such, these create problems of bureaucracy and other administrative costs (Ibid).

The alternative strategy of selecting circumstances or individuals whose needs are assumed rather than demonstrated is more favoured. Therefore the policy makers have to make a clear reference to 'need'. However, if this approach accepts that the objective of the social security system is to make provisions for economic insecurity, then it may be possible to list the typical causes of such insecurity. The causes of economic insecurity may be considered within a historical perspective and taking into account the forms of benefit that have been developed in the system (Ibid). The best known categories of the causes of insecurity are those of Beveridge: firstly, earning loss, which according to Beveridge comprises about 75 per cent of cases of financial need. It is a result of circumstances such as disability, maternity, old age and unemployment. Secondly, loss of maintenance due to impairment of the breadwinner's income, the death of the wage earner or the breakdown of the family through separation or divorce. Thirdly, special expenses for special needs which include the support of children, hospital and medical expenses,

funeral expenses, education and housing costs.

However, some argue that there should be a limit to the degree of redistribution. This is on the grounds that social welfare transfers may lead to losses in the aggregate wealth of a society and therefore only a limited amount of such transfers are compatible with sustained economic growth (DSS, 1993). The losses occur particularly in high levels paid to the unemployed or sick, that may cause disincentives to work and reduce productivity. The marginal tax rate necessary to finance progressive redistribution may also have the same effect; it can reduce the capacity for investment and thus drain the capital stock of society. Finally, it is costly to administer and would be more economical to put the resources to some productive use.

Although redistribution measures have some drawbacks, it has been argued that social welfare transfers generate benefits as well as costs to aggregate economic welfare. This can be seen as it produces a healthier and more efficient labour force and helps to stabilise the economy by reducing the severity of depressions (Richardson, 1961 in *Ibid*). Even after the benefits have been taken into account, and if there are net losses from the welfare transfer, a significant consideration should be placed on the social value of the redistribution, even though this is difficult to quantify. There is however, a trade-off to be made between equity and efficiency (*Ibid*).

The principle of adequacy as proposed by Beveridge has never been implemented by the British Government (Lowe, R. in Hills, Ditch & Glennerster, 1994). The intention to provide adequate benefit both in amount and in time seems hard to achieve. The adequacy in time as proposed by Beveridge should be limitless, especially in relation to unemployment pay. However, the effect of this principle is detrimental to the 'work ethic'. The principle of adequacy in amount is also unacceptable, as the entitlement for a subsistence income is guaranteed to all without a means-test. However, the term 'adequacy' has never been defined appropriately; it is only referred to as "determination of what is required for reasonable human subsistence" (*Ibid*). In fact, it was admitted that the above reference is a matter of opinion and the assessment of human subsistence may vary widely between region, community, and individual circumstances (*Ibid*). The flat-rate benefit

which has been proposed was not seen as compatible to adequacy, because it is not practical to provide a subsistence benefit through a flat-rate cash benefit. Further discussions on the approach to social security benefits have ignored the question of adequacy. This was pointed out by Norman Fowler in the 1985 White Paper:

There have been many attempts to establish what would be a fair rate of benefit for claimants. It is doubtful whether an objective standard of adequacy would be fruitful (DHSS, 1985, p. 21 in Bradshaw, Mitchell & Morgan, 1988).

There has not been any agreement on the standard of adequacy; however, Cooke and Baldwin, 1984, have suggested an approach to adequacy by using budget standards (Ibid). Even the reference of budget standards itself has been debated, as to whether it is appropriate to set a scale on human need standards based on this method. Bradshaw, Mitchell and Morgan, 1988, concluded in their research on "the potential of Budget standard", that it would be unwise to be dependent too much on budget standards methodology, as the components of modern budget standards will change in time, place, community and households. However, since elements related to social participation can be incorporated by using budget standards, these methods may also be able to measure relative deprivation. Thus, in assessing whether the rates of social security benefits are adequate, the budget standards approaches can be used (Bradshaw, Mitchell & Morgan, 1988).

Beveridge's recommendation of 'unification of administrative responsibility' was implemented in the United Kingdom quite late, and it was claimed to be imperfectly structured. The consolidated Ministry of Health and Social Security was established in 1966 and the objectives of 'coordination simplicity and economy' have not been achieved (Lowe, R., in Hills, Ditch, Glennerster, 1994). There was a lack of coordination in the relationship between the tax and benefit systems. Consequently, this increased the number of low paid workers below the official poverty line, and on the other hand, increased in the number of claimants being discouraged by taxation from finding work. This is explained by Lowe, 1994: "the reward for self-sufficiency could be a drop in real income as a loss of

means-tested benefits coincided with the need to pay both income tax and insurance contributions (the 'unemployment' or poverty traps)". As such, government's dependence on means-testing to target need has been increased, and thus, hindered simplicity in the social security administration. The complexity of the administrative system was greater in the 1970s when there were about 45 means-tested benefits administered by central government, local authorities and the NHS. It became more complicated when they had to deal with differing criteria. As a result of this complexity, claimants were discouraged from applying (Deacon & Bradshaw, 1983; Donnison, 1982, in Lowe, 1994). In addition, the administrative cost of means-tested benefits and insurance schemes was high. The actuarial principles (present contribution covering future risks) of the social insurance scheme were replaced by the expedient of pay-as-you-go (present contribution paying for current liabilities) (Lowe, 1994).

From the claimant's point of view, the problem with means-testing lies in the complicated administrative procedure of applying. Claimants need to know whether they are eligible, what is the entitlement, and whether it is worth claiming. There are obstacles in making the claims, such as access to offices, filling in the forms, undergoing assessments (like income tests or medical examinations) and if possible appealing against a decision (Spicker, 1993).

The importance of the administrative process derives from the central requirement that benefits have to be delivered in order to relieve poverty. However, there are several different kinds of benefits with different conditions and procedures. The complexity of the system should be reduced. Social security should be easy to claim and understand. Efficiency can be improved by distinguishing the internal and external factors with which the benefits are administered. The internal factors include the complexity of the benefit - steps required to claim, clarity of the rules, the length and procedure to process claims, scope for error, terms of qualification, identifying the category of people. It was suggested that the exercise of judgement in processing the claims should be consistent. The external factors involve wider aspects such as the number of claims and cases, which need a special approach. An element of flexibility has to be adopted in the system in order to be responsive to changes in individuals and societal needs.

The question can be raised here as to whether the approaches to the social security system in developing countries have any of the principles mentioned above? Certainly, it seems this will remain a distant aspiration. Nonetheless, all countries have some form of social security scheme but with different approaches and tailored according to the resources available, the problems and circumstances existing in those countries. However, developments in another group of countries, newly-industrialising or high-growth nations in Asia, represent a different trend. In Singapore, Hong Kong and Taiwan, there is relatively rapid expansion of social security through the establishment of new social insurance schemes, covering larger groups of the population. This will be examined in the next section.

2.7 SOCIAL SECURITY IN DEVELOPING COUNTRIES

Paradoxically, the majority of the world's poor live in Asia, around half in South Asia and 15 percent in East Asia. Whether conceived in absolute or relative terms, and measured by per capita income or by non-monetary criteria, the extent and persistence of poverty remains one of the major problems facing the region (Villacorta, L., ILO, 1994). However, as reported in the Economic and Social Commission for Asia and the Pacific, 1993, most developing countries have shown some improvement in many social areas including levels of health, nutrition and education. Some have been able to reduce their poverty level significantly. For example, in Malaysia, according to a recent World Bank Report, the proportion of the population in poverty (definition of poverty is given in Chapter One) has declined from 18 per cent in 1970 to 15 percent in 1990, whilst in Indonesia, it has declined from 60 per cent to 15 per cent (ESCAP, 1993). Other countries such as Thailand and the Philippines have also reduced the percentage of their population living in absolute poverty. However, it has been seen in some countries in Asia that there is a growing increase in income inequality (Ibid).

The majority of the population in developing countries suffer severe and chronic deprivation. The extent and persistence of poverty, whether absolute or relative, remains a threat to the political and social stability of these countries. While most poverty is in the rural sector, urban poverty is projected to increase, as migration to the urban areas

continues, expanding the slums which are already a permanent feature in many cities. According to MacPherson, many of the large cities in Asia, for example, Bangkok, Taipei, Seoul and Manila are now experiencing the social and physical conditions that were taking place in the nineteenth century in Europe (MacPherson, 1992). Conditions such as homelessness, child labour, prostitution, and crime are on the increase. There are also a growing number of unsupported elderly people, who are left to fend for themselves (Ibid). All these factors have and will continue to increase, unless social policy is able to respond to the changing economies. The role of the state in providing social protection and guaranteeing basic labour standards is a crucial measure. Moreover, in those countries experiencing sustained economic growth, issues related to the quality of life, including social security and employment-related benefits, will increasingly dominate debates in social policy. In fact, according to MacPherson (1982), countries in the Asia Pacific region are making efforts to improve the effectiveness of social monitoring, and attention is given to the role of social policy and its relationship to economic changes.

As modern forms of social protection have expanded rapidly throughout the world, the governments of most developing countries have now recognized that citizens have a right to statutory forms of protection. Thus, many developing countries have established social insurance schemes, although their coverage is limited. This is because social insurance is provided in relation to provisions in the labour law, making employers responsible for employment injury and other welfare benefits. Also the great majority of the population is dependent on subsistence or near-subsistence economic activities for their livelihood, both agricultural and in the small-scale, informal sector in the urban areas; only a minority finds employment in the modern sector of the economy. Since social insurance schemes cater only for those workers in modern, industrial commercial service occupations and the civil service, those outside these types of employment are not covered (Midgley, J., 1984). These provisions, although rudimentary, are nonetheless the only social protection offered to many employees; even though the coverage is limited, it can be very important for some countries. There are other examples of "employer liability" types of schemes, beyond the labour law provisions just mentioned. It can be argued that in China, the practice of making each enterprise responsible for the old-age pension benefits of its employees can be categorized as an extreme form of the employer liability method.

However, since the state budget was used to sustain those enterprises that were no longer financially viable (sometimes because of heavy pension costs), it is not a pure employer liability approach. Moreover, since the beginning of the economic reforms, enterprises are participating in pension "pooling", a step towards a social insurance approach, with the aim of establishing pension funds at the provincial level.

Social insurance schemes in developing countries generally provide protection against the contingencies of old age, invalidity, death, employment injury, maternity and sickness. Even social insurance schemes operate their own medical facilities, such as in India, Myanmar and Pakistan; while in the Philippines and Thailand, the scheme contracts with or approves various providers, including the Ministry of Health, for services (Villacorta, L., 1994). In Malaysia, medical services are provided by the Ministry of Health in the form of universal benefits. In Singapore, part of the contribution to the Central Provident Funds may be used for medical payments or to purchase health insurance through Medisave. In some regions in the developing world, such as Latin America, medical care is provided through social insurance, while in others (particularly French-speaking countries in Africa) family allowances are a central part of the social security system. The problem of limited coverage has been raised by many; Cockburn for example, argued that:

rapid social change, migration, industrialization and the disintegration of traditional social welfare institutions in developing countries had created an urgent need for social security not only in modern sector of the economy but also in the "urban informal" and "rural traditional sectors" (Cockburn, C., 1980).

However, due to factors mentioned earlier, it is not easy to extend social insurance schemes to the entire population in developing countries with low incomes and low revenue-raising capacity. Furthermore the severity of poverty and deprivation may cause a large demand for social insurance benefits which may pose problems of funding in these countries (Ibid). However, this is unlike Singapore and Hong Kong for example, where problems in establishing a comprehensive network of administrative and service delivery outlets, assessing incomes for contribution purposes and maintaining accurate records of contributions, benefits and membership are not major obstacles to the expansion of these

schemes. This is because Singapore and Hong Kong, which are considered more developed than other Asian countries, are the smallest in size and population. They also have the highest standard of living compared to the rest of the Asian countries; commerce and industry are their main economic base and hence they are most urbanised. However, the extent to which social security systems in the more developed countries of Asia (Hong Kong, Singapore and Taiwan) provide a comprehensive coverage, will be examined in the following chapter.

Social assistance in most developing countries continues to reflect the original Poor Law policies of colonial legislation, while in developed countries their social assistance schemes have been modified greatly over the years. Social assistance schemes were established in developing countries for the purpose of dealing with vagrants, to suppress begging and to provide limited aid to poor elderly and infirm people, to help widowed or deserted women with dependent children who had no means of support. However, these schemes are restricted to urban areas, because it is believed that the extended family in the rural communities may be able to provide social support to their members in need. This form of social support, as mentioned earlier is not adequate to meet the changing needs of the people.

In some developing countries where there are no social institutions to provide protection and shelter for elderly and handicapped people, it is often left to the immediate family members or relatives to care for them. Those who have no families to support and care for them are forced to beg on the street. A number of developing countries, however, established social assistance schemes to provide for the destitute elderly and physically handicapped; such as Guyana, Malaysia, Jamaica, Nauru, Uruguay and India. Social assistance in the form of a family allowance to support large needy families is found in a very few developing countries, such as in Mauritius. This universal scheme was recommended by Richard Titmuss (1961) in his investigation of the need for a social security system in Mauritius. Most French colonies in Africa and some parts of Latin America adopted a French model of family allowance which was governed by legislation. These schemes are actually financed by employers' social insurance contributions, thus benefitting only a small proportion of the labour force in regular waged employment.

According to Midgley (1984), since the workers' needs for additional income supplements are not as great as those outside the schemes, the family allowance does not serve a purpose in relocating resources to the poor.

Another measure taken by some of these countries to help needy families is the provision of social assistance to enable them to be self-sustaining. When there are limited wage employment opportunities, the government encourages the growth of informal sectors. Informal sectors have been recognised in their contribution to economic development. For instance, the Philippines government under the Self Employment Assistance Programme provides small capital loans to help low-income people obtain facilities, tools, and equipment to establish a small business, production, repair or services. In this way they can provide a permanent source of income. The programme has successfully established a wide range of small enterprises, and about 147,000 needy individuals were assisted in the scheme in 1980 (Ibid).

Social assistance schemes can be a very useful alternative to protect the majority of the destitute population. However, there are defects and problems in using this method. The most prominent problem is the ability to generate financial resources for social assistance schemes. Most developing countries suffer from financial constraints and a lack of resources that hinders the success of these programmes.

However, some argue that since developing countries are suffering from a lack of resources, and that the solution to the problems of poverty and deprivation lies in economic and social development, it may be that social assistance could help to contribute to this development. Financial aids can generate incomes for poor families and thus stimulate a demand for goods and services produced by the economy. The schemes can also provide agricultural capital, improve production and thus generate economic growth (Ibid). However, some argue that the number of the needy is so great and also the standard of living in the community is so low as a whole, that the amount of help must be limited (Ibid). Unless the national income rises, social assistance may not be effective.

As mentioned, administrative defects is one of the factors which contributes to the

problem of how to make the scheme effective. The coverage is restricted to the urban population and in some schemes limited to those in regular waged employment. Many developing countries have no adequate administrative networks in rural areas and often the rural community is unaware of such schemes even though they may be covered by them. Delay in processing applications is another common problem. Moreover, the complexity of the procedures and of determining entitlement where applicants have no personal records, such as of births, marriages or deaths to support their claims, has caused difficulty in the assessments (Ibid).

Midgley, 1984, commented that the greatest social assistance problem in developing countries is a lack of appropriate policy-making. The social assistance schemes in most of these countries perpetuate the out of date colonial approaches. Finally, there are no comprehensive social security policies which can coordinate different types of schemes.

Hence, what is more appropriate is a multiple approach of indirect social security measures through poverty eradication and income distribution policies. According to Dreze and Sen (1991), in dealing with persistent deprivation which has been a major problem in developing countries, long term measures of economic growth and social development are more significant. This issue has also been much discussed in the development literature. Economic development strategies may expand personal income as well as improve the basis for public support, and this is called growth-mediated security. However, the success of this approach depends on the efficiency of public service and a redistributive bias in their delivery (Dreze and Sen in Ahmed et al, 1991, p. 22). In fact, growth-mediated security approach has been an important experience of Hong Kong, Singapore, South Korea, Kuwait and the United Arab Emirates.

In Malaysia, a variety of interventions have generally improved the living conditions of the poor population (see Chapter One). The Integrated Rural Development Programme (IRDP) such as land development indicates a large-scale intervention designed to create assets for the poor. The poor have greater access to land that generates incomes through self-employment. This is essential in providing the fundamental basis for social security in an agrarian economy. It not only provides income security but also land

redistribution which is a primary asset. This programme also finances a variety of investments through a combination of loans, subsidies for households whose incomes fall under a stipulated poverty line. For example, the rice farmers are provided with a wide range of subsidy programmes and extension services. The availability of loan and subsidy can also prevent divestiture of land and other assets (livestock), thus playing an important safety-net function.

Employment generation for the rural poor is not only a measure to alleviate poverty but also social security provision. The growth of industrial estates produced a high proportion of unskilled rural labour to work in these areas. Thereby, expanding employment and income opportunities. In social security terms, this programme may create stabilisation and ensure stability of incomes in periods of unfavourable weather, bad harvests and fluctuation in agricultural price (Ibid). Hence, these economic development programme can indirectly perform a social security function by preventing low standards of living.

2.8 CONCLUSION

It has been recognised that in wage earning industrialised and urban cities, individuals and families alone cannot be expected to provide for their own security. Even in the rural agricultural communities, families, relatives, neighbours and friends are no longer willing to undertake the task of supporting needy dependents. Thus, an increase in the incidence of destitution and vagrancy resulting from economic and social changes as well as political conflicts, places demand for some kinds of measures of support. Undoubtedly, social security represents a necessary element of stability and protection. This is not merely aimed at the relief or prevention of poverty, but its fundamental purpose is to assure individuals and families that their standard of living and quality of life will not be affected or reduced by any social or economic eventuality. Another beneficial effect of social security is its contribution to economic stability and economic growth, as well as contributing to an equitable distribution of income. Thus, the trend of social security now is to provide as broad as possible universal coverage, more provision for a wider range of risks and, apart from cash benefits, various non-cash services are becoming popular in

many countries.

Although the rationale and justification for social security are established, its effectiveness has often been questioned. This is because social and economic conditions have changed which are straining its capacity and ability to meet its required ends. Adverse demographic trends, budgetary deficits and declining economic growth and productivity have also called into question whether the present system is capable of meeting the objectives of social security policy. State involvement in providing social security benefits is beginning to be reduced now and apparently the emphasis is more on the commitment to the private market. Although there was a strong argument for state involvement in social security provisions, the role of the private sector has been continuing to expand. As such, private insurance companies have taken over provision of sickness and other insurable benefits, thus reducing state subsidy when charges are introduced. The purpose of raising the privatisation issue is, however, merely to find alternatives to the social security system.

Although all social security programmes have the common objective of meeting human needs, the method has to be adjusted to economic circumstances. Different circumstances such as size, economic and demographic conditions, standard of living and political and social policies result in varying approaches to social security provisions. In some countries, the role of the private sector in providing social security may be greater while in others it may be very limited. Another example is that the application of universal benefits may be successful in one country and not necessarily suitable for another. In Britain for example, the notion that the state should provide basic security and that every citizen has a right to state welfare has partly led to the expansion of state provisions, although some freedom has been given to voluntary schemes.

For developing countries, there are difficulties in providing social security due to lack of funds, although the needs are great. Most programmes established concentrate on the more serious needs and cater for a very limited section of the population. Moreover, schemes providing for the event of contingencies arising in the long term (which can generate reserve funds) are fairly widespread. Generally, the financing technique of statutory pension schemes or retirement schemes such as provident funds, based on

Country	Name of Scheme	old-age, inv. survivors	COVERAGE				active population (estimated)
			sickness and maternity	employment injury	medical care		
India	EPF ESI Scheme	15,710,000	6,890,000	6,090,000	6,890,000	332,944,000	
Indonesia	ASTEK	3,497,530	276,796	4,525,282		71,314,000	
Malaysia	SOCISO* EPF	4,600,000 5,935,799		4,600,000		7,071,000	
Pakistan	EOBI Provincial	736,492	504,041	504,041	504,041	33,698,000	
Philippines	SSS GSIS	**12,453,333 1,029,364	3,888,000 1,029,364	3,888,000 1,401,531	3,888,000 1,401,531	22,474,000	
Singapore	CPF Medishield	2,200,000	1,390,000	Most of workforce by WCF	1,910,000	1,298,000	
Sri Lanka	EPF	***4,000,000				6,367,000	
Thailand	SSO	2,980,000	2,508,000	1,826,995	2,508,000	29,534,000	

TABLE 2.1: Number Of Persons Covered By Social Security Schemes In Financial Year 1990

* # of persons registered, only 1,700,000 are actively participating

** total membership, number of active participants 3,888,000

*** estimate of # of persons registered, only 1,800,000 are actively participating

SOURCES: ECONOMICALLY ACTIVE POPULATION PROJECTIONS 1985-2025, ILO, Geneva (projection 1990)
THE COST OF SOCIAL SECURITY, 15th International inquiry (forthcoming) in Villacorta, L. (1994)

ABBREVIATIONS: EPF : Employees' Provident Fund Organisation GSIS : Government Social Insurance System
ESI Scheme : Employees' State Insurance Corporation CPF : Central Provident Fund
ASTEK : Employees' Social Insurance Medishield : (voluntary additional health care insurance)
SOCISO : Social Security Organisation WCF : Workmen's Compensation Fund
EOBI : Employees' Old Age Benefit Institution SSO : Social Security Office
SSS : Social Security System

modified versions of capitalisation, has led to an accumulation of funds. This is because these countries do not have sufficient funds to sustain economic growth, and therefore this is the best means for capital formation. The advantage of contributory insurance schemes in providing social protection as well as for reserve funds may lead to the expansion of social insurance schemes in developing countries (see Table 2.1). This is particularly relevant in those countries where the formal sector is expanding due to rapid economic growth.

Another issue of importance for the future is the improvement in the management and administration of social security programmes in developing countries. Efficiency and improved service delivery will need to be achieved through the adoption of new information technologies, specially trained staff and better policy co-ordination.

The difficulty for developing countries in providing social security programmes has always been blamed on the lack of funds due to low incomes and low revenue-raising capacity, widespread poverty and deprivation and the ineffectiveness of the administrative capacity; this implies that more developed countries may be able to provide a comprehensive social security system. They not only have the capacity to provide social security financially, technically and administratively but rapid economic development and industrialisation is also assumed to be accompanied by a development of social security systems. An examination of social security provision in the fastest-growing countries in Asia namely Hong Kong, Singapore and Taiwan, may be helpful to provide a broader perspective which is directly related to the development of social security. The following chapter will thus examine the development of social security systems in these three tigers of Asia.

CHAPTER THREE

SOCIAL SECURITY SYSTEMS IN HONG KONG, SINGAPORE, TAIWAN AND MALAYSIA

3.1 INTRODUCTION

The impact of industrialisation experienced by western industrialised societies will also occur in Malaysian society. Indeed in moving towards industrialisation, Malaysia is already facing problems created by the process of radical change, which has to be dealt with through an expansion of social security programmes. However, evidence of the negative effects of industrialisation in Malaysia have not only been seen in employment conditions but also in family life, population movement and a breakdown of traditional social cohesion. Whereas social problems and the development of social welfare provision in developing countries do not necessarily replicate those of advanced industrial countries there is obvious relevance in seeking to understand the processes through which social and economic change creates demand for social welfare.

Much evidence from industrialised countries shows that the impact of industrialisation has been the growth and development of social security systems. In fact some theoretical views indicate there is a relationship between industrial development and the rise and expansion of social security programmes. Thus, the need for a comprehensive social security system cannot be ignored in Malaysian development plans. Approaches to the social security system in Malaysia will have to be based on the culture and values of its own society. This implies that Malaysia will not necessarily follow the experiences of western industrialised countries in moving towards a welfare state, but somehow there should be comprehensive social security scheme, following a Malaysian model, to protect society from destitution.

The centrality of industrialisation to the development of social policy was fully recognised by Titmuss who saw it as something to be desired. (Titmuss, 1958, p. 104). However, the impact of industrialisation causes changes in human needs, family structure and relationships and individual lives and ultimately changes the traditional kinship

system. Thus, Titmuss suggests that there are lessons to be learned in the area of social policy from industrial societies (ibid, p. 106).

In a study of the problems and prospects of industrialised countries in the West, Wilensky stresses that the more industrialised the nation, the larger the proportion of its national income that is spent on social security. According to him, whether this trend will continue depends on the rate of population dependency, such as the ability to purchase goods or bargain for them privately and the drop in the proportion of national income spent on welfare services (Wilensky, H. & Lebeaux, 1965, p.x).

This underlines the fact that social security programmes have been established to protect civil rights, to ensure equality among citizens and to combat poverty. Wilensky was looking at social problems brought on by the industrialisation process which caused a drastic increase in the population through mass immigration, the transformation of rural peoples into urban, industrial strife, poverty, insecurity and bad working conditions.

The transformation of peasants and the rural population into a new system of work in plantations, factories and new urban areas during the early stage of industrial development caused both psychological and social pain to workers. The source of these insecurities and social problems can be traced to the discipline imposed, the extent of specialisation and the criteria of stratification: the factory system demanded long working hours, low pay, child labour, and overcrowded work places. The new discipline in specialised machine processes introduced the need for schedule and routine. This could be seen with the use of the time clock, rules and work regulations in plants, the presence of supervisors and the close attention to quality and quantity of output. Undoubtedly, this may not only put pressure upon the workers but this new system causes a cultural shock particularly to rural-urban migrant workers. As a consequence of the factory system, the workers resist a full commitment to industrial ways of life. This is shown in the high rate of absenteeism and turnover in the industrial setting that Wilensky observed occurring in almost all underdeveloped countries and in developed countries such as the Soviet Union and the USA. On many occasions this phenomenon has been a major problem for the industrial and plantation employers, and indeed creates unemployment in the new urban

areas (Ibid, p. 57).

Industrialisation brings increased complexity in the division of labour and more specialised jobs. The extent and type of specialisation has obviously had an impact on social life. T.N. Whitehead (1936) stresses:

Every advance of industry... has so far been accompanied by a corresponding impoverishment in social living (in Ibid, p. 27).

This is because industrialisation means unsatisfying work, long hours, work without purpose, class difference and conflict, and disorganised and disintegrating social and community life (Whitehead, 1936, p,165, 231-237 in Ibid). Engels and Karl Marx charged that industrial work shaped the worker into a machine slave, and made work meaningless (Engels, F., 1955, p. 118-119, 128-129, in ibid). Adam Smith's story of the pinmakers whose jobs were too specialised, (every single task being done by a different worker) suggested that the work of simplification could result in a kind of mental stupor for the worker (Aberle, D. F., Cohen, A.K., Davis, A.K., Levy, M.J. and Sutton, 1950 in ibid, p. 59). The specialisation of the factory job could also be seen in the auto-assembly plant which has been described as tedious work.

From the point of view of the structural-functionalist, economic development is also seen as a process of increasing social complexity, which in turn is related to the process of growth and affects all social structures, activities and individual lives. For instance, Durkheim suggests that these changes will lead to problems of integration:

Fundamentally, differentiation involves a loosening of ascriptive bounds and a growing mobility of man, goods, and ideas. It leads to the development of an extensive network of exchange and greater disposable resources. As differentiation advances and breaks down traditional forms of social organisation it changes and exacerbates the problem of integration... he suggested two types of solutions to this problem: integration through mechanical solidarity based on affinity of values, beliefs and sentiments and through organic solidarity that simultaneously weakens the impact of social segmentation and strengthens the impersonal interdependence of individuals (Flora and Apter, 1981).

Therefore, economic development can be regarded as processes of differentiation. However, differentiation may be viewed from both functional and conflict perspectives. From a functional perspective, differentiation is a means by which the 'social systems' change in an orderly manner, which is acceptable and not threatening to existing power-centres. In other words, it is a change in the social system without changing the fundamental allocation of advantages (Gouldner, 1970, p. 357-360 in Chan, 1984).

On the other hand, Durkheim views the problem of highly differentiated societies as anomie and if inequalities occur in the social system, they can be solved by normative regulation (i.e. solidarity). Such regulation has to be legitimate, which requires an equality of opportunity and legitimate contract on the basis of an equality of exchange conditions (Flora and Heidenheimer, 1981). In this view, social welfare policy is one of the solutions to problems of integration. The disintegration that has been a result of economic development on the one hand, needs some measures to reinforce the normative values of social consensus and the well-being of individuals and society. Thus, here again the emphasis is placed on the need to provide welfare services to enhance the impersonal interdependence of individuals.

The relationship of economic development and social welfare services may also be seen from a conflict point of view. For example, Marxists view economic factors as a process of social disintegration, in which changes in the relations of production and exploitation by capitalists cause class conflict which results in social changes. A central notion of Marxism is that the class struggle takes place as a result of concerted action by workers to extend their interest in capitalist society. This action is aimed at the state or at employers, and as a result, various concessions are provided to the working class. This argument therefore suggests that the emergence of a welfare state is an attempt to deal with the problems of capitalism, class conflict and recurring economic crises.

From a macro perspective, those changes in structural-functional differentiation which have caused disintegration in economic, social and political elements of society are regarded as an expression of the process of modernisation (Chan, 1984). The changes of the modernisation process evolved in the political, social and economic spheres. In the

political sphere, citizenship has been broadened from civil rights which provide rights to ensure individual freedom, to political rights which enfranchise individual participants in the exercise of power, to social rights which institute individuals with minimum levels of economic welfare, social security and cultural heritage (Flora and Alber, 1981).

Rimlinger, 1966, however, argues that low economic levels such as low productivity and low capabilities of manpower have contributed substantially to the steady expansion of health and education programmes in most industrial countries. These measures are taken in order to educate and ensure the healthy condition of manpower for achieving higher productivity in meeting the needs of economic growth. In fact, in an industrial economy, it has been seen that welfare functions and services are necessary for the effective functioning of industrial societies (Mishra, 1984). The 'convergence' thesis argues that irrespective of political and ideological differences, welfare programmes were developed in all industrial societies. The combined forces of technological change and scientific knowledge promote both change and similarity. Societies become more complex, more segmented and more heterogeneous: interventions become necessary to promote homogeneity and solidarity (Ditch, 1996, pp. 160-162).

Cutright, 1965, examined the relationship between political structure, economic development and national social security programmes in seventy six countries including developing countries. He concluded that the economic level is the main determinant of the number of years of social security programme experienced. The degree of social security coverage of a nation's population is strongly associated with its level of economic development. The more controlled economic development is, the earlier and wider are the programmes of social security then introduced by the government. In his words:

in spite of very great differences among nations in ideological orientation as well as in type of political organisation, we found that actual activities of government in the social security field were strongly related to the complexity of social organisations in economic, social and political institutions (Ibid quoted from Chan 1984).

Thus, the above statement indicates that national policy, economic and social systems are interdependent. A similar argument was put forward by Wilensky (1975), where

apart from political and ideological factors, he also maintained that economic growth, demographic and bureaucratic outcomes were a primary cause of the emergence and development of social security and welfare services. In his cross-national analysis of sixty countries he stressed that economic growth was the ultimate cause of social welfare development. However, he also placed demographic factors as important in the development of social welfare services. This may be seen in his analysis, that age of population is also a decisive factor in the rise of social welfare services. As seen, countries with higher proportions of elderly population spend more on social services than countries with a higher proportion of younger population (MacPherson, 1986). He added that the low levels of security spending in less developed countries are related to their extremely low per capita income levels (Gordon, M., 1988). Certainly, a high proportion of the aged population means more expenditure on medical care and retirement pensions. As the proportion of elderly people tends to be relatively higher in industrial countries, hence, the social security expenditure tends to be higher in these countries. Thus, this factor explains the relationship between industrialisation and social security and welfare expenditure. Women's participation in the labour force has also led to the rise of social security coverage especially during the maternity and child bearing periods. However, according to Gordon, (1988), there have been differences in the rate of public expenditure on social security in industrial countries. This is due to the different rates of women's participation in the labour force in these countries.

Another proponent of economic determination on the development of social welfare services is Aaron, 1967, who uses economic indicators to put forward his arguments. His analysis uses per capita national income, per capita social security expenditures and social security expenditure as a percentage of national income, to test the relationship between levels of economic growth and the growth of social security in twenty two developed as well as developing countries. In his findings, per capita income alone, coupled with other variables, is the most important determinant of per capita social security outlays. It is significant as a determinant of the percentage of national income spent on social security (in Chan 1984). In short, his findings indicate that countries with higher national incomes provide more of their public expenditure for welfare services.

However, the question is why industrial countries lead in the development of social security and welfare services, while others lag behind? Certainly, in general, industrialisation and urbanisation were the forces that led to measures to protect workers from the economic risks caused by illness, unemployment and old age. This may be seen (as mentioned in Chapter Two) during the nineteenth century when in the latter half of that century, workers in Europe and elsewhere sought to protect themselves from economic risks by forming sickness funds or mutual benefit funds. However, these funds soon diminished, thus lack of funds resulted in difficulties in accumulating enough resources to protect their members over longer periods of economic risks, such as unemployment and disability (Ibid). It is clear that the role of industrialisation was an important factor in the adoption of social security programmes, particularly in European countries. However, in some developing countries such as Hong Kong, Taiwan and Singapore, as examined in part one of Chapter Three, there is no evidence that industrialisation is the main force for the development of social security in these countries. In fact, the first social security scheme that is compensation for work injury, was introduced when industrialisation had only just begun (Chow, 1986). But to completely reject economic development as a determinant of the rise of social welfare in these countries would not be appropriate. This is because the compensation for work injury, as mentioned above, was surely formed due to labour participation in economic activities. On the other hand, the formal social security and welfare provisions in developing countries arose from the influence and impositions of colonial rule, which during that time was undergoing rapid expansion of new dispositions of material resources overseas, for home industries. Thus, according to MacPherson (1982), colonial policies on social welfare in the colonies were related mainly to two imperatives : (i) the need to create sound conditions for economic activity; (ii) the principle of a 'civilising mission', as Joseph Chamberlain said of the 'duty' of the British as colonialists, "we develop new territories as trustees for civilisation, for the commerce of the world" (quoted by Mair, 1984, in MacPherson, 1986). This indirectly pointed out that economic factors has an important role in the development of social welfare provision even in British colonies, but this is mainly to protect the interest of the colonial enterprises.

Cockburn, 1960, is another writer who examined the emergence of modern welfare institutions in developing countries, and also defended technological determination. He

observed that social security schemes are established as an integral part of the process of industrialisation and modernisation. In his view, the process of industrialisation has weakened traditional functions of support, such as the extended family. Thus, modern institutions were formed to prevent the spread of destitution (MacPherson, 1986).

However, MacPherson, 1986, pointed out that the role of economic and technological advancement has partly been to facilitate the development of social welfare services in Third World countries. But obviously the decision to establish statutory social welfare services ultimately lies with political forces. Thus economic levels are an important determining factor in the development of social welfare services. In general terms, according to Liechter, 1979, the wealth of a nation determines the degree of freedom or constraint imposed on a nation's decision makers in providing public goods and services. A nation's economy influences not only the content of public policy but also the administration. Hence, based on this argument, the role of economic growth is not only a necessary condition in view of the needs involved in changes in economic structure, it is also a pre-requisite condition for welfare development. This is on the grounds that economic resources are needed for welfare provision.

Nevertheless, the extent of state intervention in solving these problems of provision of social security and welfare depends on the capability of its administration. Thus, its legitimacy of intervention is established through legal rationality (Chan, 1984). In other words, government intervention through its bureaucratic institutions is entrusted with legal power, authority and competency to formulate policy towards meeting social needs.

Industrialisation has not only affected the workers individually, but has affected their family system as well. Titmuss stresses that the long and short term effects of industrialisation, as experienced in Western societies, are highly relevant in any consideration of the life cycle of the family, particularly in those societies now starting out on the road toward industrialisation (Titmuss, 1958, p. 106). In this context, Wilensky & Lebeaux, (1965) and Titmuss (1958), observed that the industrial family is dissolving. Divorce has been increasing because husbands and wives are working and spend less time with the family. The marriage contract is becoming less sacred and more secular, parents

are losing authority over children (this can be seen in the revolt of youth). A decline in the spirit of self-sacrifice has led to a decline in the birth rate, as women are now less willing to bear many children. However, another family expert, Joseph K. Folsom (in *ibid*) looked at the effect of industrialisation in a positive perspective. He says that although the family organisation is changing, in other aspects it has strengthened and adapted itself to a democratic society. In this society sex discrimination is declining, males are becoming less dominant, and wives have more equality in law and daily life. In fact, there is a partial shift of the traditional family functions - protective, educational, economic - to the state, school and industry. This makes family members more independent of one another, and strengthens the family into an adaptable emotional unit (Folsom, J.K, 1943, in Wilensky, 1965, p. 68).

However, there are important factors to consider: notably that the transformation from agriculture to industries makes children less valuable economically. Having a smaller family is ideal as a consequence of the increase in the cost of living, as it is expensive to raise children, and especially to provide them with education and child care. Indeed, industrialisation has brought an increasing percentage of the whole population into the labour force, but it has also changed the proportion of employed men and women. Most importantly it has given the edge to married women. Throughout the developed, and increasingly the developing world, this has given them the opportunity to supplement the family income and to achieve self-fulfilment (changing the definition of women's role). As they continue in a "life of their own", the demands of work have conflicted with the demands of the home such as child rearing.

Titmuss (1958) observed that social, economic and technological changes have affected woman's status and her role "...as a wife and mother, as a home maker, as a contributor to the economy of the family and in a variety of situations in the cycle of married life..."(Titmuss, p. 89). Thus, these changes in the position of women in turn have some effects on the demands and needs on social welfare services in industrial societies. This is a theme with implications yet to be explored in a country such as Malaysia.

The impact of industrialisation on the family system also includes the problem of

the aged. While there is a tendency for families to have fewer children, and a decline in the birth and death rates, there will be more elderly people than before. This situation poses problems as the emancipation of the married couple, and of women, leaves old people stranded with no family to care for them.

The family system has thus changed with the advent of industrial society (except in industrial Japan, where the traditional authority of the elders is still strong); children tend to build up their own careers and nuclear family independently. Their old parents are left alone. This situation becomes more tragic should one of them become a widow or widower, or develop a disabling illness or disease in which case the emancipation from the children becomes impossible (ibid, p. 78). The high dependency rates imply not only a heavier burden for the working productive population but also that the resources committed to basic needs such as education, nutrition and health must increase, or a given level of total expenditure will have to be spread more thinly over growing numbers of people.

The growth of cities is not necessarily followed by industrialisation, but every industrialised society is also highly urbanised. This means that the growth of cities and industrial growth are closely related. It has been seen that industrialisation caused a crowding of many people into small spaces due to the rise of the factory system, and changes in technology, specialisation, stratification, socialisation and integration. Of course these were attributed to the steadily accelerating influx of rural migrants into urban areas thus resulting in a rapid growth in the supply of urban job seekers. In many developing countries the supply of workers far exceeded demand, and this situation caused a high rate of unemployment and underemployment in urban areas. This is in contrast to the situation in developed countries where urban unemployment has been much lower and there is a general tendency for the urban rate to be lower than the rural rates (Todaro, 1981, p. 229). This might be due to the extent of internal rural-urban migration in developed countries which was not as critical compared to that in developing nations. The problem of internal migration in developing countries was probably a result of the national government development policies emphasising industrial development and technological sophistication as a solution to poverty and inequality (as in Malaysia). Thus, this situation caused an

influx of rural-urban migrants that created a substantial imbalance in geographic economic opportunities (Ibid, p. 228-229; Jones, H., 1980, p. 81)

Clearly, rapid rates of urbanisation may also cause problems of poverty and low productivity. In spite of the efforts to combat poverty and inequality in developing countries through industrialisation, these countries encounter other problems of urban deprivation and urban unemployment. As seen in developing countries, the most visible consequence of urbanisation is the emergence of shanty towns, tenement slums, inadequate urban services and social services including housing, water supply, sewerage, utilities, transport, efficient education and recreational facilities (Moore, W., 1965, and Hauser, P., 1968).

Many writers have drawn attention to the 'logic of industrialism' to explain a convergence of social security development among capitalist societies. It was proposed that in the course of transition from early to advanced industrialisation, western and communist societies have become alike with respect to social welfare provision (Mishra, 1973).

Also, the level of economic development has been linked to the rise of social security systems. Cutright (1965), Aaron (1967), Galenson (1968), Wilensky (1975), and Rimlinger (1966) in their examination show that countries with higher national incomes allocate a greater proportion of public revenue to social security and welfare services. Rimlinger (1966), argues that low economic levels such as low productivity and low capabilities of manpower have contributed substantially to the steady expansion of health and education programmes in most industrial countries. These measures are taken in order to educate and ensure the healthy condition of manpower, to achieve higher productivity and meet the needs of economic growth. He also stresses that the development of social security systems is always linked to the industrialisation process (Rimlinger, 1971), meaning that as a country industrialises, its social security system will be develop as well (Chow, 1986).

Singapore, Hong Kong and Taiwan are industrially the fastest-growing countries in Asia, while Malaysia is gaining some momentum towards these. How has the

relationship of industrialisation and the social security system developed in these countries? Does the above assumption of the 'logic of industrialisation' fit in the situation of these new industrial countries of Asia?

The examination of the development of social security systems in these countries is important because in the future Malaysia will account for a larger proportion of the population directly or indirectly related to wage employment especially in industries. Rapid social and structural changes associated with development and urbanisation were assumed to have strong implications for the well-being of the working population as well as the retired aged population, in terms of social security and other kind of social supports such as health. There is, however, a clear need to examine the experiences of the three 'tigers' of Asia in building their social supports such as social security, and learning from them of the appropriate measures to handle problems in Malaysia, should they arise as a result of industrialisation. However, the question, is to what extent their industrialising experiences raised concern regarding the need for social security provision, which is often seen in the West as interrelated. Thus, this chapter attempts to examine the development of social security systems in Hong Kong, Singapore and Taiwan and finally make comparisons with the social security system in Malaysia.

The choice of these three industrial societies for examination is made on the grounds of their ethnic, social and economic similarities with Malaysia. Ethnically, the majority of the population in Hong Kong, Taiwan and Singapore is comprised of Chinese ethnics. Although Singapore is considered to be a multi-racial society, the Chinese community represents the majority of the population. Thus, almost all aspects of social life in this society are dominated by the Chinese. Whilst Malaysia is also a multi-racial country, the Chinese ethnic group represents a second majority after the Malays.

Originally, the Chinese in these countries were immigrants from mainland China and were concentrated in the urban settings, thus contributing to the rapid growth of urbanisation. Nevertheless, this situation became one of the influential factors for the development of social security and social services in these countries. In addition, Singapore was part of Malaysia, although for a very short period, and both were also British colonies;

there are therefore some identical features in the social security systems in these countries. But their social security systems have developed subsequently to a different degree and extent.

Generally, the growth process of the Asian NICs (Hong Kong, Taiwan, Singapore and South Korea) was sparked off in the early 1960s and built up momentum in the late 1960s and early 1970s. This growth was sustained and further accelerated through the rest of the 1970s which has been very significant in the world context (outperforming virtually all the other country groups). Furthermore, except for Singapore whose economic growth plunged in 1985 on account of serious structural and cyclical factors, high growth for the other NICs has persisted to the present day.

Though the economies of these NICs have their distinctive structural differences, their simultaneous rise to economic preeminence is based on some similar precondition factors:

The common features of the economies of the Asian NICs are their export orientation strategies. This means that a larger proportion of their GDP derived from external operations. Singapore and Hong Kong may be exceptional due to their entrepot-trade role in the regions for re-exporting goods and non-factor services. These countries also operated liberal import policies, allowing foreign economy elements, particularly foreign investment, to interact freely with their various domestic economic constituents.

The Asian NICs can also be described as small in physical size (except for Korea) and in terms of domestic market. They are unlikely to be self-contained as economic units but have to develop a specialised production structure for the trade in order to exploit their cooperative advantage. External demands also play a much more significant role in the economic growth of these economies (Fu-Chen Lo (ed), 1987).

Their high growth can be attributed to their institutional structures. Hong Kong adopts laissez-faire systems. The British administration was not controlled on foreign exchange, foreign investments, wages and prices. The market system is thus allowed to

function freely and resources be allocated efficiently, in many cases with world prices. There is a maximum amount of tradable activities.

The NICs governments also deal with coordination and cooperation problems explicitly. They recruited competent technocratic cadre and insulate it from day-to-day political interference. A business-friendly environment is also built such as legal and regulatory structure that hospitable to private investment. While it is necessary to insulate the technocrats, the government built a competent bureaucracy to formulate effective policies and the integrity to implement them. This will help to sustain growth.

The government of the Asian NICs also established the principle of shared growth. In the sense that as the economy expanded, all groups would benefit. The mechanism used to demonstrate that the whole population would have a share of future wealth. For example, Hong Kong and Singapore undertook main public housing programmes while in other NICs governments assisted workers' cooperatives and established programmes to encourage small and medium size enterprise. (The World Bank, 1993, "Building the Institutional Basis for Shared Growth", Development Brief, No.21, Oct. 1993).

Consequently, the success of these countries stems partly from the policies adopted and partly from the institutional mechanism created to implement them (Ibid p. 9).

3.2 THE DEVELOPMENT PROCESS OF HONG KONG, TAIWAN AND SINGAPORE

The Chinese population has existed in Taiwan since the twelfth century. However, a large group of Chinese migrated from mainland China to take part in agricultural activities in the seventeenth century. The Portuguese were the first Europeans to come to this island during the fifteenth century. They were followed by the Dutch in the sixteenth century, but for only a short period. When the Dutch were defeated by the Manchu government, Taiwan was taken back under mainland control. In 1895, China was defeated by the Japanese, and Taiwan came under Japanese possession until the end of World War Two. During the Japanese occupation, Taiwan was developed into a supplier of

agricultural products for Japan and was even an important supplier of resources during the war. However, after the war Taiwan was integrated back into the China provinces, but when the communists took control over the government of the mainland, Nationalist China formed a new independent government.

Hong Kong has also been developed by British merchants to become the most important and the busiest centre of trading in the world. Since 1898, Hong Kong was part of the mainland territories. However, following the Nanking Treaty (1894) with Britain and another treaty in 1898, Hong Kong was leased to Britain for a period of 99 years. To the present day, Hong Kong is and has been an important international and banking centre.

Singapore, which is located in the southern tip of the Malay Peninsula, came under British rule in the nineteenth century. Before then, the Chinese had already settled in this island as traders and farmers along with the Malays and a small group of Indians. However, the continuous influx of migrants from mainland China has increased the Chinese population rapidly. Thus, the Chinese have become the largest ethnic group in Singapore. Meanwhile, Sir Stamford Raffles, on behalf of the East India Company took possession of Singapore in 1819 and it remained as a British colony until 1948. In the period after that, it became a separate colony and had the first election for its parliamentary members. In 1963, Singapore joined Malaya to form a Federation of Malaysia, but the merger did not survive long. Thus, Singapore became an independent sovereign state in 1965.

Thus, from a historical perspective, these countries appear to have similarities, where they have had common colonial histories, but by different nations and for different lengths of time. The relations of Hong Kong and Singapore with Britain have had some impact on these societies. As for the British colony, Hong Kong is still under the British administration, without the legacy of the British political system. Despite having governors and senior government officials from Britain however, the other official government positions are filled by the Chinese. Meanwhile, Singapore has the British legacy of political structure, in which the government is constituted of a Parliament but with a President as the head of state. Both Hong Kong and Singapore had a strong influence in the development of the British legal and judicial system.

Taiwan has experienced a rapid industrialisation and urbanisation process in the past decades. Chan G.H. (1984) suggests that the accelerated growth rate of the population has brought it toward urbanisation. MacPherson (1992) also suggests that a high proportion of migrants has been a great asset to Taiwan for pursuing industrialisation. In the beginning of the 1950s, nearly half of the population were resident in urban areas (Chan, 1984). The establishment of industries in the urban areas and in the sub-urban region during the Japanese colonial period, combined with rural-urban migration, contributed to the development of urbanisation in Taiwan. As the economic conditions changed and the process of modernisation gained momentum in the 1970s in particular, the structure of Taiwan's society began undergoing significant transformation. It is seen (Hou-Sheng Chan, 1992) that extensive differences from the earlier situations are evident in a variety of social dimensions, including changes in population structure, social mobility, political groupings, cultural interests and the range of economic pursuits. As the pace and extent of social change grows rapidly moving towards the 1990s, there is a critical issue in the growing needs of different people and groups which has to be solved by the government. The most notable problem in the past decades was the process of demographic change, due to a decline in fertility rates and a significant increase in life expectancy. The proportion of the elderly population aged 65 and over in Taiwan increased from 2.5 per cent in 1950 to 4 per cent in 1978 and then to 6 per cent in 1989, while there was a decline both in birth and death rates and an increase in life expectancy. Thus, the outcome of rapid economic growth, industrialisation and urbanisation is the social need of elderly people for social care services, medical care, financial support and housing facilities. As industrial employment increased, other needs have also significantly increased, such as coverage for work injury, retirement provisions and other occupational protection.

Similar to the phenomena in Taiwan, Hong Kong experienced a rapid increase in the population due to the migration of Chinese from the mainland. Nevertheless, this situation has also been seen as a contribution to economic and social development in Hong Kong, as in Taiwan. This is because, according to Chan (1984) and MacPherson (1992), among the migrants in both Hong Kong and Taiwan, many were skilled workers, elites in education and capitalists in enterprises. As a result, Hong Kong evolved from being a relatively minor manufacturing base in the postwar era to become one of the major service,

financial and manufacturing centres of the South China coast. A rapid growth rate in the population of Hong Kong was also due to natural growth. Thus, a continuing increase in the population from the 1940s to 1960s led to a policy formulated by Hong Kong's government to restrict the movement of migration from the mainland into Hong Kong. In addition, a family planning programme was launched to reduce the natural birth rate. This policy had to be adopted because Hong Kong is a small territory and had extremely limited land, although a large proportion of the population consisted of migrants, a majority of whom were young people (Phillips, 1992), and consequently there was a need to control the population growth. As a result, the growth rate of the population in Hong Kong remained steady until the 1970s. However, as experienced in Taiwan, rapid economic growth, industrialisation and urbanisation has some effects on the demographic structure, social needs and social expectations of the population. There is a gradual increase in the proportion of elderly people, although relatively small prior to the 1960s (as a large proportion of the population consisted of migrants and the majority were young) (Phillips, D., 1992). However the change can be seen in the increase of those aged 60 and over from 5.4 per cent in mid-1961 to 7.5 in mid-1971 and 10.2 in mid-1981. The total number of those in this age group was estimated to be 640,000 in 1986, which is about 11.6 per cent of the total population of 5,500,000. The proportion of the elderly in the population has increased to 12.6 per cent in 1990 and by the year 2000, it will probably have reached 15.5 per cent or 970,760 people of the total population. The life expectancy in Hong Kong is now among the highest in the world (Ibid). These factors have important implications for the planning of social security and welfare services. In fact this situation has been a growing concern, for example, social and medical care for elderly people and the rest of the population have become a major issues in Hong Kong for the past 15 years (Ibid). In Hong Kong before the 1960s, public housing and welfare services were limited and did not begin to cause any real concern for the territory's government. But today the demand for social welfare services, housing and health services is mounting.

In the meantime, industrial development in Taiwan has caused over-crowding in the cities while in the rural agricultural areas the population has declined from 52.4 percent of the total population in 1952 to only 29.7 percent in 1980 (Ibid). During that time the Taiwan government adopted a non-intervention attitude to population growth. Thus, apart

from migration, natural growth was also responsible for the rapid growth rate in the population. This attitude originated from the agricultural society, that the bigger the household is, the wealthier is the farmer, as the household supplies more labour to the farm. The non-intervention policy was probably because of the attitude of Chinese values that it is important to preserve the traditional system of social support among the agricultural community.

Singapore has since been transformed into a modern, industrialised city-state and a major economic centre in Asia. After nearly two decades of independence, Singapore has achieved a firm economic base and is now established with manufacturing, services and commerce as the major economic factors. The population of Singapore also increased during 1957-1966, due to the influx of Chinese from Malaysia and Indonesia. However, for the same reason as in Hong Kong, rapid population growth has been a considerable concern, thus strict immigration regulations and serious population policies such as the Family Planning programmes have successfully maintained the population growth rate from 1967 until today. However, a decline in fertility and mortality has changed its demographic structure. Singapore is facing the problem of a large composition of the population in the youth and older aged group. This has resulted in a greater requirement for youth-oriented programmes such as education and training. In addition, the heavy concentration of persons over 60 and 65 years of age increased demands for social security programmes for this group. A demand for housing has been tremendously mounting resulting in the adoption of the public housing policy which housed about 84 per cent of Singapore's population in government-built high rise apartments.

The demographic structure and growth of the three countries as a whole means that they may be characterised as having a rapid population growth rate, a high density of population and an immense degree of urbanisation. They are also experiencing an increase in the proportion of the dependent population, that is, the youth and elderly population.

It is clearly shown that social issues in Hong Kong, Singapore and Taiwan emerged alongside the growth of the economy, industrialisation and modernisation. These have implications on the demands for comprehensive social planning and services. These

problems are in fact predictable, for example, an increase in the population will determine the choice of public policy in dealing with these problems. It was seen that in the three societies, a change in demographic structures has caused pressure towards the need for wider and greater social provision.

The above trend is an important indication of whether the process of modernisation has resulted in the breakdown of family caring and support which have traditionally been the practice in most Chinese family. According to Nelson Chow, (1983), this trend seems to be partially likely. Wong, S.L. (1986) has remarked that it has been almost a common view among Western and Chinese scholars that traditional Chinese values are impediments to modernisation. Nevertheless, in Singapore, official and some academic perceptions cited that exposure to Western values and lifestyles, especially through the mass media, is detrimental to the 'positive' Asian concept of the family (Wong, 1986; Lee, 1986, In Phillips, D., 1992). It may be argued, however, that the changed values in caring for the elderly and needy members of the family (as mentioned in Chapter One, on the changing values of the Malaysian community, and in Chapter Two, on community in developing countries in general), caused the breakdown of the extended family. This occurred as a result of migration and occupational mobility of the workforce, rather than the influence of Western modernisation that weakened the traditional role of the family, especially women as care-givers to the family. In fact, people in Hong Kong are also exposed to Western values and lifestyle but it appears that the general belief in maintenance of the family, and its traditional role of caring for the elderly still exists among them. In Taiwan the process of modernisation has changed the traditional values which are referred to as a loosening of ascriptive bonds - primarily associated with a weakening of immediate and extended family ties. In this society, a growing mobility of people, goods and ideas leads to extensive networks of exchange and greater disposable resources. Thus, social differentiation becomes more pervasive, and traditional forms of social integration break down. Moreover, the increasing population of elderly people and the growing proportion of the dependent population, results in the challenge to traditional values (Hou-Sheng Chan, 1992).

According to Chan, 1984, the relationship between social welfare development and

population variables in Taiwan, Hong Kong and Singapore is as follows:

- These three countries are over populated and therefore, the policy was adopted of controlling the population. This is on the grounds that over-population will lead to social contingencies.
- Changes in demographic structure indicate an increase in the elderly population which in turn influence the extent and magnitude of social welfare programmes for this group.
- The high proportion of the young age group affects the amount of investment made in education and job-training.
- The high density of population led to an increased demand on housing, health, welfare services and other social infrastructure. These have brought pressure for government intervention into social development policy.

Undoubtedly, the extent of government intervention to tackle population problems has reflected the priorities of policy. Economic development aimed to absorb the labour force into full employment, but social development such as education, health and social welfare services have been oriented towards raising the quality and reducing the quantity of the population at the same time. In sum, the population issue has been a determining factor on social and economic development in Hong Kong, Taiwan and Singapore.

In summary, the modernisation process in developing countries can be characterised as depending to a certain degree on industrialisation. In this study, it is understood that economic growth has become one of the factors contributing to the development of social welfare. It has been observed that along with the growth of industrialisation, there are social needs to be fulfilled. In these three countries, the economic structure has been built up on the basis of a capitalist mode of production. Thus, government intervention in the market was in line with private enterprise. The role of government in economic growth was based on the degree of intervention policy. In Hong Kong for example, the 'laissez faire' economic policy showed a very minimal government

intervention in the economic development. In Hong Kong this policy, however, allows market forces to shape the economy without any government control. As a result, there is no minimum wage legislation in Hong Kong. According to Chan, the non-intervention policy was also extended to public utilities, which were largely entrusted to the private sector.

The characteristics of economic development in these three countries have been explicitly inclined towards industrialisation. Although the degree of government intervention varies as far as Taiwan and Singapore are concerned, the moves are towards creating labour intensive industries. This, as mentioned earlier, was designed to meet needs created by demographic changes. The increase in population, over-urbanisation and a high proportion of young people steered the countries' economies into labour intensive industries. In addition, these countries have adopted the same policy of labour intensive industry focusing largely on textile, clothing and electronic industries. The transformation into industrialisation had both positive and negative impacts on these societies. Certainly, industrial developments in labour intensive sectors like manufacturing provide full employment, and thus reduce the unemployment rate. In addition, these countries were able to depart from import dependence to the stage of import substitution, and further to export development. Finally, the standard of living has been raised through a decline in mortality, an increase in life expectancy and a drop in the birth rate, which indicates the availability of health care. However, these phenomena have an impact for social welfare provision, whereby a large amount of investment has to be made in the health services, education (particularly at primary level), and provision for the retired and aged.

In relation to the above, these countries should be able to fund large amounts of social security programmes such as provisions for the elderly, the unemployed and various contingencies for the working population. It has been a general assumption that industrialisation enables society to accumulate wealth, which in turn leads to a development of wider coverage and expenditure on social security and other social welfare programmes. However, this assumption was ill-founded in these three countries. Chow, (1986), in his examination of the social security system in Singapore, Hong Kong, Taiwan and South Korea, concluded that despite the rapid industrial growth in these countries,

their social security system remained backward and under-developed. However, among these countries, Taiwan's formal social security provision is more comprehensive (MacPherson, 1992). This according to MacPherson (1992) was rooted in China where the principle of social insurance has been adopted since the 1930s to support the development of an industrialising economy. The idea has been continually re-adopted, even after Taiwan formed its own independent government in the 1940s.

3.3 INDUSTRIAL RELATIONS AND THE LABOUR MOVEMENT

It has been observed (Chan, 1984) that industrial relations between employer and employee in the three countries have worked in favour of the employer since industrialisation took place. The economic policy that placed emphasis on 'laissez-faire' in Hong Kong resulted in low rewards to labour and caused a weak labour movement. There are no laws with regard to wages and working conditions in Hong Kong, which can positively promote collective bargaining and the general welfare of workers. Although there was a Trade Boards Ordinance established in 1940, this regulation only functioned as machinery to fix wages, to determine normal working hours and to establish overtime rates in trade. Thus, legislation related to the collective relationship between employers and employees has not been developed positively. In addition, labour protest and movement are rather weak and discouraged by the government (Cheng 1979, and England, 1971 in Chan, 1984, p. 220). This situation is probably due to rapid industrialisation which during that time experienced a shortage of the labour force. Hence, workers could freely and easily change jobs if they were not satisfied with the original job. As a result, any grievances could be solved by changing job rather than expressing them directly to the labour - management. Furthermore, the establishment of trade unions in Hong Kong is fragmented and exclusive, thus weakening the strength of the labour movement.

In Singapore, the trade union's role in collective bargaining for better wages and working conditions has also been ineffective. Despite the existence of active trade unions, their function has been restricted and redefined. Its new objective is to seek and promote good industrial relations and raise productivity for the benefit of employees, employers and the economy of the nation. Thus, labour relations are based on tripartite co-operation of

labour, management and the government. It is not surprising that Singapore is well known for its stable and harmonious industrial relations. This actually seems to be a result of a "dynamic cooperation" which for the government plays a central role in industrial relations (Basu Sharma, 1985). There is no minimum wage and no government regulations on what that wage should be. The relationship between government and trade union can be described as close and cooperative.

Labour relations in Taiwan are more or less similar to those in Hong Kong and Singapore. Wage levels have been determined by market principles; however, the Factory Act in Taiwan set the wages level below the market wage. Meanwhile, working conditions are not safe-guarded by the government. Although there is provision in the labour legislation to the effect that any disputes between labour and management may be settled through meetings with trade union representatives, in practice this has been interpreted negatively. Any grievances concerning wages, working conditions or welfare benefits have not been open to bargaining. As a result this affects the development of social welfare services, especially those related to the social security of the working population (Chan, 1984).

It is hereby noted that the imbalanced industrial relations and the weak trade union movement in Hong Kong, Taiwan and Singapore has minimised government commitment to the development of social security, especially in those areas related to the working conditions, welfare and interests of the working population.

3.4 SOCIAL SECURITY AND WELFARE SERVICES

3.4.1 Social Security and welfare Services in Hong Kong

The development of social security and welfare services in Hong Kong reflected not only the government perception of this policy, but also as a result of the interaction of traditional welfare provisions and modern welfare services. The economic 'laissez-faire' policy has reflected the non-intervention policy in economic as well as in social welfare provisions. Social security programmes have never been given priority. In fact, the

contemporary social welfare services in Hong Kong have largely originated from voluntary organisations which have later been taken over by the government (King, L., 1996, p. 34-37). The influx of immigrants from the mainland without shelter or means of subsistence, led to the growth of voluntary bodies based on clans and lineage relationships, to provide and care for the destitute. It was in 1948 that the Social Welfare Office was established as a sub-department of the Secretariat for Chinese Affairs. Prior to that, public assistance was offered for the first time, but in a residual manner. The benefits were to provide restrictively in kind rather than in cash, and for the purpose of 'emergency relief' only. Compared to the voluntary organisations, the fund allocated to the Social Welfare Office for this purpose was meagre. In the meantime, voluntary charitable organisations expanded until the 1950s, which involved organisations outside Hong Kong with international connections, giving donations in cash and in kind.

However, in the mid 1960s the government made a decision to become involved in social security provision. This was due to significant changes in economic development. As economic growth increased and job opportunities rose, the international charitable organisations gradually ceased to provide financial and other kinds of support for social welfare services. Thus, from then on the government started to become involved in providing welfare services. Another factor that increased the government interest in social welfare was the unexpected youth riots which broke out in 1966 and 1967. The lack of youth programmes was the cause of the riot, and this situation drew government attention to the need for wider community and social developments, in 1969. Since then, the role of government in the planning and practice of social service has been strengthened. Social insurance however, has never been introduced despite some debate and suggestions on the significant role this scheme may contribute.

The development of the social security system moved to another stage when, in 1971, a means-tested Public Assistance Scheme was implemented. The scheme provides benefit in cash to those families below the officially-defined subsistence level, but it excludes those aged fifteen to fifty-five years (the economically active population). Actually, this scheme was modelled on U.K. National Assistance (which was at that time about to disappear in the U.K.) but with elements from the Poor Law (Heppell, 1973, 1974;

Heppell and Webb, 1973 in MacPherson, 1992). However, according to Chan, 1984, this movement was a turning point in Hong Kong for social security development. Although there already existed public assistance schemes that supplied food to families for emergency relief, the government took responsibility for providing cash benefits to the needy, which took over from the functions of voluntary agencies.

Following this scheme, the government further reinforced another non-contributory and non-means-tested social security scheme in 1973. The Disability and Infirmity Allowance also provides cash allowances to those eligible, that is, those with physical or severe mental disabilities, or who are seventy-five and over, but these benefits now called Special Needs Allowances. However, it can be argued that the role of government in the provision of social welfare services in Hong Kong in the early 1970s is still limited in terms of its beneficiaries and its expenditure levels (Ibid). As MacPherson, 1992, wrote:

the scheme deliberately had those features of the Poor Law which would make it a place of last resort. To apply for assistance was an admission of failure; for the application to succeed was a public statement of the greater failure of the family to provide. As a scheme to minimally assist those who were beyond family and community help it had some merit. As the basis of social security for Hong Kong it had very little (MacPherson, 1992).

Hong Kong's social security system emerged in a period of high economic growth and rapid modernisation. It adopted the features of the Poor Law which was not only limited in its benefits and coverage, but also stigmatised its recipients. However, in 1988 a Higher Disability Allowance was added to the scheme in stages. The scheme provides cash payment to severely disabled persons who require constant attendance but are not receiving care in government institutions.

Occupational welfare benefits have also been given priority in the 1980s. This policy was adopted following some changes made in the social welfare reviews and was stressed in the White Paper, 1979:

In addition to cash payments which are the direct responsibility of the Government, employers provide a range of occupational benefits including those under statutory stimulus. These include sickness allowance,

severance payments, paid holidays and workmen's compensation for injuries or death arising from employment. Employees of some of the larger companies also receive retirement benefits, help with medical and educational expenses and paid maternity leave.

(Para: 2.3 in Chan , 1984, p. 351)

The above provision of occupational welfare, however, benefits only a minority of the total workforce. But a premium is also given to occupational welfare which consequently may reduce demands for statutory welfare benefits from the working population. This indicates that the development of a social security system in Hong Kong is moving towards an industrial-achievement performance pattern. As observed by Chan, 1984, this will eventually lead to a change in the financing system of personal social security both in public and private sectors, an approach of a paid-welfare service system. Meanwhile the government has encouraged private welfare services to adopt a fee-for-social-welfare-service. This has been seen when private welfare services are required by the government to charge those who are consuming services such as community activities, services for the elderly, rehabilitation services and family services. The emphasis is now on ensuring the services 'are available for purchase'. Thus, since 1980, welfare services have been supplied within the context of capitalist principles: pay as you are served. However, this principle is applied to private welfare institutions, while the government welfare services remain free (Ibid).

Issue on the provision of retirement benefits to the elderly people has been a centre of concern. Various sectors and academics have argued on the need for a social security reform in Hong Kong. This is in line with the need to provide retirement benefits for the increasing proportion of aged population. Arguments for the establishment of central provident funds however, has not been responded. Hence, due to political and economic reasons, the proposal was rejected, but an improvement to the existing social assistance scheme was promised (King, L., 1996, p. 36). Finally from July 1993, the public assistance and special needs allowance schemes were consolidated into the new comprehensive Social Security Assistance scheme and Social Security Allowance scheme. The new scheme has made the administrative task simpler.

3.4.2 Social Security and Welfare Services in Singapore

The social security system in Singapore was to some extent influenced by the British colonial system. In the first stage of its development, before the 1950s, there was an effort by the colonial government to provide welfare services. After this period these services developed their own ideology in the context of the paternalism of the Chinese family, the community and the laissez-faire approach.

The social security system in Singapore started in 1946, when a Department of Social Welfare was established to provide financial assistance for those who were in need. These include those who are i) permanently disabled, such as the blind, the crippled, those who are chronically sick and the aged; ii) temporarily unemployed, such as those who are destitute and their income is insufficient to maintain a minimum subsistence level of living who are provided with means-tested cash benefits. Actually, public assistance in Singapore was implemented as a result of a widespread epidemic of chronic tuberculosis, a disease that has been associated with poverty. As poverty has been linked to tuberculosis, the Tuberculosis Treatment Allowance scheme was later expanded into cash assistance schemes to the vulnerable. A non-contributory cash allowance, the Public Assistance Scheme was formed in 1951 through a means test which was then enhanced with a Sickness Allowance Scheme. This scheme provides a cash allowance for the head of the household on public assistance if they are sick and unable to work for more than a month, and in circumstances where the wife or other dependents are sick. The schemes were in fact found to be inadequate, thus, a recommendation was made to introduce a social insurance scheme. The Sydney Caine Report of 1957: **Report of the Committee on Minimum Standards of Livelihood 1957**, suggested that there was a need for the government to establish a social insurance scheme covering all wage earners and the self-employed (Chow, 1981 in Chan 1984). In addition there is another report, The Brocklehurst Report of 1957: **Report to the Government of Singapore on Social Security Measures**, which also voiced the need to speed up the introduction of a contributory scheme for the assistance of workers who were ill or unemployed. However, the recommendation for a comprehensive social security scheme was forgotten when the

new government administration took over in 1959 (Ibid).

Meanwhile, in 1950, a Commission was appointed by the British government to examine the need to establish a retirement scheme. A pension scheme was given more merit than a provident fund, but the government was in favour of retirement benefits, and thus a provident fund was adopted. Prior to that, a Central Provident Fund (CPF) was established in 1955. The CPF is a compulsory saving scheme that provides workers with monetary benefit when they reach the official retirement age of 55 years old, or become permanently disabled before that age. Subsequently, the CPF has been expanded largely in its coverage and benefits.

The Tuberculosis Treatment Allowance Scheme was later abolished when the Public Assistance Scheme was revised in 1980. From then on, cash assistance was gradually restricted and eligibility was narrowed to the destitute, permanently disabled, widows, deserted wives with children below twelve years old, and orphans. The rates of the scheme from 1980 were insufficient to maintain a subsistence level of living or even to pay for house rental. It was seen here that the discrepancy emphasised between the CPF and the Public Assistance Scheme in Singapore reflected the reluctant attitude towards a non-contributory welfare system. This attitude in fact has been expressed by the former Prime Minister, Lee Kuan Yew:

The general principle (of social assistance) is that families look after their own poor, only real destitute become the concern of the government...Encouragement is given to the young to provide for themselves to work hard and to save. To get a better life they had to learn how to use their brains and hands (Josey, 1979:118 in Chan, 1984, p. 374).

The above statement indicates that the social security and welfare services in Singapore are based on the principles of self-reliance and family support.

The Central Provident Fund has now become the most important social security scheme in Singapore, and has been largely expanded. It is now not only a retirement saving scheme but has also expanded to welfare services. This can be seen in the benefits provided which enable contributors to purchase their own homes, cover their hospital costs

through medical insurance, and also to obtain membership of life insurance schemes. Contributors are also allowed to use their savings for investments, such as share ownership in transport companies (MacPherson, 1992).

It is clear that the economic success achieved since the 1970s has not changed the government's attitude towards social welfare development. Chan, 1984, pointed out that

the political ideology which upholds the value of individual materialism and sustains the functions of family as the forefront protection has always overridden the importance of state welfare (Chan, 1984).

Thus, the CPF is almost a self-supporting programme which provides members with the means to purchase houses, to pay for their hospitalisation expenses, and to cover their living expenses after retirement or disability. All are paid out of their own forced savings. The provident fund scheme has been successfully developed into an important source of funds for the government's many development projects. It has also been closely co-ordinated with housing policy so that the CPF has been the main supplier of public and private housing in Singapore through loan supplies to the contributors.

With the low-income and middle-income groups' needs taken care of under the various housing scheme, home ownership of private residential properties was encourage by the enlargement of the CPF Home Ownership concept. This took the form of the Approved Residential Properties Scheme (ARPS) whose objective extends beyond home ownership. Since CPF member is allowed to use his/her balance to purchase private properties for rental as well as for owner-occupation, the ARPS also provides a means for a CPF member to attempt to control against inflation by investing in real estate (Lin See Yan, 1994, p. 185-189).

The significance of home ownership goes beyond the economic value of dwelling unit. It creates in its owner pride of possession and engenders a feeling of belonging to the land, thus contributing to the socio-political stability of the nation. Indeed, ownership of a dwelling unit is an important component of old-age security.

The Medisave scheme is another essential component of the National Health Plan incorporated in CPF which aims:

- (i) to build a healthy, vigorous, active and physically fit population through healthy living, prevention of illness and community care;
- (ii) to give all Singaporeans proper access to efficient health care services at a cost the individual and the country can afford" (Goh Chok Tong, 1983 in CPF Report, 1986, p. 67).

The Medisave scheme ensures that most Singaporeans are able to pay at least part of their hospitalisation expenses themselves. To ensure that there will be intra-family financial support for medical care (with total Government subsidisation only as last resort) the government recommend that those with inadequate funds in their Medisave Accounts should have their hospital bills paid through compulsory withdrawals from their children's or spouse's Medisave accounts (CPF, Report, 1986, P. 62-69).

However, in view that the member's Medisave accounts may be greatly strained in the event of prolonged illness which require long-term medical treatment, members can draw on additional benefits through participation in Medishield. Medishield is a low-cost medical insurance scheme, it covers expenses incurred during hospitalisation. It also covers kidney dialysis and both chemotherapy and radiotherapy for cancer. The maximum amount claimable for each type of treatment is set out in the schedule of the scheme (Ibid).

What is important to note here is that the CPF has grown both in size and scope by seeking to promote the welfare of its contributors and eventually of society as a whole. It is now no longer confined to old-age security, but has enlarged its domain to include other aspects of social security as well. However, the disadvantage of this scheme is that during an economic downturn, it is the weakest members of the society who will easily become the most vulnerable. This is because the CPF does not provide unemployment benefits and the purchasing power of the funds can also be lost with inflation. Thus, it is not surprising that the government at the same time attempts to nurture the 'natural habit' of individuals to tend to their family and its needs.

CPF also serve as source of funds to the Singapore government as well as providing adequate liquidity to meet both the short and the long term demand for funds. CPF funds are absorbed by the government which then places these excess funds with the Monetary Authority of Singapore. The excess funds are managed by the Singapore Government Corporation (SGIC) and are invested at this time primarily in foreign bonds and equities. Thus, under these arrangements the CPF management does not have to worry about investments since all its funds are placed with the Singapore Government (Lin See Yan, 1994, p. 156).

3.4.3 Social Welfare Services in Taiwan

The idea of social welfare originated in part from traditional Chinese culture which rests upon the Confucian ethic which emphasises the 'great harmonious world', and in part from the western influence of the value of the 'welfare state'. This is in consonance with Chinese culture in pursuit of a prosperous and stable society (Chan, G.H., 1984). However, in the implementation of social welfare programmes, limiting factors such as political and economic elements also had to be considered.

As examined by MacPherson, social security and welfare provisions in Taiwan are more comprehensive than in Hong Kong and Singapore (MacPherson, 1992). The government of Taiwan has recognised the importance of social welfare services in maintaining social stability. This is evidently seen in the adoption of social welfare provisions (starting in 1946) by the National Assembly, when government was still by mainland China. The principles of welfare were further reinforced in the subsequent welfare provision that reflected the governments commitment to protect the welfare of the people.

The development of social welfare services in Taiwan may be viewed in three stages. In the first stage, 1950 - 1965, social insurance was introduced in an attempt to establish a 'welfare state' in the early 1950s. The idea was derived from social security programmes developed in post-war Europe, in particular in Britain and Germany. At this stage, social insurance in Taiwan was targeted at the working groups. The scheme was

developed into three separate programmes in the 1950s: military servicemen's insurance (1950), labour insurance (1958) and public employees' insurance (1958).

The labour insurance scheme was originally introduced by the provincial government to safeguard those employed in industrial firms and mines with 20 employees and over. The public employee scheme, 1958 was introduced to safeguard government employees from contingencies such as maternity, sickness, infirmity, injury, old age, death and death of insured dependents. The range of benefits is similar to Labour Insurance but there is greater coverage for retired workers.

Meanwhile, the Social Assistance Scheme was also made available through local authorities in the 1960s. However, the scheme was very limited and covers a small minority. This scheme is concentrated on institutional care for the destitute with no close kin. But in 1965 it was extended to provide cash assistance to families living below the prescribed poverty line. In addition to the cash benefits, the government has also subsidised medical care for the poor through means-testing. There are other provisions in the scheme, such as emergency relief for natural disasters, compensation for injury and loss of life. To qualify for this scheme, the capacity of family members to assist is assessed (MacPherson, 1992).

On the other hand, voluntary organisations also played important roles in supplementing the provision of social welfare services during that time. Charitable organisations such as religious bodies provided care for children, the handicapped and the elderly. However, due to a lack of resources and professional workers, these services were limited in their function and range of service. The most distinctive body is the Chinese Children Fund (CCF) which was set up in 1950 to run institutional care for children and provide financial support to already established institutions. From 1964 onwards, CCF has been extended to provide family assistance. Although voluntary charitable organisations play a significant role in providing social welfare services, they remain a supplementary sector to the state.

The second stage of the development of social welfare services continued from

efforts made by the Taiwan government to combat poverty through social security provisions. The American War on Poverty Policy in the 1960s influenced the expansion of social security in Taiwan. Hence, from 1966 onwards, efforts were made to establish social assistance schemes to eliminate poverty. Cash allowances were provided to those who were below the prescribed level of income as determined by means-tests. In addition to cash allowances, other services in kind such as vocational training, medical care, and family planning were also designed for the poor. However, the cash allowance was criticised for being very low and insufficient to pay the rent on a low cost flat.

The third stage of social welfare development was towards comprehensive welfare services. From 1976, there was a period of social unrest and disturbance in Taiwan. This situation drew the government's attention to the inconsistency and ineffectiveness of the welfare services provided by the government. As a result, four laws related to social welfare services were introduced in 1979 and 1980: Labour Insurance Revised Act 1979, The Aged Welfare Law, The Handicapped Welfare Law and Social Assistance Law in 1980.

Summary

Based on the above examination it can be concluded that the development process of social security system in Hong Kong, Taiwan and Singapore appear to begin with the traditional sector of charitable organisations either by lineal affiliation or religious bodies. This voluntary welfare has played a very significant role in providing welfare protection for specific groups such as the elderly, the handicapped and children. However, these three countries have adopted three different approaches to formal social security. Taiwan has social insurance which originated from China when it was governed by the Nationalist Assembly on the mainland. Further, Taiwan developed its social security scheme through a series of legislative measures and has become the only country among the three to have an early fully developed and comprehensive social security system. Hong Kong based its social security on public assistance, but later added demogrant programmes for the elderly. In Singapore public assistance can be described as very meagre and is targeted at the poor who are living around the 'poverty line' (MacPherson, 1992). Public assistance has

remained a last resort for the destitute in Singapore (Chow, N. W.S., 1986). However, the Central Provident Fund has developed into an important government measure, not only as an old age saving scheme, but also to enable members to own their own homes; to obtain cheaper transportation through share ownership in the Singapore Bus Service Limited; to pay for hospitalisation bills; to have life insurance coverage; and to accumulate occupational welfare payments (Singapore Central Provident Fund Board 1984, in Chow, 1986). Thus, the CPF in Singapore has become a fully-fledged social security system. Hence, despite the relatively advanced degree of industrialisation achieved by these three countries, only Hong Kong has guaranteed a basic living standard by providing a cash benefit public assistance scheme. Chow (1986) observed that despite the existence of poverty alongside with the relative prosperity resulting from industrialisation, the demand for the guarantee of a subsistence living has not been strong in these countries. This is because relief has still been provided by some remaining charitable organisation, or traditional family system; also, there is the absence of a concept among the populace that the government is responsible for providing social security provision.

Factors contributing to the development of social security and welfare services in the three countries may be assumed to be situational factors such as historical, cultural and social; economic and political. Certain historical factors have played an important role in shaping the present system. For example, the introduction of the Labour Insurance Scheme in Taiwan was transplanted from China while the Central Provident fund in Singapore is clearly a legacy of colonial rule and was the second country among the three to introduce a contributory social security scheme. The circumstances in Hong Kong that is, the influx of immigrants from the mainland, has caused chronic poverty that forced the British colonial administration to provide public assistance. In the meantime, social morals derived from the traditional Chinese culture of filial piety, of caring for the elderly and children led to the growth of voluntary charitable organisations. In addition, the restrictions on labour movements in these three societies have minimised the state commitment to the provision of programmes related to the working conditions and social security of the working population. Factors such as ideologies and political values upheld by political elites, which were oriented towards economic development, have significantly restrained the development of social welfare and security in Singapore and Taiwan. For example, the

economic principle of laissez-faire caused minimal government intervention in the provisions of social welfare services, so as not to harm economic aims. On the other hand, ideologies and social values may support the development of social welfare services. This may be seen in the rapid development of non-contributory welfare services in Hong Kong in the 1970s (Chan, G.H., 1984).

The process of industrialisation, which accounted for rising risks and the disintegration of traditional supportive networks, has played only a minor role in shaping the welfare systems in Hong Kong, Singapore and Taiwan. Industrialisation appears to have been rapidly accelerated in these countries because employers were not required to make heavy social security contributions, as they were in western industrialised countries. Therefore, more resources can be used for investment rather than redistributive purposes (Chow, N.W.S., 1986).

3.5 THE DEVELOPMENT OF THE SOCIAL SECURITY SYSTEM IN MALAYSIA

Though there has been a traditional and charitable effort in Malaysia among communities of all faiths and cultural backgrounds, social security as we know it in Malaysia today is a comparatively new development. It is a partnership between voluntary organisations and government-sponsored services organised on a nation-wide basis. In the early stage of social security development, Singapore and Malaysia were undergoing the same process and have established identical forms of social security provision, as both the British colonies. Thus, its development can be said to have been contributed by historical, cultural and social and economic and political factors. The provision of social security in Malaysia is reflected in the colonial influence on its provisions after the Japanese occupations. Similar to the development of social welfare in Singapore, social security provision and welfare services in Malaysia are largely influenced by the laissez-faire attitude of the government. Since before Independence, emphasis has been placed on economic development based on the principle of laissez-faire by British colonial rules. As a result, government intervention in economic development, welfare services and social development has been minimal. This is so as not to harm the economic objectives. Even

after Independence, this attitude has been adopted by the subsequent government and very little effort has been made to develop social welfare services. Although education has been given priority in the social development expenditure, substantial funds are directed on economic and industrial development programmes to generate employment, raise the standard of living and eradicate poverty rather than to allocate large financial amounts to welfare services. However, there were few changes in the provisions of social security; the subsequent establishment of social security was mainly to protect the working population from employment injury and invalidity.

3.5.1 The Traditional Social Security System

Having similar ethnic and social backgrounds with Hong Kong, Taiwan and Singapore, it is not surprising that Malaysia has also had a traditional social security system which existed long before the present period of industrialisation and economic growth. This system still exists and being practiced by the family and members of society. In the Malaysian community, regardless of their ethnic group, the most important and reliable source of security comes from family and friends. The main duty of children towards their parents is to look after them in their old age, providing them not only with material necessities but with psychological comfort as well. Thus, informal welfare services have become an important form of social security in this community.

Voluntary organisations have also played an important role in alleviating the plight of the poor, the sick, and the disabled. Most voluntary organisations were formed because the government was unable to meet the needs of certain individuals or groups in society. Various voluntary organisations were formed by all ethnic groups to fulfil economic, social and religious objectives. The earliest voluntary organisations providing social welfare protection to their members were formed by Chinese immigrants in the early twentieth century. The absence of legislation in Malaysia to look after the welfare and affairs of these workers at that time led to the formation of mutual benefit associations, guilds and various community associations. There were also charitable organisations aiming to cover hardships arising from disasters such as drought, flood, fire or accidents.

However, one significant characteristic of traditional social support exists in Malaysia which may not be found in Hong Kong and Taiwan, and this is based on the principle of subsidiarity among the Muslims. The custom of giving away a certain percentage of one's income as required by this religion has been quite widespread among the Muslim communities in Malaysia. The significant feature of the religious instrument of income and wealth redistribution is 'Zakat' (tithe).

Although the administration of 'zakat' in Malaysia has been institutionalised, its administration in the various states is not systematically co-ordinated. 'Zakat' administration for each state is still an independent state matter. The Federal Constitution of Malaysia has clearly stipulated that matters pertaining to Islamic affairs fall under the power and jurisdiction of individual state. Thus, the policy and administration of 'Zakat' would be the responsibility of the state Council of Religion. The federal government can only recommend proposals which may be desirable but it is up to the respective states to adopt the proposal or reject them. Thus, the independence of each state to administer 'Zakat' affairs can be seen from the quite different organizational framework that each adopts (Aidit, G., 1991, p. 85-89).

The power to administer 'zakat' in each state in Malaysia is subjected to the respective state constitution and laws. Issues covered in the 'zakat' include: the basic system of 'zakat' collection, that is, through the appointed 'amilin' (collector); the distribution of the 'zakat' proceeds; and the liability of prosecution of those who prevent others from paying 'zakat', or paying 'zakat' through unofficial means.

Aidit (1991), observed that in practice, there does not exist maximum enforcement of the 'zakat' law, especially with regards to the non-payment of 'zakat' or the payment through unofficial means. Many constraints give rise to this situation, as follows:

- The adequacy of 'zakat' laws in empowering 'zakat administration' to get access to one's savings in any bank or financial institution;
- Unwillingness of some 'zakat administrators' themselves to take the issue of the non-payment as seriously as the federal government would take the non-payment of income

taxes. Zakat evasion is not considered a serious offence, quite unlike income tax evasion' (ibid).

The major portion of the 'Zakat' revenue collected is derived from rice farmers; however, only small numbers of other agricultural producers, property owners, wage and salary earners pay 'Zakat'. These tithe revenue collections are carried out by the individual State Religious Department who will later redistribute them to the poor and the needy. However, there is no legislation to make it compulsory for all Muslims to pay 'Zakat'. Therefore, it is left to the individual's religious conscience and obligation in making the payment. A recent development of 'Zakat' shows that there was pressure from Muslim fundamentalists for government interventions in the implementation and enforcement of the 'Zakat' institution to all Muslims in Malaysia. It was argued that the collection of 'Zakat', which was intended to serve as an instrument for the redistribution of income and wealth in a Muslim society, has not only failed to achieve the desired objective, but in many instances, it has accentuated income inequality. This is because 'Zakat' in Malaysia is essentially borne by the rice farmers, the majority of whom constitute the poorest group in Malaysia (Aziz Muhamad, 1993). Those farmers who plant palm oil rubber, tobacco, pineapples, vegetables and other items are not required to pay 'Zakat'. Thus, this system has not helped the redistribution of income. In addition, the pattern of 'Zakat' collection among the rice farmers is found to be among those with income below the official 'poverty line' (M\$360.00 per month), who mostly pay 'Zakat'. However, there is a need for changes with regard to the organisation and administration of 'Zakat'. Most importantly, these include such questions as coverage (Aziz Muhamad, 1993, p. 184).

Uses of 'zakat' funds in Malaysia depend on three major factors: interpretation of the 'asnaf' (receptients); allocation for asnaf; and priorities over 'asnaf'. The interpretation of eight 'asnaf' in the Malaysian context:

1. The 'faqir' - a person who has no property or vocation or receives income from other source not amounting to 50 per cent of the cost of living of an average person and /or his dependants.
2. The 'miskin' - any person who has property or income from vocation which insufficient

to meet his daily needs and those of his dependants.

3. The 'amilin' - the official appointed by the 'zakat' council at the village, district, and state levels, responsible for the collection and, where required, the disbursement of 'zakat' proceeds.

4. The 'muallaf' - a person who has newly embrace Islam and is in need of financial assistance.

5. The 'ibnus-sabil' - any person from any state, who undertakes a journey with Islamic purposes and is in need of assistance even though he may have property in his own state.

6. The 'fisabillah' - any person who carry out activity to uphold and defend Islam and its welfare.

7. The 'gharimin' - any person who is in debt for purposes acceptable to the Islamic law.

8. The 'riqab' - any person held in 'slavery' or bondage who needs assistance to free himself from such obligation imposed on him. (op cit, p. 100).

Aidit (1991), in his study of 'zakat' reveals that the major portion of expenditure from 'zakat' funds are for the 'faqir', the 'miskin', the 'amilin' and 'fisabillah'. High expenditure on the 'faqir' (pauper) and the 'miskin' (poor) reflects the unsolved problem of poverty in most states, while that on the 'amilin' (the collector) reflects the relatively high administrative costs related to 'zakat' collection and distribution (ibid, p. 100).

3.5.2 The Public Assistance Scheme

Following the Japanese Occupation, living conditions of the Malaysian people were described as being in a period of chronic and acute food shortages with human problems and human distress. Therefore, the Department of Social Welfare was established by the British Colonial Government in 1948. The Department was given the responsibility of providing financial assistance in cash payment and institutional care to needy individuals. The scheme was financed entirely out of government funds. However, the extent of coverage and benefits was very limited. Those covered in this scheme were:

- Children who lack a normal home background; neglected, abandoned or cruelly treated children;

- The physically and mentally handicapped;
- The chronically sick or chronically unemployed, including beggars;
- Old people, if homeless, in financial need, or incapacitated by reason of age;
- Persons on probation, juvenile offenders and discharged prisoners;
- Small communities in special need such as those in under-developed areas, aborigine communities, and those which suffered sudden disaster, such as flood or fire.

The Social Welfare Department has also undertaken programmes of rehabilitation, counselling and vocational training designed primarily to place the disadvantaged into the mainstream of society. At the time of its establishment it was to carry out the same functions as in Singapore. However, the standard of social welfare provision in Singapore was on the whole higher than that of Malaya (Jones, K., 1958). This was due to the fact that the problems existing in both colonies were different. Singapore is small in area, which meant easier administration; its population was largely Chinese and it was highly urbanised. Thus, the social need in an industrial setting is more concentrated. The Federation of Malaya, by contrast, covers scattered territories; the populations were of mixed racial structure; and outside the few large towns, the occupations of the people were still largely rural in character. Therefore public assistance mainly benefited those living in the town areas.

However, during the past three decades, the range of welfare assistance has expanded gradually to a rather better coverage of cash assistance and institutions to the vulnerable and dependent groups. In addition, Social Welfare Services have taken responsibility for community development as a whole. Nevertheless, the public assistance provided by the Department of Social Welfare remains as governmental measures of financial relief to those who are in financial distress. The government of Malaysia has taken a similar attitude to that of Singapore, that public assistance is only targeted on helping those who are unable to help themselves, primarily those in vulnerable groups. However, the cash assistance provided under this scheme is only nominal in amount and the government even today, still stresses that vulnerable people should remain in the community and be cared for by their own family members.

Thus, the public assistance scheme in Malaysia remained a last resort for the indigent. In Hong Kong as mentioned earlier public assistance is a safety net, to provide a minimum living standard for the needy, whereas in Taiwan, public assistance was introduced to provide assistance for those living below the prescribed poverty line. In fact it was later developed into two forms of public assistance that were designed to eradicate poverty (Hou-Sheng Chan, 1987).

3.5.3 The Employees Provident Fund

The employees Provident Fund is by far the most important compulsory saving scheme in Malaysia. Although Singapore introduced a similar compulsory saving scheme at almost the same time as Malaysia, the Singapore scheme has developed faster into a rather more comprehensive social security scheme. The Employees Provident Fund (EPF), which is identical to the Central Provident Fund in Singapore, was first introduced by the Federal Labour Department in 1949. This was a result of the widespread establishment of provident funds among the plantation and mining companies for their employees. The Joint Wages Commission considered it timely that a contributory scheme be introduced and this led to its formation in 1951. Initially, the scheme was placed under the Labour Department, but due to a significant growth in the number of contributors, a board was established in 1958 and the EPF was unified and operated independently.

The Employees Provident Fund Act 1951 has the primary objective of providing old age benefits for its members and their beneficiaries. Primarily, it is a compulsory savings scheme, where the workers and employers pay regular contributions into a central fund and the contributions are credited to a separate account for each worker, to which interest is added periodically. When old age, death or permanent incapacity occurs, the total standing credit of the accounts and an added benefit, is paid to surviving relatives. The fund has been promoted through forced savings, under the idea of self help, enabling the contributors to lead a comfortable retired life. There is no doubt that a lump sum benefit can be valuable at the time of retirement. However, in the event that these savings are withdrawn before retirement, the amount left for retirement would be depleted.

In 1968 the EPF expanded its benefits to enable contributors to prepare for retirement. Under this provision contributors were allowed to withdraw one third of their savings on reaching the age of 50 years. In 1977 two additional benefits were introduced: firstly, Low Cost Housing Benefit, which allows a contributor to withdraw a maximum of M\$2,000 or 10 per cent of the cost of the house for the down payment on a low-cost house. The second benefit was a Death Benefit where the spouse or next of kin of a contributor who dies before the aged of 60 is paid an amount based on an actuarial formula, over and above the contributors' saving in the EPF. Again, in 1982 the EPF introduced two more benefits namely, housing withdrawal, which allows contributors to withdraw 45 per cent of their savings or 10 per cent of the cost of the house being purchased, subject to a maximum of M\$20,000; and secondly, benefit is interest withdrawal, which allows contributors to withdraw their annual interest only, leaving their savings in the EPF to generate further interest.

It can be argued that the provident fund is not a social security scheme in the conventional sense. This is because it is not geared to provide periodical payment when wages cease on retirement from regular employment or are lost through invalidity. In other words it is not a pension scheme. A Director of Employees Social Security Organisation, Paguman Singh says, "...A provident fund benefit is in part a terminal bonus, in part deferred pay, with little relevance to age or to circumstances in which the employment ends..." (Singh, P., 1992). It is also not a pooling risk among the covered group of workers. In times of inflation their contributions lose their purchasing power. This is because the rate of interest earned through the investment of provident funds by the government often lags behind the rate of inflation.

According to a report by Mr S.N.Iyer, a senior actuary of the International Labour Organisation, if a declared rate of interest of provident fund money remains constantly at approximately 2 per cent below the rate of inflation, the amounts left in the provident fund over 30 year period will suffer a loss in real value amounting to 45 per cent. If the above difference between the two annual rates is about 30 per cent, the real loss over 30 years would amount to as much as 50 per cent (in Karto, D., 1986). In addition, the EPF way of calculating interest is peculiar because it is based on the beginning balance rather than the

year-end balance.

The Employees Provident Fund is also criticised for being a cheap source of government funds. There is a duplication of functions with the Employees Social Security Fund which was introduced in 1969. For example, death benefits, but the point is the two institutions are taking in a lot of contributions (EPF is financing 98 per cent of net domestic resources in the fourth Malaysia Plan) and giving out little, therefore they are not fulfilling their role (Ibrahim, O., 1984).

What is more beneficial in providing social security and welfare for the working population, is to have EPF extended to a pension scheme. In such a scheme a contributor would retire with a sizeable lump sum as well as a comfortable pension for life, with all the attendant benefits for his/her essential needs during the term of membership.

Making a comparison with the Central Provident Fund of Singapore, it can be seen here that the Malaysian Employees' Provident Fund is very much limited in its coverage and benefits. The self-employed are not covered although there is no restriction imposed, but due to administrative difficulties, this group have remained outside the scope of the provident fund scheme. The Employees' Provident Fund has not been successfully developed and expanded to serve as social security and welfare for the contributors, compared to the Central Provident Fund in Singapore. This is in view of the fact that the scheme was established at almost the same time as the Central Provident Fund in Singapore by the colonial government and became not only an old-age savings scheme but was also extended and adapted in a variety of ways which include some insurance elements such as medical care and life insurance schemes. However, the Malaysian Employees' Provident Fund experienced very minimal changes and still remained as an old-age saving scheme apart from using a small portion to purchase homes. Thus, this scheme can be considered rather backward on the grounds that development and industrialisation have taken place very rapidly in Malaysia for the past two decades.

3.5.4 Government Pension Scheme

Among these four countries, Malaysia is the only country today that still provides a non-contributory civil service pension scheme. The same features of a civil service pension scheme were established in Singapore in 1946 but are no longer implemented today, thus, since 1987 all civil servants are placed in the provident fund scheme. In Malaysia the Pension Act 1980 has its origins in the pensions Ordinance 1951, which grew out of the formation of the Federation of Malaya on 1st April, 1946. Prior to that date, Malaya was divided into seven administrative units. With the formation of the Federation, pensions became the liability of the Federal Government. The seven separate laws governing pension administration were consolidated into the Pensions Ordinance 1951. Thus, since then civil servants' pensions in Malaysia have been a federal liability and are paid out of the general revenues of the Federal Government.

The development of Pension Schemes in Malaysia was a result of the government's concern for the welfare of its retired employees. There was a sense of moral obligation by the government towards the dependents of public servants who died while in service or after retirement. It should be pointed out here that at the time when the pension scheme was established, a Federation of Malaya was just formed and the senior civil service was largely consisted of British civil servants. Thus, it is not surprising that the interest of these civil servants has been the concern of the British government. However, this scheme has remained in operation even after Independence. Thus, civil servants (employees of government, statutory bodies and local authorities) are provided with a government pension which is non-contributory. The question may be asked here, why the government of Malaysia still continues to provide a non-contributory pension scheme to its civil servants, while at the same time, stresses the notion of self-reliance and financial independence among Malaysian people? This is probably an effort to reduce income inequality among the Malays and Chinese particularly. The civil servants in Malaysia are largely consisted of the Malays, while the majority of Chinese are engaged in business, trade and in the professional occupations. Thus, pension schemes have been a redistribution factor to reduce income inequality.

In order to qualify for a pension, an employee must reach the retirement age or the optional retirement age or must have been medically certified unfit to work due to accident or disease (retirement is at the age of 55 with 45 as the optional retirement). Normally, an employee is required to have served for a minimum period of ten years. This includes three years on probation before qualifying for a pension. If an employee dies before having completed the minimum period, his/her dependents are entitled to certain benefits, but this is dependent on the status of the employee at the time of death.

However, before an employee is placed on the pensionable arrangements (after having completed 10 years service), he and his employer have to contribute to the Employee Provident Fund (EPF), so that the employee is covered until he is actually pensionable. On being placed on the pensionable establishment, the EPF contributions by him and his employers cease. On the other hand, if the employee resigns before he is made pensionable, the employer's contribution to the EPF will remain in the employee's credit until he reaches the age of 55. But if he does not resign and is subsequently made pensionable, at the time of retirement he has the choice of forfeiting the employer's contributions together with his own and interest thereon, and receiving a pension calculated from the date he was placed on the pensionable establishment. However, those who were recruited after 15 January 1975 are not given the option whereby they are covered by the pension scheme only.

Public employees are also eligible for certain other benefits such as injury allowance, death during service gratuity, and dependent pension. Where an employee who is pensionable dies while in service, the dependents will be paid a derivative gratuity and derivative pension.

Apart from the entitlement to a pension, a public employee and members of his family are also entitled to medical benefits. For female employees, they are provided with maternity benefits such as fully paid maternity leave for 42 days, the costs of consultation, treatment and delivery subsidy. But these benefits are covered for only five confinements throughout their whole career.

There was a suggestion made by the government to abolish the pension scheme because of its non-contributory nature, which has caused a lot of financial strain on the government. But this has been opposed by the civil servants' union and caused concern among the Malays and as a result, the plan was put off for the time being. At time when non-contributory pension plans have started to falter in many countries, it is felt that the Malaysian government would begin to reconsider its pension benefits. However, in the meantime public sector employees enjoyed old age social security protection by way of a pension scheme.

3.5.5 Employees' Protection and Work Injury

Another significant component of the social security scheme in Malaysia which is related to the process of industrialisation is the coverage for work injury. This form of social security is an essential component that also exists in Hong Kong, Taiwan and Singapore. It was the first formal social security scheme introduced in those countries and enacted a legislation during the same time as in Malaysia in the 1950s. The scheme in Malaysia required employers to provide certain provisions for the welfare and benefits of their employees, and also liability for any employee's work injury. Under the Workman's Compensation Act 1952, an employer is required to provide compensation to workers who are involved in accidents at work, or who contract employment-related diseases. Employers who employ manual labourers or workers earning less than M\$500 per month must take out an insurance policy to cover their liability under the Act. However, the Workmen's Compensation scheme has been slowly phased out as the employment injury scheme under the Employees' Social Security Act 1969 (SOCSO) is being introduced and expanding its scope and coverage. Since January 1992, the Workmen's Compensation scheme no longer covers private sector employees but today covers only foreign and contract labourers. The replacement of the Workmen's Compensation scheme by the Employees' Social Security scheme marked the growing need for wider protection against industrial risks such as accidents and injury, a consequence of rapid industrialisation.

Another significant piece of legislation enacted in 1955 was the Employment Act,

which is another form of provision to safeguard the interest and welfare of workers. The Employment Act is actually not a social security scheme in the conventional sense, as it is merely a labour law which requires employers to provide some welfare benefits for their employees. The Act applies to any person who entered into a contract of service with an employer in pursuance of which: he is engaged in manual labour irrespective of his occupation or wages; and he is engaged in non-manual work irrespective of his occupation, but whose wages do not exceed M\$1,250 a month. The law set minimum labour standards and is very careful to protect workers from exploitation and ensure that certain welfare provisions, which are not covered by any other social security schemes, are covered by these statutory requirements. However, the coverage is limited to Peninsular Malaysia, while the states of Sabah and Sarawak have their own respective laws.

All private sector employers are placed under a legal responsibility to provide benefits to their employees which under this Act are: a weekly rest day and public holidays; rates of work for overtime and rest days; medical benefits; maternity, lay-off/redundancy benefits and severance payments. However, employer liability that is provided by this statute has its limitations. In the event of a contingency occurring and the employer being unable to provide for it, the employee is left with little or no protection.

The provision for sickness benefits within the Act is basic and limited. There is no provision for prolonged illness which exceeds the sixty day duration for benefits. Facilities for the provision of medical care rely heavily on existing government hospitals and clinics. Although 'collective agreements'¹⁸ now contain clauses determining the level of medical care to be provided to employees, these are limited to the larger multinational establishments. Furthermore, in small establishments, where the workers are not organised or represented by such a 'collective agreement,' this provision is not possible to achieve.

¹⁸ "The term collective agreement means all agreements in writing regarding working conditions and term of employment concluded between an employer, a group of employers or one or more employers or one or more employers' organisations, on the one hand, and one or more representatives of the workers duly elected and authorised by them in accordance with national laws and regulations, on the other" (The International Organisation Recommendation No.91).

Recently, the government policy of free medical care has come under review, with the intention of requiring the workforce to pay for medical facilities. This plan has now been implemented and has caused hardship to the low income workers. This means that there is a need to move towards a social security scheme that would provide medical care to all levels of sectors in the economy. On the other hand, it can be argued that presently only the medical cost of employment injury is being borne by another insurance scheme (SOCSO). Hence, a logical extension would be the provision of a sickness benefit scheme.

Maternity benefit that is provided does not take the form of a social security scheme. The benefits provided are subject to the fulfilment of certain statutory conditions. The growth in female labour market activity and further increases expected by the year 2000 may result in further changes having to be made to the present system.

In the event of business closures and redundancy, there is a provision in this Act for certain benefits, but subject to certain conditions, for instance, the number of years an employee has worked in the establishment concerned. Certainly, there is a legal guarantee of severance pay and other lay-off benefits that the employer should provide. But as this is not attached to any of the social security schemes, either by the pooling resources or by some private insurance scheme, workers end up not getting any benefits if the employer is having financial difficulties. In recognition of this weakness, there should be a fund set up to ensure workers are provided with such benefits. Although this type of incident has occurred widely during the recession in the 1980s, this circumstance has not been made a government concern.

3.5.6 The Employees' Social Security Organisation (SOCSO)

Another contributory scheme of labour insurance which replaced the Workmen's Compensation as earlier mentioned has been established due to rapid growth of development and a considerable degree of industrialisation. Consequently, the growth of industrial employment increased the need to protect workers from industrial accidents. Prior to the high degree of industrial accidents in Malaysia, a scheme was enacted into law in

1969 under the Employee's Social Security Act, and was implemented in 1972. In the beginning, the Employee's Social Security Act provided only for an Employment Injury Scheme. But in 1974, the Invalidity Pension scheme was introduced in Peninsular Malaysia. Geographical coverage was extended in stages from the pilot project in 1972 to larger towns and finally in 1980 to the whole of Peninsular Malaysia. On the 1st of January 1987, the whole of Sabah and Sarawak were covered.

Although this insurance scheme has been established for two decades, it remains a limited social insurance scheme, even today. In contrast with the labour insurance in Taiwan, it was initially established to cover only certain occupational groups, but later developed into a comprehensive social security system alongside industrial development. Hong Kong and Singapore have also insurance schemes that provide compensation for injured workers, in fact according to Chow (1986) these schemes can be described as the most comprehensive and best developed schemes in the whole of their social security system. However, the responsibility to provide the injury insurance scheme falls on individual employers. But one particular point should be mentioned here: as a general rule, the insurance scheme in these countries provide lump-sum grants payable to those injured or their dependents and this is not regarded as a long-term income protection measure. Thus, the payments are said to be inadequate (Chow, 1986). Theoretically, at this point the injury insurance scheme (SOCSO) in Malaysia is more comprehensive because an invalidity pension scheme is also provided under this scheme.

Under the Employee's Social Security Act, all industries or establishments employing one or more employees are covered by this scheme. This provision requires the employers to register their industry with the Social Security Organisation who enforce this statutory act. In this context, the definition of 'industry' is very wide and includes even temples, churches, and schools. However, only employees earning M\$2,000 or less a month are covered by the Act. But once covered, they remain covered even if their salary or wages then begin to exceed M\$2,000 a month. It should be noted here that this salary ceiling has been amended in 1992. Before this period, the salary ceiling was M\$500 per month. In addition, if any employee earning more than M\$2,000 wants to be covered by this scheme,

he/she may be so provided the employer agrees to the coverage. Furthermore, for coverage under the Invalidity Pension Scheme, the employees scheme operates until the age of 55. But certain categories of employees are exempt from the provisions of the Act. They are those whose employment is of a casual nature and who are employed otherwise than for the purposes of the employer's industry such as domestic servants.

Benefits provided under the Employment Injury Insurance Scheme are as follows:

(a) Medical Benefit covering all costs of treatment at Social Security Organisation (SOCSO) panel clinics or in-patient treatment in government hospitals. Specialist treatment is also provided in government hospitals.

(b) Temporary Disablement Benefit is a cash payment equivalent to 80 per cent of the employee's average assumed salary subject to a minimum of M\$8 per day payable for the duration of disablement.

(c) Permanent Disablement Benefit is paid either as lump sum or a pension depending on the rate of disablement, which is assessed by a medical board. The rate is 90 per cent of the employee's assumed wage.

(d) Constant Attendance Allowance is paid in cases of permanent total disablement, when the attendance of another person is required. It is 40 per cent of the Permanent Disablement Benefit subject to a maximum of M\$500 a month.

(e) Rehabilitation: injured workers are provided with both physical and vocational rehabilitation to enable them to be self-reliant or to take care of their needs.

(f) Dependent's Benefit is paid either to the primary dependents of a deceased worker or to the secondary dependents if they meet certain criterion.

(g) Funeral Benefit is paid to the dependents of a deceased worker. (Singh, P., 1992)

The Invalidity Pension Scheme provides twenty four hour coverage against death or invalidity, irrespective of how and where it happens. Thus, the employee is required to contribute in part, the minimum is M\$0.10 for a salary below M\$30.00 and maximum being M\$9.75 for a salary above M\$1,900. In order to receive benefits under the Invalidity Scheme, the insured person has to fulfil two conditions.

Firstly, he has to be an invalid - an insured person is considered to be suffering from an invalidity by reason of a specific morbid condition. That is, if he is permanently incapable of engaging in any substantially gainful activity. The morbid condition is considered to be of a permanent nature and is incurable, for example, diseases like cancer, loss of both legs and paralysis. Gainful activity means where the worker is unable to earn one third of the earning which a normal person could earn with his knowledge and skills and in that locality. However, this condition is usually decided by a Medical Board.

Secondly, for the entitlement to a full pension the employee should have at least 24 contributions in the proceeding 40 months prior to the notice of invalidity or death. In addition, in case there are not 24 contributions, then the period he was first covered under invalidity to the date of notice is considered. If there are contributions for at least two thirds of the total months, he is then entitled to a full pension.

Benefits provided under the Invalidity Pension Scheme are as follows:

(a) A full pension is equal to 50 per cent of the average assumed salary and increases by 1 per cent or every 12 contributions over and above the basic 24 contributions subject to a maximum of 65 per cent.

(b) Constant Attendance Allowance is 40 per cent of the pension subject to a maximum of M\$500, and is payable upon recommendation of the Medical Board.

(c) Artificial limbs and other appliances are provided for physical and vocational rehabilitation.

(d) Funeral benefit at the amount of M\$1,000 is paid to the family of any invalid pensioner who dies while receiving such a pension or to the family of any person who fulfils the required contribution as mentioned above and dies (from whatever cause) before the age of 55.

(e) Survivors benefit is given to any person who has completed the contributory conditions as mentioned above. However, death has to occur before the age of 55. The widow and children as well as other dependents will receive this benefit from the date of death. (Singh, P., 1992)

However, these schemes have been criticised by the public because the amount of benefit is low while employers complain that the rate of their contributions is high and should be reduced. It is, however, being argued by some lawyers that the benefits given by these schemes are far below the amount of damages which a worker could have got through a court action at common law against the employer. Under these schemes, the damages for incapacity are calculated on the basis of the wages being received at the time of incapacity. However, from the point of view of some lawyers, the scheme ignores the fact that workers' wages would have increased with time as he gained more experience. He would have been promoted, and no account is taken of incentive allowances, annual bonuses and increments. There is no built-in provision to combat inflation. The scheme's payments are made over the years in monthly installments and thus are more severely hit by inflation. No compensation is paid to the worker for pain, suffering and loss of amenities (factors taken into consideration by the courts in assessing damage) (Jain, M.P., 1985).

On the other hand, the time taken to settle employees' claims has been rather long. This is because a recommendation from the Medical Board is required in order for the Employee Social Security Organisation to issue payment. One point usually raised is that employees registered with the Employees Social Security Organisation have no opportunity to sue their employers for negligence. Thus, employees get compensation without proving employer's negligence, which may be difficult to establish (Jain, M.P. 1985).

The Employees' Social Security scheme in Malaysia has remained as social insurance that provides coverage and benefits for the working population only. Until now it has grown into a second major mechanism of capital accumulation after the Employees' Provident Fund. It was originally intended to replace the Workmen's Compensation Act, which has continued its operation until 1992, thus resulting in some duplication. The development of this scheme has been heavily influenced by the process of development and industrialisation. The increase in the working population in the industrial sector resulted in greater demand and pressure from the trade unions for protection against industrial risks. However, as economic aims were favoured above those of social security, SOCSO was adopted as an institution that provides benefits for industrial injury but most importantly for economic goals. It was reported in 1990 that the total income of SOCSO was M\$400.5 million, whilst its total expenditure was only M\$119.5 million; this gives a surplus of M\$281.0 million. The small amount of expenditure incurred above was due to the very meagre payments made for compensation claims. However, this situation does not mean that the rate of industrial accidents in Malaysia is low. Industrial accident cases in Malaysia were reported to be 121,104 in 1990 and this has increased to 124,898 in 1991, 130,019 in 1992 and 133,293 in 1993 (Social Security Organisation, Kuala Lumpur, Malaysia). This rate is considered to be among the highest in the world. Therefore, it is clear that the Employees' Social Security Organisation in Malaysia has been formed primarily for resource mobilisation and resource allocation for the development process rather than for social security measures.

3.6 EFFECTIVENESS OF SOCIAL SECURITY SYSTEMS

Social security measures are aimed at reducing insecurity among workers and their families, and providing for the less fortunate, thus, they will contribute to harmonious social development in a country. Although the objective of social security remains the same in all countries, the approach to social security differs among nations. In many countries, the state takes full responsibility for providing benefits to the distress caused by insecurity. In certain countries, the state plays a limited role in directly providing social security benefits, but formulates various measures which allow the labour force to take care of itself during

hardship. The social security system in Malaysia appears to follow the latter approach. There is no guarantee of subsistence living in Malaysia like the one that exists in Hong Kong. Public assistance remains as a residual measure to reduce the numbers of suffering poor. Hong Kong has based its social security system on public assistance and later included demogrants, particularly to protect the elderly. However, Hong Kong has not adopted a system of social security with a compulsory social insurance scheme. Whereas Taiwan adopted the social insurance approach rooted from China's social insurance (1930s) instituted and implemented as industrialisation was about to emerge in the 1950s. However, today the social insurance approach has largely dominated the system of social security in Taiwan. The approach of the social security system in Singapore is more unified where its provident fund scheme consists of not only a retirement provision but it also includes for housing purchases, medical care provision, life insurances scheme and investment schemes. Public assistance measures similar to those of Malaysia were intended to cover the exceptions rather than the majority.

To what extent have the social security systems in these countries managed to reduce poverty? According to Chow (1986) on the whole Hong Kong, Taiwan and Singapore enjoy a higher standard of living compared to other developing countries and acute poverty has almost been removed. MacPherson (1992) cited that the social security systems in these countries have not done much to relieve poverty. The provident fund in Singapore has no significant effect on the poverty of the non-elderly population, while among the old the provident fund has only a marginal impact on poverty. However, relative poverty still exists in Singapore, which means about 12 per cent of the population were living around the poverty line (US\$230) in 1982 (Chow, 1986).

Despite generous public assistance provided by the Hong Kong government which about 70,000 people benefit from, relative poverty still exists. About 13 per cent of the households in Hong Kong were estimated to be living in poverty in 1982. However according to Chow (1986), since the majority of those in poverty are lonely elderly persons, this may indicate the consequence of their not having retirement provisions (Ibid). In Taiwan it is difficult to measure poverty as about half of the population live in the villages.

However, there has been an improvement in recent years as the number of people in poverty had dropped from 54.1 per cent of the population in 1967 to 6.1 per cent in 1976 (Liao, 1982 in Ibid). But this measurement was based on the subsistence level.

Indeed, public assistance and various forms of state or voluntary relief measures in these countries have attempted to provide basic necessities for the very poor. Nevertheless, these efforts are not adequate to provide a real safety net to those vulnerable poor.

In Malaysia, it is difficult to assess the role of the social security system in reducing poverty. This is because there are large numbers of the population living in rural areas, engaged in subsistence farming and fishing. Apart from public assistance targeted to the very poor, and the traditional forms of social support, those in the informal sector, the self-employed, farmers and fishermen are not affected by social security schemes. In addition, poverty improvement has been rather successfully achieved through government's direct involvement in giving subsidies, including seeds, fertiliser, marketing assistance to farmers and fishing facilities to fishermen. Thus measures to eradicate poverty have been emphasised in an effort to make people more self-reliant, through participating in economic development rather than the social security system.

In regard to the principle of redistribution of incomes, provident funds in Malaysia and Singapore are purely savings schemes. On the other hand, social insurance schemes in Malaysia and Taiwan have greater redistributive functions, as both adopt the "pooling of risk" principle. In all of these countries, public assistance in Hong Kong, and residual assistance in Taiwan, Singapore and Malaysia are all attempts to redistribute income to those in poverty. However, Chan (1986) cited that social security schemes in Hong Kong, Taiwan and Singapore have very little redistributive effects.

In terms of coverage, the social security schemes in these countries including Malaysia are inadequate. This is because old age protection is the most neglected area and even provident funds in Malaysia and Singapore are unable to secure for their members an adequate old age retirement scheme.

There is also the question of the extent of the state's responsibilities towards its citizens. Generally, it is argued that the state should only do for people the functions which they cannot do for themselves, either individually or by voluntary methods (Richardson, 1960). In advanced countries with fairly high standards of living and higher productivity per head, more people will be able to provide for their own needs. Therefore, according to Kalirajan and Wiboonchutika, with productivity increases, only a small proportion of the national income may be required for social security (Kalirajan and Wiboonchutika, 1986, p. 137)¹⁹. When economic measures are increasingly successful in maintaining high employment, and better housing and health, the need for direct government participation in providing basic social security decreases. It is assumed that as the government takes full responsibility for providing employment, housing and health for its people through various measures, then the number of people in need of basic social security will be diminished.

However, each state has its own principle and emphasis in the adoption of social security. As mentioned earlier, the development and principles of social security and welfare services in Hong Kong, Singapore, Taiwan and Malaysia went through different stages of development and consequently are entirely different from those of Western industrial countries. So far as Singapore, Hong Kong and Malaysia are concerned, social security has certainly not been based on the sense of sympathy. As quoted by Chow, 1986, the attitude of these governments is that social security must not be provided to such an extent that it impedes economic development. The same indications have been expressed by a policy maker, former General Manager of the Employees Provident Fund, Tan Sri Lee Siow Mong: "...any social security scheme must take into account local conditions such as culture, philosophies of life, extent and goal of economic development, family patterns and other social conditions." He added "...a person should achieve a socially secured life by his participation in the social security programme..." (Mong, L.S., 1986). Thus, the Malaysian government is adopting a scheme that will encourage people to work hard, and this is done by paying out benefits which are related to what they put in. In other words, the harder they work and the more they put into the scheme in their contributions, the greater the benefits to be paid out in the end. Not surprisingly, the Malaysian Government is only responsible

¹⁹ This may contradict a general view that rich countries should provide more social security benefits.

for providing public assistance to those who are severely vulnerable.

The effect of modernisation and industrialisation would be an increase in the cost of living. Thus, the low average income in Malaysia, coupled with a modern lifestyle, may increase expenditure among workers and lead to a decline in savings rates. It has been noted that this situation has already been experienced in Malaysia and hence existing and potential problems must be addressed early. Workers would be totally absorbed in survival from one short period to the next and hardly have time to consider distant eventualities. Meeting the certain expenses for today would take precedence over saving for the eventualities of tomorrow. During this period the various forms of statutory provisions which are rooted in history and the traditional support system would become less adequate to meet the new situations.

3.7 CONCLUSION

In the light of the above examination of different social security systems in Hong Kong, Singapore and Taiwan, several issues in relation to social security provisions, and guiding principles for the development of social security in Malaysia may be considered.

The provisions of social security schemes should be directed to satisfy specific objectives. For example if they aim to relieve poverty, the combined effects of benefits should address unemployment and poverty by ensuring that everyone receives a level of income at least equal to subsistence. The experience of the three countries shows that despite various kinds of state measures including public assistance in providing the basic necessities for the very poor, poverty still exists. This is because a substantial number of the population are not covered or are receiving very little assistance, such as aged persons (Hong Kong is an example). The experiences of the three countries examined shows that the trend of increase in the urban population of elderly people in the total population has and will accelerate. Thus, there is strong evidence that retirement pension schemes for labour in the near future need to be reviewed. This has the potential to be one of the most highly demanded and cost-effective means of providing effective and appropriate scheme

for the growing number of able-bodied elderly people who will live into a long and active old age. As pointed out by Teh Kok Peng (1986), the funding of old age protection has important economic implications for Malaysia, both at the private micro-level and at the macro policy level. At the micro level, increasing urbanisation and numbers of regular wage earners, lengthening life expectancy and loosening of extended family ties, all require greater emphasis in the provision for old age. At the macro level, the shift in external terms of trade against Malaysia in recent years, and the greater scarcity of savings in relation to investment needs, both require a shift to a fully funded old age security system. The demographic structure could be such as to impose a very heavy burden on the working population in the years to come if this is not done.

Another aspect that should be considered is that benefits in the social security schemes should as far as possible accurately target benefits whose primary aim is poverty relief; be directed towards those are entitled to the benefit; and be administered as cheaply as possible through a 'unification of administrative responsibility'. The problem with the social security system in Malaysia today, is that various institutions provide different kind of schemes addressed to the same class and group of population. For example, the Employees' Provident Fund and the Employees' Social Security Organisation operate separately and independently. These schemes overlap in their functions as both are doing the work of social security agencies, and there is duplication of duties and staff. Both schemes cover the working population; only the self employed, farmers, fishermen, and those in the informal sector are not protected by any social security scheme. Thus, a merger of the country's social security bodies, the Employees Provident Fund and the Social Security Organisation could probably save the government millions of Ringgit (MS) while the workers can expect new and better benefits and coverage can be extended to those outside the present schemes.

The experience of Taiwan in an effort to provide comprehensive social insurance schemes is not without disadvantages. It is worth considering these weaknesses if Malaysia attempts to improve its social security system. The weaknesses of Taiwan's social security system are: only one quarter of the population are covered; various schemes are supervised

and administered independently (there is no coordinating and planning body at either the local or the central levels); the provision of free medical treatment leads to serious problems such as 'a great wastage of medical resources'; and old age, disability and death benefits in labour insurance are paid as lump sums. However, some of these weaknesses can be improved and directed to satisfy the objective of social insurance policy - the insurance benefits can be broken down into appropriate sub-categories of social objectives and the character of risk; and the provision of social insurance has to be linked more explicitly to the goal of reinforcing personal and family responsibility. As has been suggested by Hou-Sheng Chan (1987), separate schemes can be made for old age, medical care, and unemployment. This leaves a fundamental scheme incorporating cover for maternity benefit, injury, disability and death. As mentioned above Taiwan needs administrative improvement and better coordination between social security institutions, in fact this is also needed in Malaysia, as suggested above.

CHAPTER FOUR

EMPLOYEE NEEDS AND WELFARE AMONG INDUSTRIAL WORKERS: A SURVEY OF ELECTRONIC AND TEXTILE PRODUCTION WORKERS

4.1 INTRODUCTION

After examining the background of Malaysia and the emergence of wage labour in Chapter One, it was found that social change has developed as a consequence of economic growth and industrialisation in Malaysia. However, a discussion of the emergence of wage labour is incomplete without considering the role played by the state in providing a supportive framework for its creation and maintenance. As seen in Chapter One, Malaysian government intervention in promoting and creating economic growth has been extremely significant. In some cases however, the state has also assisted capital in making substantial contributions to the reproduction of wage labour through the provision of education particularly, and reluctantly on housing, health and welfare services. It has also been pointed out that the style and pattern of economic development in Malaysia has not been one which gives priority to the welfare of the poor and disadvantaged, such as old aged persons, and to the low waged workers. In relation to these issues it has been stressed in Chapter Two, that as a country progresses economically and expands industrially, the risks of social and economic insecurity will be significantly increased. Social security thus represents society's current answer to the problems of social and economic insecurity. Consistent with that view, it is suggested that what is needed in Malaysia in dealing with the needs of the poor and disadvantaged is a comprehensive social security system. To this end, Chapter Three examined the experiences of the fastest- growing countries in Asia, Hong Kong, Singapore and Taiwan in dealing with the social problems caused by the process of industrialisation. This has very significant lessons for Malaysia in dealing with its social problems. For example, the impact of industrialisation and modernisation in these countries has increased life expectancy and problems dealing with the elderly led to their governments concern. Thus, social security provision for the elderly has been developed extensively especially in

Hong Kong. Concerns about the welfare of the working population in Taiwan has led to more full-fledge social insurance schemes, to which both employers and workers contribute. In Singapore, the Provident Fund scheme was developed to cover a wider range of social security benefits including medical insurance and life insurance scheme.

As a newcomer to the industrial scene and having a different culture from those of western industrialised countries, an approach to social security has to be based on the particular circumstances of this country. However, by learning from other countries' experiences, the provision of social security alone is incomplete if the real situation and needs faced by the working population are not known.

This chapter investigates the existing problems of insecurity among Malaysian industrial workers. This empirical investigation will provide information on the need for a social security scheme among workers in Malaysia. New phenomena created by industrialisation that may cause negative effects on worker's welfare, such as old age protection, poor working conditions, poor living conditions, employment and industrial risks, the welfare of female workers and child care issue have been given less concern by the government. It has been seen in Chapter Three that the social security system in Malaysia has been backward and underdeveloped.

This chapter therefore presents the findings of a survey carried out among industrial workers in Malaysia. This survey addresses the issues of social security and circumstances especially among low waged industrial workers.

4.2 PROBLEMS AND ISSUES

As mentioned in Chapter One, Malaysia's current development policy, after the 'New Economic Policy' 1970-1990, popularly known as the 'Vision 2020', is that it attempts to be an industrialised and fully developed country by the year 2020. In this context, future economic activity will be based on export-oriented industrialisation that is both resource and non-resource based with high value added and high technology industries. In line with

this objective, the manufacturing sector is currently going through a transition. In the past this sector's contribution was often viewed as one of employment generation. It is now being increasingly considered to be the principal sector that would accelerate the country towards a higher level of development. This perceived role of the manufacturing sector was based to a large extent on the development experiences of Asia's dynamic economies Japan, South Korea, Taiwan, Hong Kong and Singapore.

However, as pointed out in earlier chapters, the process of industrialisation may not only change the economic structure, but also the social structure and social system. The accelerated pace of commercial and industrial development could throw up problems of many kinds, as experienced by other industrial countries. For example, family structures in these countries have changed, brought about by, among other factors, the increasing number of women working outside the home. As a result, the changing role of mother and wife calls for more support services to take over the role of child rearing. Modernisation in these countries has successfully achieved a higher standard of living, but at the same time has caused growing insecurity and stress among the people. Dr Wolff, R., a professor of Education and Sociology of the Alice-Solomon School of Social Work, Berlin pointed out:

Modernity itself has caused dilemma, as it offers rewards as well as incurring costs...

(Seminar - 10/04/94, organised by the Goethe Institute and Asian and Pacific Development Centre, Kuala Lumpur, reported in the News Straits Times, 11/04/94, p. 33).

This implies that a process of modernisation will not only mean an increase in the standard of living but new problems may emerge, especially social problems. Thus, this brought a demand for new social programmes and welfare services. Dr Wolff added:

the driving forces for the welfare system in Germany for example, have been the work outside the family home, wage earning with the intensification of education, and accumulation of capital and productivity growth which brings about a rise in living standards, restructuring of the social strata system and social movements. The other forces include industrialisation, technological and scientific development (urbanisation and housing problems, mobility increase and migration, population growth and better health, environmental risks), and modern personality concepts (family,

generational and gender relationship changes) (Ibid).

All these trends lead to the need for various kinds of social and support systems in the form of combinations which join the private and public, and use the commitment of volunteers and professional services. These services may be funded by contributions from employers and employees, tax transfers, tax refunds, government and charity funds, and private donations.

It has been observed that the changing family situations in Western industrial countries (Richardson, 1961) as well as in new industrial countries, such as Singapore, Hong Kong and Taiwan and South Korea (Phillips ed., 1992) are likely to occur in Malaysia. Circumstances like couples having fewer children, more elderly people, the increase in nuclear families (who need more services), individualisation increase (growing insecurity, separation and stress), gender equalisation and differentiation, and loss in parental authority and competence (increase in youth rebellion), will certainly not be met by the traditional protective system. Thus, the solution to these social problems takes the form of better housing, employment and educational facilities and training, social assistance (compensation for poverty), family support systems, and health and child welfare services, to be complemented by formal institutions. Social policies are therefore needed to include the extension of scope and services, and the upgrading of social work and community development. Thus, the role of the State and employment organisations in providing social protection and guaranteeing basic labour standards in the form of employees benefits, is likely to become more important.

In fact, Malaysia has experienced a major set back in its economy, which has severely affected the welfare of the majority of the working population. A recession from 1985 to 1989 caused a decline in the Malaysian economy which resulted in some serious social problems. The reduced demand for products and services caused significant redundancies among workers in many sectors of the economy. New entrants to the labour market also found it more difficult to get jobs. Unemployment has therefore increased. The

fall in income due to reduced commodity prices and redundancy has increased poverty during these years. In addition, reduction in government expenditure has had implications for the social services such as health, education, housing and social welfare. This has caused a fall in living standards among a broad segment of the population. On average, the situation was bad where the per capita income in real terms fell 16 per cent between 1984 and 1986 (Khor Kok Peng, 1987, p. 68). Among the worst-affected groups are:

(i) Land Development settlers in oil palm estates whose incomes dropped due to the fall of oil palm prices;

(ii) Redundant workers from tin mines, many of which closed down when the tin price halved and the sales volume also fell. The decline of the industry also affected subsidiary trades and industries. About 14,000 people in Sungai Lembing (Chinese New Villages) suffered severe hardship. It was reported in the leading Malaysian newspaper, the New Sunday Times, that families were only having one meal of broth a day and primary school children had to walk five kilometres to school because their parents could no longer afford to pay the bus fares (New Sunday Times, 24th May 1987);

(iii) Urban workers, especially in the construction and manufacturing sectors, and workers in the timber and wood processing industries who were made redundant;

(iv) Workers in rubber estates whose real wages have dropped over the years;

(v) Rubber smallholders whose incomes have declined drastically because of the continuing depressed rubber prices;

(vi) Coconut smallholders whose incomes have become extremely depressed because of the drastic fall in the price of coconuts;

(vii) Public servants who have already reached their "maximum pay level" and thus no

longer get annual wage increments. Because of the government's austerity exercise, the five year pay revision for civil servants has been postponed. Thus, public servants who are stuck on their existing pay levels have experienced a drop in real income due to inflation (Ibid, p. 69).

Although the economy has recovered since 1990, the lessons from the 1980s recession indicate that the growth path for the economy until 2020 is not likely to be linear and steady. Therefore, there is a need for policies and programmes to reduce the deplorable conditions of workers in times of inflation and recession. It is clear that the problem will become serious if wages continue to respond to market developments for demand and supply of labour. Thus, the impact of an economic downturn will be reduced by providing social security and welfare schemes, not only for the working population but for the entire Malaysian population.

Changes in statutory requirements to support employee's welfare and social security are urgently needed. This is because in Malaysia (as mentioned in Chapter Three), the operation of and the participation in the existing social security schemes is directly related to the share of the labour force engaged in industries, services and agricultural plantation. Those who are self-employed, unemployed, employed part-time or are involved in small farming, and fishing, are not covered by any social security schemes. Social legislation relating to employee benefits either of a contributory or non-contributory nature is essential for protection against economic and social risks. Enterprises or employers, in adjusting and adapting to the new economy especially during economic booms should provide additional employee benefit plans to complement the direct monetary compensation for employees.

On some occasions social security provisions are not only a measure to solve social problems but also to fulfill psychological satisfaction. According to Herzberg. F.,

the absence of adequate benefits and services for employees can contribute to employees dissatisfaction and increased absenteeism and turnover (Herzberg. F, "Work and the Nature of men", 1966).

Wages alone are not sufficient to attract and keep employees. Today's employees expect more than just an hourly wage or a salary from their employer. They want additional payments in kind that will improve and enrich their lives. Making people feel important increases the likelihood that they will value their job (Aminuddin, M., 1992). These in kind payments in an employment setting are called employee benefits (De Cenzo.D., Holoviak.S., p. 1, 1990). Some people, especially at certain times of their lives, will be attracted to a job because of the monetary benefits offered by the employer. If these benefits are higher than those given by other employers, these employees will probably stay on at the job.

Although in Malaysia there are laws requiring that certain benefits be given. such as the Employees Provident Fund, the Employees Social Security scheme and maternity benefits, other fringe benefits like dental treatment, housing, transport, child care facilities, food subsidies and training, may be given at the discretion of the employer. However, the range and scope of the benefits provided by the private sector's employers in Malaysia varies according to the size of the industry.

The expansion of the manufacturing industry, especially in electronics and textiles, has meant that employment rates here have soared, and have now become the largest private sector employer in the country. It should be noted here that since the 1970s. for industrial development in Malaysia, the increase in its production workers, especially in textiles and electronics, has been mainly women. At one level, women's problems and needs are different from those of men. For example, female workers have to be provided with transportation services for night shifts for safety reasons, and working mothers need child care facilities and services for their children while they are at work. This situation may have some implications for social security and welfare benefit provision, either by legislation or voluntary provision, by the employer. Nevertheless, to discover the extent of workers' problems, needs and their awareness of the importance of social security, interviews were carried out with electronic and textile factory workers. The survey was conducted between

the months of August and September of 1994.

4.3 RESEARCH QUESTIONS

This research addresses the following questions:

(1) What kind of social protection and benefits do workers receive from their employers? To what extent have the schemes met with their satisfaction? What is the duration of the benefits coverage and who gets them? What is the nature of benefit coverage?

(2) What are worker's attitudes about their working conditions (job insecurity, exploitation, discrimination against female workers), economic security (job security, wage levels, other financial packages, performance reward and other incentives), job risks (level of safety at work, accident risks and insurance coverage), benefits (any occupational welfare like pension schemes, housing, health, education, training, other fringe benefits provided and other present and future benefits).

(3) Apart from the statutory social security scheme, are they also covered in any other private insurance schemes? What is the nature of that coverage, and are they getting any other benefits from outside employment?

(4) Are there any measures taken by trade unions (if the workers are unionised) to provide any kind of benefits or protection for its members?

(5) What are the workers' expectations about the new changes in the industrial development, and are they prepared for such changes? What do they anticipate for the future?

4.4 RESEARCH METHODOLOGY

Letters explaining the research project and requesting an interview with the Human Resources manager and their production operators were sent to a total of 75 textile and electronic manufacturers listed in the Labour Office in Johor and Malacca. In the beginning, due to confidentiality problems none of the firms responded. One of the problems was a reluctance by firms to reveal the actual expenditure of benefits paid for the workers, and also to avoid answering questions relating to worker's welfare. The firms would not allow their employees to be interviewed, for fear that it might provoke them to go against the management. In addition, certain policies regarding the human resource development of the firms are considered confidential. However, with the help of Labour officers in the respective locations, three textile factories in Johor and two in Malacca responded. Among the electronic factories that responded, two were in Johor and three in Malacca. Ultimately, only eight factories were involved in the study, of which four came from each location and two from each type of industry respectively. Of these only two industries are categorized as big in size (in terms of capital investment and workforce), and have an average of 2,000 employees. The other six are medium in size, and have between 600 and 800 employees. Initially there was an intention in this research to make a comparison between foreign and locally-owned industries, in terms of occupational welfare benefits. But due to problems in getting responses from the firms as mentioned above, especially the locally owned ones, such a comparison was difficult to do. Some of the personnel managers interviewed, however, requested that their identities be kept confidential (Table 4.1). It must be noted here that the same problem of conducting research of this kind in Malaysia has been experienced by other researchers. For example, a survey of issues pertaining to skills development among electronics firms by staff of the University of Malaya in 1992, encountered the same problem in getting firms involved in the study. The same problem was faced by researchers from the Institute of Technology MARA in Malacca who carried out a survey on employment benefits in the industrial sector in Malacca. They were unable to get firms to participate in the interviews.

Table 4.1: List of Industries in The Survey

Name of Factory	Location	Nationality of parent Company
Malayan Weaving-Mill	Johor	Hong Kong
Textile Cooperation Malaysia	Johor	Hong Kong
CNLT-Senawang	Seremban	India
Malacca textile	Malacca	Malaysia
Tech-Pasir Gudang	Johor	Japan
Sapura	Malacca	Malaysia
Matsushita	Malacca	Japan
Thompson	Johor	France

Due to the restricted access to employee's lists and shift work timetables, the management of these firms arranged a time, a place and the employees who were to be interviewed. The method of sampling was not done systematically according to the appropriate order, but the researcher was left with no choice, otherwise, the interview would not be allowed. Thus, five employees from the production operation line of each factory were interviewed, making a total of forty employees involved in this study. The average length of the interviews was two and a half hours, and was conducted in Malay language. Only two trade union representatives from Johor textile and Malacca textile industries were available to be interviewed. None of the electronic employees interviewed had formed any trade unions.

The interviews were semi-structured in nature and were conducted by the researcher alone with the aid of a topic guide. The interviews were also taped to ensure that none of the important points were missed. The purpose of conducting the interview in this manner

was to ensure the capture of as much data as possible from a particular case. This could then allow a better understanding of the contextual factors which may not have been revealed should a structured interview method have been used. However, a topic guide is still necessary to prevent the discussion from becoming incoherent (see appendices A,B and C for topic guide).

In eight of the cases, the managers who were interviewed were either the human resource managers or personnel managers of the firms alone. The average length of the interviews was one and a half hours, and the interviews were conducted in English.

All discussions which have been taped were summarised, translated into English and later transcribed into field notes. In order to make the analysis much easier, a matrix table was used and here the data was entered in each cell in the form of brief summary of what the researcher found for each respondent in the transcript.

Interviews were also carried out with a Director of the Employees' Social Security Organisation, a Johor Labour Officer and a Negeri Sembilan Industrial Relations Officer, who was formally a Malacca Labour Officer. Questions asked were about the problems and needs of the low waged industrial workers.

4.5 RESEARCH FINDINGS

4.5.1 Employee Characteristics

A total of forty employees were interviewed from electronic and textile factories, a majority of whom were female employees. Only one third of those interviewed were male workers. All of the interviewees were engaged in production operations. The high proportion of female employees in this research sample was due to the structure of labour participation in the manufacturing industries where, as reported by the Department of Statistics, Kuala Lumpur, (1981), about 71 per cent of unskilled workers employed by the

textile manufacturing industries are female. In 1980, female workers made up about 85 percent of the total workforce in the electronic industries (Labour and Manpower Report 1980, (1981), Ministry of Labour and manpower Kuala Lumpur, pp. 75-76). This observation has been supported by another study by Hing, 1986, that electronics production work is predominantly women's work:

These jobs which require much patience, endurance and care, for example, microscopic work in the electronic industries, are only open to females who are known to have been socialised into roles requiring a plentiful supply of such qualities (Hing. A Y., p. 11).²⁰

A Human Resource Manager from one of the textiles factories interviewed pointed out that his company welcomes any locals to work in the factories. He added that, due to the nature of the work, these jobs are not desired by male workers. This is because of distasteful working conditions (the textile industry uses heavy and noisy machinery with air polluted with cotton and thread dust), unchallenging work and the lack of prospects. According to Hing, 1986, the kind of jobs which are constituted as predominantly female in the electronic and textile industries, are not desired by male workers because of the low pay and openness to imported recession which results in regular retrenchment and insecure tenure²¹. In fact, it has been observed that a rapid increase of growth in female employment

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In reply to a complaint by the Chief of Criminal Investigation Dept., Penang, that factories there were only employing girls thereby limiting employment opportunities for young men, several factories defended their pro-female employment policies by saying that males will find microscopic work boring, unchallenging, without prospects and therefore will leave very soon causing problems for the management. One spokesman said "Management feels that it will be harder to control boys than girls and boys are more prone to absenteeism" (New Straits Times, 7.8.81, p. 20).

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At the end of 1981 textile plants facing labour shortages were lobbying the state to allow them to use immigrant labour (The Star, 5.12.81, p. 9). By the end of 1982 however, they were again clamoring for state action to subsidise the industry (cheaper electricity rates) as they cut production by one-third, shortened a 7-day working week to five days and reduced employment by 20 per cent (The Star and News Straits Times, 11.8.82 for speech by President of the Malaysian Textile Manufacturers' Association). Recessions in the US and Japan had reduced electronic export earnings which in June 1980 were valued at \$215 million but has declined to \$65 million by June 1981 (Business Times, 14.12.81, p. 6). In some cases, employers has made use of the regular exercise of retrenchment - a new intake of workers to avoid paying increments and other fringe benefits to which permanent workers are entitled.

in recent years has been occurring in developing countries particularly in the industrial sector and service sector. The overall proportion of women in the industrial labour force in these countries rose from 21 per cent in 1960 to 26.5 per cent in 1980 (UNESCO; Joeke, 1987 in Stichter, S., 1990). The rise in women's employment is correlated with the rise of industries such as electronics in which labour-intensive assembly-line techniques require high levels of managerial control and supervision to achieve high productivity. According to Ruth Milkman (in Stichter, 1990), it is important for workers of this technical nature to be disciplined and controlled, thus, electronic and electrical industries are inclined towards hiring women. On the other hand, there seems to be over-valuation of male attributes and a corresponding under-valuation of female ones, for example, male physical strength is required to perform higher paid jobs in metal-working industries, whilst female manual dexterity in the assembly line industries is not (Ibid).

Thirty of the workers interviewed were aged under 31 years. Of these, twenty two were aged between 16 and 26. The majority of them had been working in the present factory for between 1 and 5 years. They are young entrants into the work force, inexperienced, unskilled and hence possessing lower consciousness and awareness and less able to articulate their interests. This was seen when some of the textile workers who were members of a trade union were unable to say their reasons for joining the trade union and what benefits this offered, while workers in electronic factories did not have any idea of what a trade union is.

The majority of the workers interviewed were rural-urban migrants. Some of them came as far as 200 miles from the northern and eastern states of Peninsular Malaysia. They are mostly Malay school leavers and half of them are 'drop-outs' (who failed to complete the eleven-years of schooling). Based on the management's record this investigation also reveals that the turn over rate of factories ranged between 33 per cent and 89 percent. In view of the poor working conditions and insecurity, the workers were asked why they had chosen to work in these factories. Two-third of the respondents had no choice. They had to stop schooling because of economic reasons - too poor to continue studying, family

desperately needed an extra earner to support their very large families (majority of them came from families with 4-9 children). They migrated to the towns because of the relatively easy entry into these occupations, and because they may leave once they get to know of other employment opportunities, or acquire the necessary skills. Initially new recruits tended to regard their present jobs as only temporary phenomena. The majority of the young workers interviewed had thought about changing their jobs. For those workers who completed their secondary education, working in the factory was a means of passing the time until they were accepted into the civil service. Some of them used the excuse of finding work in towns, in order to be independent and to experience a new life, whilst a number of them moved to Johor Bahru and worked in factories there, with the intention of seeking jobs in Singapore. A study by Heyzar, N., 1975, of the textile industry in the Jurong industrial estate of Singapore shows that in the electronics and textile industries, the majority of young girls working there were Malaysian migrants. This is particularly seen in the textiles factory where eighty per cent of the female workforce were migrants from Malaysia, while only twenty per cent were Singaporeans (Heyzar, N., 1986). In comparison, wage levels in Singapore are much higher than in Malaysia. Moreover, the value of the Singapore dollar is higher than the Malaysian ringgit. These factors coupled with the higher standard of living, have attracted Malaysian girls to seek jobs in Singapore. The recruitment of young girls from Malaysian villages into Singapore-based factories takes place through the use of agents. The recruitment of labour from Malaysia is still going on today. However, for the less educated workers who had just left the rural sector (One- to two-thirds of the respondents were from farming families) showed a keen interest in saving enough money to set up their own business. Needless to say very few could attain this impossible dream due to the low wages. Such tendencies however usually increased worker tolerance towards their suffering.

In Malaysia however, there is an increased demand for female workers particularly (young single women between sixteen and twenty-four years old) who have had at least primary education, because they represent fresh and diligent labour (Lim, L.L., 1978; Rajah, R., 1989; Cardoso & Koo, 1978; Lim, L., 1978). Highly educated employees are very hard

to control: it has been observed by the management that there is a correlation between educational attainment and the rate of resignation (though this hypothesis needs further research). It was shown in their records that of the high rate of turn over, there were low resignation rates among the lower educated employees, whilst those with higher levels of educational background were not only hard to control, but generally worked only for a short time. The same phenomena has also been found in research by Aihwa Ong, 1987, that those with low educational attainment tend to work for a long time, and are usually from poor families which need financial support. This is because the jobs available to them are limited. Another reason why female workers were relatively more accepting of the role as factory hands was that many women still placed marriage above work. For these workers, a job was meant to bring in supplementary income and was also useful way of passing the time before one settle down. From this study the majority of the female respondents would not continue to work in the factory after marriage. While some of these women said that their decision to continue working would depend very much on their husbands. On the other hand the male respondents answered they would stop working in the present position after marriage and find a better secure and higher-paid job. One male worker said...this is because with heavier responsibilities that come with marriage, a man could not possibly continue holding an insecure low-paid factory job...thus, for the male workers wages is the most salient feature of factory work.

The management revealed that company policy preferred their female production operators to be young school leavers aged between 16 and 18, and not married. Generally it was believed that married workers had family commitments which distracted them from their factory work. Moreover, married women required periodical pregnancy leave and pay and were usually reluctant to work night shifts. The young and ignorant workers were more easy to discipline and control.

4.5.2 Wages and Allowances

It has often been argued that the wage levels for production work in the industrial

sector are low in Malaysia. It has been found that regardless of sex and race the average monthly earnings for production operators are between MR300 and MR600. This monthly earning is inclusive of shift and overtime work. Most of the workers are required to do shift work, and they are paid MR(\$)²²5.00 per night, and the shift time is between 2.00p.m. and 10.00 pm. However, overtime work is optional for those who want to earn extra. They are normally paid at a rate based on the statutory provision in the Employment Act²². All factories interviewed gave annual bonuses and the rate varied among them. Most employers gave a bonus of one month's salary to their employees. One electronic factory in Johor Bahru gave a flat rate of 1.7 month's salary per yearly bonus, which was split into two payments. This was, however, on condition that an employee had not taken all of his/her annual leave.

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The rate is: one and a half times their normal rate of pay for overtime on a normal working day, twice the normal rate for overtime on a rest day, three times the normal rate for work on a public holiday. (Employment Act 1955, Section 59)

Table 4.2: Average Monthly Earnings by Type of Industries

Industry	<MR\$300 %	MR\$300 < \$600 %	MR\$600 < \$900 %	>MR\$900 %
Electronic	0	80.6	11.4	8.0
Food	39.3	50.0	10.7	0
Iron/steel	3.2	60.3	12.7	23.8
Furniture	0	69.7	24.2	6.0
Plastics	1.4	54.8	23.3	20.5
Consumer goods	13.2	52.8	26.4	7.6
Textile	12.1	65.5	15.5	6.8
Others	13.5	50.0	21.2	15.4

Source : A Survey Report on Employees Welfare of Industrial Sector in Malacca, p. 27, Institute Technology MARA, Malacca, September, 1994.

Attendance allowance schemes are becoming increasingly popular to combat the problem of absenteeism. This scheme aims to discourage employees in a positive way (rather than through the negative means of punishment) from being absent without permission or excuse, which can disrupt production. Thus, an allowance is offered for full attendance. All factories in this research study were practising this policy. Of these, five employers gave those who completed a full month's work (excluding leave with permission from the employer) an incentive of about 20 percent to 25 percent of their basic wage. The other three employers used a sliding scale, whereby for each absence the employee lost one-third of the allowance. Three absences in a month would mean that he/she got no allowance. For the purpose of this attendance allowance, medical leave is also considered as leave without permission by these employers. According to the management, in this way they can discourage employees from taking unnecessary medical leave. Certainly, this

method has achieved its purpose because most of the employees interviewed admitted that they would still come to work although they might not be well (for example, if they had flu or fever), in order to get the incentive.

However, according to the President of Johor Textile Employee's Union this is another form of exploitation. The management should not include medical leave as leave without permission because the employee is certified by their panel doctor or their appointed doctor to be truly unfit for work. In the eyes of the law this policy is an incentive to employees and not a regulation imposed on the employees, and there is no evidence to prove otherwise. Therefore this policy is not considered as exploitation (Labour Officer, Johor Bahru, 1994).

Only a small number of employees interviewed had better and well-paid jobs. They were skilled workers like technicians, line leaders and administrative staff earning between MR600 and MR900 per month and more than MR900. However, there existed a small difference in average earnings between electronics and textile industries. In a recent survey carried out by the Institute of Technology MARA in Malacca, in September 1994, there were shown to be slight differences in earnings levels between these two types of industries (Table 4.2).

It should be noted here that there is no statutory national minimum wage affecting all employees in Malaysia. The wage structure varies according to the type of industry and nature of business, the geographical areas where the industry/business is located, and the nature of work that employees do. The diversity existing within the wage structure of the country is also a result of the different methods of wage determination, and the criteria by which wages are determined (Linda Ang Poh Geok, Malaysian Employers' Federation, seminar paper, 1980, ILO, Geneva).

In establishments where there exist employees' trade unions, wages are determined by collective bargaining. For example in this research study employees in the textile

industries, regardless of their location, were unionised. The trade union plays a very important role not only in determining wage levels but also in demanding other welfare benefits to be provided to employees. A personnel manager in the textile firm interviewed in Johor Bahru admitted that his employee's union had entered into a number of collective agreements with the management regarding wage levels, fringe benefits, work safety and health and welfare benefits. Undoubtedly, the wage levels in this factory had been determined by the employees' trade union. Wage determination in the electronic companies interviewed however, was influenced by the cost of living in the area, and the labour market. Wages in one of the electronics factories in Johor Bahru were influenced by the external environment. In other words, wages in this factory were determined by the rate fixed in the other factories in that area. It should be noted here that the electronics industries in Malaysia were not encouraged to establish trade unions by the government. None of the electronic industries interviewed in this research had formed trade unions. This is because the establishment of electronics industries is mostly new in Malaysia, beginning in the late 1970s. In order to protect and attract foreign investors the government adopted pro-employer labour policies which firmly guarded against the formation of unions in certain industrial zones²³ and which studiously screened the activities of all labour organisations²⁴. This policy was inapplicable to the textile industries, as most of their unions have been established since the 1960s. The development and the movement of their trade unions has grown alongside the textile industries themselves.

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Until recently, discretionary powers given to the Registrar of Trade Unions under the Trade Union Ordinance 1959 and subsequent Amendments have been used to deny union organisation by electronics workers in the Free Trade Zones in Malaysia. In fact, in 1981 the Malaysian Trade Union Congress launched a protest with the ILO's Freedom Association Committee that the status of electronic workers had been in "limbo for more than four years now as they were neither allowed to join the Electrical Industry Workers Union nor to form their own union", (The Star, 17.2.81, in Hing.A.Y., p. 9). Recently it has been given permission to form an "in house union" only.

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The Ministry of Human Resources (then Ministry of Labour and Manpower) work closely with the Special Branch in this task. A labour officer once said "we have an undercover man in every union in this country. Before a strike is reported to us, we will already have been alerted," (Hing, A.Y., p. 10).

According to the President of Johor Textile Union, the workers still could not understand the importance of unionism. The wage levels in textile factories were very low before the union was established. Also, the increase in wages, shift work and overtime rates was due to the demands and pressures of the union. There were many improvements made in the employees' welfare and benefits since the union was formed twenty one years ago. But these were only appreciated by the older workers who have been in the textile industry for a long time. The President of the Union expressed disappointment at the lack of interest among young workers in joining the union. Apparently, the personnel manager of the factory has similar views on the issue of the importance of union presence in his factory. This is because the management's top priority is to increase production and profit. Although the turnover is high in his factory, the top management has no plan to formulate any kind of policy to attract or retain workers. Instead, they were planning to close the factory and move it to Malacca under a new establishment, which entitled them to a five year pioneer status, whilst a great number of workers are to be made redundant with this closure. Thus, the role of the union is essential in demands for higher compensation.

This is contrary to what is happening at the Senawang Textile factory near Malacca, which has always tried to be one step ahead of the union. The wages offered are usually higher than those demanded by the union, so the trade union is not required to negotiate for higher pay. Therefore, the management feels that the firm has provided satisfactory benefits for the workers and hence, as a consequence of having a trade union with no major role in the protection of the worker's welfare, it is felt to be a waste of money paying the membership fees, as the union officials are being paid for the posts they are holding. The worker's point of view seems to agree with the management's negative attitude towards the existence of unions among the employees. However, this study was unable to get information on the union movement in this particular firm. The one sided view about the union's role in this firm may be due to the fact that the respondents were chosen by the management for the purpose of this interview.

However, most of the women textile workers interviewed had very little or no

knowledge of the functions and role of a trade union. The comments reported here were all common response: "I have never read anything on trade unions nor did any trade union official brief me on the trade union and the importance of joining it. Nothing was given to me when I joined and no one explained anything to me. I had no idea who ran the union or what it did". This indicates that there is a deep lack of information and lack of knowledge about many issues that affect these women as workers and as unionist. However, most of them joined the trade union for no particular reason, 'simply' following the example of their friends.

This investigation also shows only few female workers expressed any interest in unionism. The female married workers had no time at all for union functions for they had to rush home after work to care for their children and husbands. The younger single girls on the other hand preferred to or had to spend their hours recuperating for the next day's work. Some single female workers were afraid and ashamed to be involved in union activities. On the other hand the male respondents interviewed were not only interested in the union formation but were also knowledgeable about the functions of a union. For this reason, although there was a union in the textile factories the majority of the males workers joined the union.

However, the inability of female workers to articulate their grievances is not something which can be taken for granted for long. This workforce of conscientious workers with dextrous fingers has been known to have sudden interruptions in a massive way. Frequent episodes of mass hysteria in two years in electronic factories forced the plants to close for a week or more (The Star, 19.10.81, p. 21). There were a widespread and unplanned spontaneous reaction such as go-slows and downing of tools on the rise indicated by the Ministry of Human Resources who said that employers were disturbed at the growing tendency of unions to resort to 'industrial espionage'(Fatimah Halim, 1983). According to the Union leader in this interview, the recent amendments of the Trade Unions Ordinance had combined to subvert the union's role as a legitimate channel of grievances. Prohibition of strikes and other forms of industrial action had only led to an increase in

spontaneous wild-cat strikes, go-slow and sobatage. However, in this investigation the workers expressed indirectly that as a result of employer indifference, undesirable qualities such as pilferage, wastage and indifferent work attitudes had all become part and parcel of the workers' behavioural repertoire. As admitted by the Labour Officer himself (during an interview) employers should also be blamed for this state of affairs.

However, it is perceived that regardless of the criteria by which wages were being determined, the present wages of unskilled workers are still very low. Jamaliah, A., 1992, argued that factory workers, particularly in female dominated sectors, are exploited and subordinated²⁵. In this study also reveals that the pay difference between line leaders and ordinary operators was so little (from a few cents to a Ringgit a day) that many workers do not desire to become line leaders.

4.5.3 Employees' Benefits

Most job seekers migrated to town and industrial areas to work in factories, initially with the intention of looking for higher paid jobs. But with the higher cost of living, they ended up having just sufficient to maintain themselves. Some of them expressed their disappointment as the real situation did not match their expectations. Although accommodation is provided in a company's rented housing, the rent is deducted from their wages, sometimes as much as nearly half of their wages. As a result, their take home pay is insufficient to support their families in the village. Accommodation is only provided for unmarried workers, usually located in housing areas around their factories. Subsequently, many small townships have sprung up around the Free Trade Zone in the country. Housing is expensive in these townships and workers often have to live in over-crowded rooms.

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This can be seen when a test is made to compare low wages against the poverty level of income (PLI) figures. Economic Planning Unit estimated MR (\$) 33 per capita per month or MR (\$) 396 per annum as the poverty line income (PLI); then a household of five earns a yearly income of MR (\$) 1,980 (in 1970 prices). This implies that a significant proportion of workers from rural areas, working in the manufacturing sector, were actually earning below the PLI (Jomo, K.S., 1985; Ozay Mehmet, p. 90, 1988).

There is, however, a general sense of frustration at the lack of opportunity for further progress by learning specialised skills. The Human Resource managers in all the factories admitted that there are no promotional schemes in their company for the production operators. Factories are recruiting supervisors directly, thus, a production operator will not be able to be promoted. This is partly because the level of educational requirement is higher than that acquired by the production operators. Most workers however are given the opportunity for overtime work, and this results in the workers being able to take home more than MR1,000 a month after working for about ten years in the same factory.

Nevertheless, the management are adopting principles of good working relations, better communication and appreciation by management in order to create job satisfaction among their workers. One of the factories proclaimed that the 'company philosophy' is to create 'one happy family', working together and therefore increasing loyalty to the company and to fellow workers. This measure has been taken by some firms in giving employees rent subsidies. Some Japanese firms provide hostels and beds and cooking facilities. Most of the young workers however, are satisfied with the benefits provided by their employer, especially with living accommodation. Not all industries in Malaysia provide accommodation for their employees, as this benefit is rather expensive, but all factories in this survey had this provision. In fact accommodation in the form of hostels, houses or rooms has become an important incentive to attract and retain production workers in most of the factories which employ female workers. This benefit may be given on a subsidised basis or totally free.

Textile workers are generally provided with totally subsidised rooms in hostels or houses, and free bus transport if their home is far from the workplace. The majority of the electronic factories in this research provide accommodation and transport, and most of them are on a subsidised basis. In some cases, where the company is unable to provide accommodation, housing allowances are given to workers especially to married workers

with families. According to management, the costs involved in providing these facilities are extremely high, but they are left with little choice. Due to a shortage of labour in the local area, workers are recruited from other States, and most of them are young entrants into the work force. Thus, they are not able to rent a room or a house, nor can they afford it. The Human Resource Manager of one textile factory in Senawang near Malacca, claimed that his firm has rented quite a number of detached, semi-detached and terraced houses at a nearby housing estate, and also fitted them with furniture, electrical and household goods for the workers. Nevertheless, these provisions are still not able to attract nor to retain workers to work with the firm. The firm is now facing a serious problem of rapid turn-over. He cited that the young generations are not seriously looking for higher paid jobs nor for better benefits. They are looking for clean and easy jobs, without shift or overtime work, and prefer dust free and cool air- conditioned work places. The textile factory is not favoured by job seekers as it involves weaving, spinning and winding thread yard using heavy and very noisy machinery, and requires overtime and shift work. Hence, this firm loses workers to electronics, which have better working conditions and environments, with piped music in the plants.

As indicated earlier the employees of electronics factories interviewed are also willing to leave their present job if they could find higher wages elsewhere. This is due to the same reasons stated earlier that they are very concern on job security. The fear of retrenchment is high as several factories in each of the industrial areas studied had either retrenched their workers during the reorganisation process or had closed down. But the fact that its effects were psychologically felt much more by male than female workers is a reflection of the difference in role ascribed to men and women in Malaysian society. During the discussion with the respondents, they were really concerned about their future with the companies, whether their job and wages would be secured. This is because there is an indication that employment in the private sector is not secured. They relate the incidents during the recession in 1985, nearly all the electronics factories (and many other factories), were forced to adopt cost-cutting measures. These included cutting overtime, freezing increments and other bonus payments, closing plants, reducing the working week, closing

down temporarily, and cutting the workforce through retrenchment. They agreed that they will likely suffer the same fate as those factories workers if Malaysia experience another recession.

The negative aspect of work most often mentioned by the respondents is bad working conditions. Workers complained of the heat, dust, noise and danger at work. They talked about the need to reduce their fatigue and dangers to their health. As mentioned these complaints are generally expressed by textile workers, where some of them disliked their working environment, few groused about bad relationship with the boss - especially favouritism and unfair behaviour of supervisors - and the pace and strain of work while majority of them cited low pay. The majority position was that work was unpleasant, boring and tiresome. Since there was no alternative way to make a living they had to tolerate their present status as wage earner. Since workers have to spend eight hours or more hours a day in the factory it is logical that the aspect of work chosen as being important by most workers is a relaxed working environment.

The older workers (aged 26 and above), however, prefer to stay with their present job because they feel that they have a stable and secure job in the factory. As long as there are shift and overtime allowances, accommodation and transport facilities, they are fully satisfied. Most of them believe that job hopping will not only lose them wage increments but also certain benefit entitlements. For example, redundancy benefits as accorded by the Employment Act depend on the employee's length of time with the employer²⁶. However, employment with other employers is not included for redundancy benefit. If the workers are covered by a Collective Agreement (between the workers' union and management) there will probably be a clause relating to termination benefits, in which case the employer will have to pay out accordingly. However, it is found that job satisfaction does not rely on

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The Employment Act provides termination (retrenched/redundancy) benefits as follows: 1-2 years service = 10 days wages for each year of service; 2-5 years service = 15 days wages for each day of service; 5->years service = 20 days wages for each year of service.

higher pay and better benefits, but most importantly on a good relationship with co-workers, with supervisors and with management. Also, a safe workplace and comfortable working conditions with less pressure from management are preferred. Most industrial workers are still not aware of the importance of employee's benefits apart from the monetary kind. In addition, they are ignorant of what has been offered by other firms in the industrial zone, nor do they have any knowledge of the benefits to which they are entitled. Most benefits provided by employers depend on the employer's caring attitude.

However, some companies subsidise canteen facilities. Logically, this benefit is important as there is no eating place or shop selling food in a new industrial zone. Thus, to ensure there is no time wasted while having meals away from the workplace, the management is left with no choice but to subsidise this facility. Some companies consider this benefit as a welfare provision. However, it is felt that a subsidised canteen facility is as important as housing and transport. In other factories, the food vendors are outside contractors who agree to pricing control in exchange for a company subsidy of the cost of the utilities and space.

All workers are given medical care benefits as required by the Employment Act. These include free medical treatment either from the company's panel doctor, at a recognised private out-patient clinic or at a government hospital. Medical benefits, however, do not cover the employee's spouse and children. Dental care and treatment is not provided in the Employment Act nor given by any of the employers interviewed. Most of the respondents especially those above thirty expressed their disappointment at the medical benefit given. Their employers do not allow them to seek treatment at private specialist hospital (as it is costly) even if their illness is serious and needs the attention of a specialist. Although government hospitals and medical services are inexpensive, government hospitals in Johor and Malacca are usually lacking in medical facilities and specialists, and are inefficient and overcrowded. Providing health care ensures that productivity is not lost through sickness and disability. At the same time, it offers attractive and necessary benefits to the workforce. Responsive and effective health care is particularly

important for workers if wage increases are tied to not using sick leave. Some factories in this study employed nurses who are responsible to screen the workers first before referring them to the panel of private practitioners. For minor complaints, the worker usually goes to the nurse who will dispense non-prescription medicine. To be given sick leave, the worker will have to present a medical certificate issued by the company doctor.

This study suggest that most health care providers associated with the industry do not believe there are significant health problems arising from the workplace. Indeed, what they see on day-to-day basis are similar to any primary care practice. In addition, they believe that the workers are not knowledgeable about, or not really interested, in their own health. Some company doctors advocate pre-employment screening as a method to eliminate those "predisposition", including psychological, towards ill health. Others hold that any repeated complaints should be verified, rather than simply symptomatically treated, for malingering. During the discussion with the respondents it was also revealed that a company's panel of private practitioner does not have a vested interest in either the well-being of the workers or of the company. As he is paid a good sum of money by the company, and then fully reimbursed additionally for each patient visit, he surely has an interest in maintaining the relationship. However, most complaints were about not getting medical certificates for sick leave.

The management claimed that many workers who go to the clinic are not truly, physically or unable to work. They just want to "break the boredom of work" and that it is mostly psychological problems that workers have, which arised because of "problem of personal relations". He believes that most "real" health problems are often lack of sleep ("as a result of watching TV till late") or not eating properly. The management also claimed that those who break out in "hysteria" have psychological problems, with family or boyfriend as the main source of stress. As for the workers, they realise the fact that being ill prevents them from working. This means that they must keep well to make money, so in order to keep working even if they are ill they will see the company's nurse for aspirin to relieve the aches and cramps, for drops to sooth the eyes, for syrup to stop the cough, for bandage to

cover the cuts. The primary objective is to get well enough as quickly as possible so to be able to work comfortably, so that production targets are not missed and bonuses are earned. This is the dominant mode of behaviour, according to one of the respondents - "because of the individualised wage incentive (with its low level of basic wages) and the dependence of families for income support, most workers treat work as a serious economic activity".

As mentioned earlier, a majority of the employees interviewed were female, therefore the Employment Act has a provision relating to maternity leave and maternity allowance. Hence, all the employers interviewed comply to this statutory requirement²⁷. But as mentioned earlier, employers would prefer to employ unmarried female workers than married women as not to increase the social costs.

Transportation services are also vital to the day-to-day well-being of the workers. Where public transportation is lacking or severely inadequate, most of the factories provide a bus service, either for free or for a small pay-check deduction. Most of these workers have a company bus pick-up service to ensure that workers arrive together and production commences on schedule. At the same time, it offers a convenient and necessary service to the workers. Female employees doing night shift work are also provided with transport to and from the work place as required by the Employment Act. In addition, timely transportation is important to workers if their wage increases are dependent on punctuality and frequent lateness can lead to a warning letter. However, this investigation also revealed that even company transport is not always dependable. Workers in one of the factories in

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"Maternity leave - All female employees are entitled to 60 days maternity leave for each confinement. The leave is inclusive of public holidays and rest days. The employee can take up to 30 days of her leave before confinement. She can also begin her maternity leave in the last 14 days of her pregnancy if a doctor appointed by the employer certifies that she is unable to perform duties satisfactorily."

"Maternity allowance - Female employees who have been employed for at least 90 days before their confinement are entitled to maternity allowance, during their maternity leave, of RM\$6.00 per day or their normal wages, whichever is higher. The employee is required to inform her employer at least 60 days before her expected confinement that she intends to take maternity leave." (Employment Act 1955, Section 40, in Aminuddin. M., p.23, 1992).

this study recalled that 20 of them once waited for over an hour, till close to midnight, for the factory bus. As there is no public bus service at that hour, one worker called the company to find the management insisting that they should all come, even if by taxis. When they all finally arrived at the factory, they were given warning letters for being late to work. Although such incidents do not occur frequently it implies another example of oppression of workers.

Night shift work is disliked by most of the workers. Although there is an additional allowance for working on the night shift, it has caused many social problems. Shift work has long been recognised as a social problem in, for example, European societies. The principal complaint about the night shift is that it reduces the efficiency of workers (Mott, P.E., Mann, F.C., McLoughlin, Q. and Warick, D.P., 1965). The night shift is also associated with health problems and increased isolation and the deterioration of social relations with families and friends. However, the introduction of night shifts by the management is due to a need to keep the machinery going on a twenty-four hour basis. Thus, the cost of investment could be spread over more units of production and thereby reduce the unit costs. As equipment has become more expensive, there has been an increasingly greater pressure to operate it round the clock. This practice is mostly found in the newly automated factories such as the electronics and textile industries. The workers are required to work on either two shifts or one shift. For factories that are understaffed, the workers are required to do overtime work in order to meet increasing demand and product quotas. Hence, there is a great deal of pressure to work long hours.

It is found that the different systems of working hours - one-shift and three-shift systems - produced very different life styles. During discussion with the respondents it was revealed that the workers of three-shift system spent their leisure hours improving their skills in other professions, for example by attending special courses in dress-making, cooking and automobile technical skills. They explained that this is possible because their working hours differ from other occupations. If they work the morning shift they are free in the afternoon and can then make use of their spare time of other activities that will prove

valuable to them in the future. The workers felt the need to be prepared for potential 'lay-offs' at any time. However, this is quite different from the workers who work only one shift, five full days a week. These workers found it is inconvenient to join any other activities apart from their work at the factory due to time constraint.

Child care facilities or nurseries for female workers who have children are not provided. In fact, this research has found that child care facilities are crucial issues affecting a working woman. Working mothers need child care arrangements especially for children below 12 years of age and this is a pertinent issue for them. Most of the respondents' children age below 2 years old were looked after by parents and parent-in-law living nearby or in the same household. A similar pattern shown in this investigation that no adult took care of the children between 2-6 years of age, when their mothers were away at work. These children are taken care of by older children. While their children in the 7-12 age group were taken care of by no one, some indicated that their neighbours and friends were baby-sitting their children. Thus, the evidence indicates that child care arrangements are required and this provision should be made available in all factories. The workers have perceived this facility as their vital need to help mothers with small children to work and gain extra income for their families, thus raising their standard of living. Most managements agreed that nurseries and child care centers might help them to solve their labour shortage problem. But they are not able to provide these facilities, as they are expensive: instead, it is cheaper to recruit foreign workers from Indonesia, Bangladesh and Pakistan, who do not require this provision, as they are mostly males. The registered and formal nurseries in Malaysia are run by private organisations which are usually not affordable for the factory workers. The unregistered and informal child minders are usually cheaper, are not professionally trained and lack facilities for children.

Most employers in this study provide other kinds of non-monetary benefits in order to create good relationships with their employees. For example, organising a group holiday trip once a year to any of the resorts in the country, giving an annual dinner, letters of appreciation to excellent employees, or giving performance awards in the form of a

certificate or a souvenir item. Indeed, these methods have partly succeeded in creating good and harmonious relationships with employees. But most workers were concerned with improving their low wages.

It is also revealed in this research that managements have no plans to increase employees' welfare benefits. This is because the existing benefit provisions have cost them tremendously and they are not willing to spend more for this purpose. However, if there is a statutory requirement in the legislation, they will have to comply with the law.

4.5.4 Social Security Benefits

All employers in this research are registered with the Employees Provident Fund (see Chapter Three) and their employees are well aware of the importance of this retirement saving scheme. Although they are fully aware of the need to contribute to the fund by monthly wages deduction, some of them prefer not to contribute at all. This is because their wages are low, therefore they want to receive full wages with no deductions. Most of them agreed that it is long way off to think about the future, they will deal with it when the time comes. Apart from the provident fund, all employees in this research are covered by the Employees' Social Security Scheme. Most of the employees interviewed have no complaints about the amount of contribution for this, which is only 0.5 per cent of their basic wage, while the benefit they might get is, according to them, satisfactory. A few of them, however, expressed their disappointment: "...I have to be injured or disabled in order to get the benefits. If nothing happens to me during my employment until I am retired I will not get back a single cent of my contributions. I think this scheme should be wholly contributed by the employer...", this was expressed by a fifty year old textile employee. This is also the view of the union's president in his opinion, the benefits provided by the Employees' Social Security scheme are inadequate in terms of benefits coverage. He felt that they should not be confined to employment injury, occupational diseases and the invalidity pension scheme alone, but should also extend to a retirement pension scheme and sickness benefits for employees dependents, as these benefits are not provided by their employer.

According to Paguman Singh, (a Director of the Social Security Organisation) contributors should not have a selfish attitude, as the scheme is like a savings account for contingencies. Certainly, a person should save for any emergency needs like accidents, illness, death or disabilities and there should be some security for him and his family. As far as this scheme is concerned it is definitely for contingencies, and may be used according to need. If he/she does not need it then he/she should provide it for others.

There are, however, two textile companies who covered their employees with life and accident insurance group policies, besides the statutory scheme. This is necessary, according to their Human Resource Managers, due to the nature of the industry and work which exposes their workers to heavy machinery and high accident risks. Although the rate of serious industrial accidents in these factories is low, as claimed by the management, they are still taking various measures to ensure the safety of their workers is maintained. Thus, their workers have been given dual insurance protection and workers will benefit from both schemes if any industrial accident occurs. But the amount of benefits and extent of coverage was not revealed to the researcher. The managements admitted that most employees were not aware of this benefit, which is a questionable situation. Also, none of the management or employees revealed the rate of industrial accidents in their factories. Most of them claimed the only injury occurred were minor cuts, which they blamed on worker's carelessness.

Of the benefits offered, most employees felt accommodation to be the most important. In addition, employers should provide housing loans at a lower rate of interest, for them to purchase their own houses as the rent in town areas, especially in Johor Bahru, is extremely expensive. However, the managements claimed that it is not possible to offer the scheme. Although such schemes are given to certain categories of management staff, the company cannot afford to extend it to production operators because they are too numerous, too expensive, and it would involve extra legal and administrative matters. Other benefits that employees (mostly those over 26 years old) desire are medical benefits for their

dependents, educational loans for their children and old age pension schemes. These employees agreed that their employers should find a balance between benefits and wages, which they felt were still insufficient.

From the interviews, the younger employees had no idea at all what benefits they wished their employer to provide. They were satisfied with just accommodation and transport provisions and demanded an increase in wages. When the employees were asked what the effect of industrial development would be on their future, most of them anticipated that there would be more job opportunities and therefore that wages will be higher, jobs will be more secure and living conditions will also be better. But in fact, on the contrary, due to a labour shortage in the manufacturing industries in Malaysia, firms are forced to recruit production workers from Indonesia, Bangladesh, and Pakistan as a short term measure. As such the firms are developing a long-term plan of increasing their capital to labour ratio. They have no plans to increase the labour force in the future regardless of demand. The general strategy is therefore to increase the level of productivity of the existing workforce through a number of means, including the introduction of more sophisticated equipment and increasing the level of automation. In the light of this plan, an increase in the demand for unskilled labour therefore seems unlikely.

In fact the other factories in this research have decided to convert most of the production processes to full automation. This measure will reduce the workforce by more than half. In future, they will recruit more skilled workers with higher educational backgrounds. Thus, the time will come in Malaysia when the country cannot rely on manual labour. Nevertheless, this issue requires continued attention. Most important is how women's work in the electronics and textiles industry will change with increased automation. Whether women will be pushed out of the labour force, be integrated into various aspects of industry, will their wages be increased or their welfare will be improved, remains to be seen. This will mean that there is a need for educational and training institutions to equip workers with the various skills needed for the future labour market.

4.6 CONCLUSION

The large majority of electronics and textile workers in Malaysia are young women (Table 4.3), generally will not take on workers who are above 23 years of age, although some workers especially in the textile factories are older. The workers are generally without substantial education, however, the educational levels in electronic factories are relatively higher than textile workers. They also employ women who have at least 11 years of formal education. These characteristics were also found in a study carried out by Vivian Lin, (1987, "Women Workers in the Semiconductor Industry in Singapore and Malaysia"). Characteristically, women employed within the electronics industry are on the lower levels of the production hierarchy - they tend to be confined to unskilled lower-rung job. The workers mostly come from the rural poor or working class urban and they have entered the electronics and textile industry with little knowledge of job opportunities open to them, or of the income and working conditions to expect. Most of them work out of economic need and provide financial relief to the family either through income contribution or alleviation of support burden. Except for migrants, workers live with families (often extended families), who provide important household support services.

However, new forms of subordination have emerged. There has been a restructuring in the lifestyles of these young women, as new norms of behaviour and culture are introduced to the workers. For example the nature of industrial works with high technology machinery and automation requires them to work overtime and night shifts, thus, they are subjected to a variety of work-related health and social problems. Nevertheless, the employers have in no way been held responsible for these health and social problems. There is a lack of awareness of occupational health and safety among workers, although most of them aware of certain substances of which they are exposed.

	1957		1970		1980		1990	
	Male	Female	Male	Female	male	Female	Male	Female
All Manufacturing	89.3	10.7	71.0	29.0	58.6	41.4	49.3	50.7
Textiles	59.0	41.0	39.2	60.8	27.3	72.7	25.0	75.0
Electronics	98.7	1.3	85.0	15.0	26.6	73.4	22.1	77.9

Gender Distribution of Manufacturing Employment By Industry, 1957-1990

	1973		1983			1990		
	Skilled	Un-skilled	Skilled	Semi-Skilled	Un-skilled	Skilled	Semi-Skilled	Un-skilled
All Manufacturing	42.0	46.02	52.4	49.3	56.4	62.7	53.7	60.0
Textiles	65.0	56.0	71.0	75.4	78.9	65.3	66.9	53.5
Electronics	85.0	82.0	86.5	94.4	88.4	89.7	90.6	89.0

Proportion of Full-time Female Factory Workers in Manufacturing, 1973-1990

TABLE 4.3

SOURCE: Adapted From Jomo, K.S, ed, 1994, 'Malaysian Economics in the Nineties', Pelandok Publication, Kuala Lumpur

Wages are generally low, although this varies according to the size of the industries. The big multinational factories have wages higher than the small factories. Most factories give workers opportunities for overtime work, and this results in workers being able to take home more money. However, in most cases their wages are still insufficient to support their families, and in addition, they are forced to reduce their expenditure by living in the overcrowded conditions provided by the firms.

The unsatisfactory wage rate and working conditions such as shift work and microscope work have resulted in a high level of turnover at most factories. Some firms have adopted strategies to prevent the formation of trade unions or to restrict their movement. Although there are some established unions in textiles factories, unions in electronics factories are not encouraged.

In general, the industrial companies respect the laws relating to labour. They therefore give all the minimum benefits to workers that are specified by the labour laws²⁸. Medical benefits are usually available and most bigger companies hire panel doctors. However, the medical benefits are not extended to the workers spouses and dependents. All factory workers are covered by the Employees' Provident Fund and the Employees' Social Security schemes as required by law (see Chapter Three). But generally, they felt that social security and welfare protection should be based on non-contributory schemes. This is in view of the low wage rates among factory workers, which are increasingly insufficient to meet the high cost of living.

This investigation suggest that despite the great increase in the number of wage workers, labour has not been able to organise to improve their welfare even though productivity has improved. This is a consequence of the weaker bargaining power of

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This does not mean that the labour laws in Malaysia provide adequate protection to the workers, in fact they are not demanding enough (Irene Xavier, 1992). The issue of welfare protection has been discussed in Chapter Three and its implications are discussed in Chapter Five.)

production workers especially of females which stems from: lack of control of factors of production as their place at the lower rungs of the employment hierarchy; responsibility for unremunerable tasks such as care of children and husbands; less opportunity for education due to poverty; and subsequently lower awareness and less ability to articulate their interests; greater physical weakness and therefore less flexibility in job choice.

Undoubtedly, increased demand for labour has resulted in an increase in employment rates, particularly among women. The increased opportunities have meant, for many families, a maintenance (if not an improvement) of relative living standards. But for many, it also represents hardship and inadequate income. As mentioned earlier, the 1980s recession has brought with it an increase in the number of families living in poverty or on its margins. Thus, the implications of current and future trends in the labour market can be anticipated to be deplorable.

CHAPTER FIVE

THE IMPLICATIONS OF EMPLOYMENT CONDITIONS ON WORKERS' WELFARE

5.1 INTRODUCTION

The focus of attention has shifted recently to the East Asian 'economic miracle'. Their success in economic growth lies in the strategy of export-oriented industrialisation. A variety of export-oriented, "world market" factories were set up in this region for the production of such commodities as electronics, textiles, garments, toys, footwear and sporting goods (Lin, V., 1987). The operation of export-oriented industries particularly the electronic and textile industries has brought large numbers of workers, particularly women, into the manufacturing workforce. As a result of this process, profound social and economic changes can be expected and this situation has begun to occur in Malaysia recently. Although economic development and employment growth have benefited the poor and the unemployed, a special view of what is likely to be achieved from industrial development and the provision of greater security through employees' welfare plans become significant.

Sociological and economic research has pointed out the negative impact of the industry on the lives of workers (Ibid). A survey reported in Chapter Four shows the constraining effect on workers, particularly female workers, in breaking away from traditional homes to work in factories. The profile of workers, their wages, conditions of work, occupational hazards, health and welfare, indicate how the nature and form of integration of these workers into the world of industry remain prone to problem. On the job, they are said to be exploited through being paid low wages for long hours, working rotating shifts and much overtime, being exposed to a variety of health hazards, subject to job insecurity and lay-off practices, and their interests and welfare in the factory and outside the workplace being neglected. As the proportion of production workers in these factories

is growing at a significant rate, the impact of industrialisation, of newly-created employment is not only contemporaneous but also extremely relevant.

Discussion in this chapter is drawn from empirical investigation based on the interviews with workers, management, a union leader and a Labour Official as described in Chapter Four.

This chapter looks more closely at both the provision and delivery of social security and welfare services in the workplace as well as the process of receiving these services. This chapter also presents a picture of the effects of centralised state power particularly in the labour regulations and its linkages to foreign investments on one hand, and the decentralised operations of corporations on the other, on the interests of the working class. This is because in Malaysia, capitalist interest operates through variety of control mechanisms in social, political and working domains. These both regulate and legitimate unequal relations which sustain the process of industrial modernisation. Systems of social and economic control are both rational and necessary for the maintenance of capitalist production.

5.2 PROBLEMS AND NEEDS OF FACTORY WORKERS AS RELATED TO THEIR EMPLOYMENT CONDITION AND WORK ENVIRONMENT

The emphasis on export-oriented industrialisation and the promotion of labour-intensive production as the strategy of industrial development in Malaysia, has created unprecedented employment opportunities for semi-skilled and unskilled workers especially women workers. The establishment of usually multinational electronics, textiles and clothing factories and the implementation of the New Economic Policy have now made urban waged employment widely available. This consequently increased the numbers of young, single, predominantly Malay workers, especially females, from rural areas migrating to the urban and new industrial areas. However, in keeping with the trend of development of the country, settling on export-oriented industrialisation with an emphasis on labour intensive industries will certainly have negative implications. This is because the

phenomenon of transferring the labour intensive industries to areas where the average rate of wages was lower and labour relatively less organised, will give higher profits to investors and will continue to keep investment costs lower by restricting employees' welfare and benefits. Hence, it is generally held that one of the reasons for the growth of multinational industries in Malaysia is the low average wage and low social costs (Cardosa & Koo, 1978). This, combined with the availability of a workforce of whom most are migrants from rural areas, has attracted considerable investment from foreign countries.

Similar arguments are put forward by Safa (1981) who argues, that an important reason for the increase in industrial employment in developing countries has been the relocation of industrial production from developed to developing countries. From these countries the goods are re-exported back to developed nations. These relocations have taken place in high-labour intensive industries, where low wage costs were most crucial (Safa, 1981 in Sharon Stichter, 1990). As wage rates and other associated social costs have been rising faster in developed countries, the relocation of industries to developing countries is more justifiable.

Relocation policies have not only been a significant cause of industrial growth and employment in developing countries but have ensured low wages, tax incentives, the provision of industrial and business infrastructure and the control of labour. Hence, due to low wage rates and low social costs, the relocation process has been made easier (Gus, E., 1982, "Spearheads of Industrialisation or Sweatshops in the sun, in Heyzar, N., 1986, p. 93).

In sum, the low-skilled, labour-intensive operations, combined with market prospects for manufactured goods, are expected to contribute substantially to employment growth in this country. This move was an answer to high unemployment, especially in urban areas. In addition, direct employment generation not only reduced unemployment, but will also contribute to jobs in other related sectors and sub-sectors of the economy. Although most of the jobs directly created are in fact in the low waged, unskilled categories, this may

also mean an improvement in the national distribution of income and higher living standards for poor workers.

Thus, in order to promote and attract foreign investors in Malaysia, the Investment Incentives Act in 1968 and the Free Trade Zone (FTZ) Act in 1971 were established. The Acts were expected to stimulate industrial growth through the introduction of various incentives both financial and non-financial, to attract multinationals looking for potential low cost sites. Firms located within the Free Trade Zone areas were given a five year 'pioneer status' which exempted them from taxation. They were also given subsidies and support facilities for infrastructure such as land, water, electricity and property protection. Unionisation, though not banned, was not allowed in pioneering firms. In other words, there is no law which states that it is illegal to organise unions in these industries. In addition, the Ministry of Human Resources of Malaysia (then the Ministry of Labour) has power over whether or not to allow unions to be established. Thus, control over the labour force has been extended through the labour laws, when the laws were amended in 1967 and 1969, legalising the night shift and denying workers' rights.

This may be observed, for instance, in the Employment Act, Section 34, clause Viii (Employment of Women): it prohibits night work for female employees in the industrial, agricultural, quarrying, construction and transportation sectors between the hours of 10.00 in the evening and 5.00 in the morning. However, a provision of this section empowers the Director General of Labour to exempt any conditions that he may impose. Furthermore, the prohibited hours do not extend to "approved undertaking". This can be found in the Employment (women shift-workers) Amended Regulations, 1970, which states:

any female employee employed in shift work in any approved undertaking which operates at least 2 shifts per day may work at such times within the hours of 10.00 in the evening and 5.00 in the morning as the Minister may approve (Employment Act 1970).

As a consequence of this Clause, what is happening in practice is that it has become

a general rule for women to work night shifts, rather than the exception, especially in the industrial sector. In this context, the practical value of Section 34 may be questioned. It has not been implemented by the Labour Department. Since the country is undergoing rapid industrial development and in view of the 'Vision 2020', the prohibition of night work is now considered impractical to the country's economic growth. Certainly, this prohibition was initially laid down to protect the welfare of women workers. Whilst longer hours of operation are increasingly becoming the norm, especially in the industrial sector, the restriction of Section 34 may exclude women from taking part in industrial occupations.

Thus, at the moment these workers are not protected by trade union nor are they adequately cared for by the Labour Ministry or the Ministry of Social Welfare. The Labour Ministry only looks into the working conditions of factory workers in general but has not catered for the special problems of workers, or particularly the problems of women workers. The Ministry of Social Welfare can only deal with critical cases of hardship (as described in Chapter Three) but not on the workers' problems of adjustment to urban living such as problems in finding adequate accommodation. In view of these problems, it is crucial to protect the welfare of workers especially rural migrants and women, within the social security system to provide sufficient social and economic support. It is in this context that this chapter identifies the nature and scope of their problems and needs and examines some possible ways of looking after this vulnerable social group.

5.3 LOW WAGES

The question of low wages in the industrial sector has been discussed in a number of studies in Malaysia (Cardosa & Khoo, 1978; Jamilah, A., 1979, Lim, L. Y. C., 1978; Hing, A. Y. & Rokiah, T., 1986) particularly for female workers. For example, Hing, A. Y. & Rokiah, T., 1986, pointed out that a consequence of the greater dependence of the cash economy on wages for survival and the low level of wages commanded by male workers, has forced many married women to work outside the home to supplement the household income. The job and pay structure in Malaysia in 1986 and 1987 showed that,

regardless of sex, the present economic system can only provide mostly difficult, manual and low paying jobs for the majority of the population. Approximately two-thirds of the male and female labour force hold difficult and low-paid jobs in the production section. Table 5.1 (the only recent data compiled by the Ministry of Human Resources) shows the high proportion of workers concentrated in production operation; that is, 72 per cent in 1986 and 73 per cent in 1987, while skilled and semi-skilled workers comprised 39 per cent and 19 per cent respectively. Female workers made up 84 per cent in production operation in 1987. Various studies have confirmed that workers, especially women, have been exploited as a source of cheap labour (Lim 1978a; Osman and Jomo, K.S., 1980; Cheong et al. 1981; HAWA Survey I 1980 In Lim 1984). The plight of these workers were no different from where they came from. The situation in the rural subsistence economy is so severe that it has become one of the push factors for the rural-urban migration. The primary occupation of household in the rural is determined by land access: the landless, land poor and small holding categories, the majority of family are wage labourers. Among the landless households, over 60 per cent of the total work activities are spent in wage earning. The children work activities follow the pattern of their parents. Thus, children spend more time on farm work rather than going to school. The village people are generally not able to accumulate capital due to the market fluctuation in the production of small crops, petty trade and irregular wage. Thus, in order to adapt to the fluctuating market prices, family labour was allocated among multiple subsistence and cash earning activities. This will ultimately minimise losses and ensure the long term survival of the domestic economy (Ong, A., 1987, p. 29).

Another study of the conditions of industrial employment by Irene Xavier (1994) suggests that the bigger the company is the better its wage rates; the big multinational factories have wage rates that begin at MR\$400.00 a month while small factories pay around MR\$250.00 a month. She said the bigger companies give workers more opportunities for overtime work, and this results in the workers being able to take home more than MR\$1000.00 a month after ten years' work. However, most women workers in the country will not be able to earn this sum of money even after ten years of work (Xavier,

Category	1986			1987		
	Total	Male	Female	Total	Male	Female
	468,671	249,007	219,664	507,102	261,546	245,556
Managerial:						
Professional	10,197	9,348	849	10,713	9,727	986
Non-professional	10,618	9,457	1,161	10,884	9,657	1,227
Technical & Supervisory	43,223	35,914	7,309	46,117	38,186	7,931
Clerical & Related	40,405	18,041	22,364	42,062	18,725	23,335
General Worker	24,472	19,896	4,576	25,479	20,685	4,794
Directly Employed:						
Skilled	122,956	50,604	72,352	129,765	50,945	78,820
Semi-skilled	51,785	27,722	24,063	58,936	29,471	29,465
Unskilled	120,974	52,751	68,223	138,932	57,962	80,970
Contract Labour:						
Skilled	13,023	9,219	3,804	16,923	9,744	7,179
Semi-skilled	12,322	7,331	4,991	11,154	7,213	3,941
Unskilled	18,696	8,724	9,972	16,139	9,231	6,908

TABLE 5.1: Employment In The Manufacturing Industries 1986-87

SOURCE: Department of Statistics, Kuala Lumpur, Malaysia in Labour and Manpower Report, 1987-88, Ministry of Labour, Malaysia

Note: Employment in the manufacturing industry increased by 8.2% from 468,671 to 507,102 in 1987. The figures in table 3 show that the bulk of the employment was in production operation where there were 339,756 workers (72%) in 1986 and their number has increased by 9.4% to 371,849 workers (73%) in 1987.

Within the production operation in 1987, unskilled workers comprised 42% while skilled and semi-skilled comprised 39% and 19% respectively.

The clerical workers made up 8% in 1987 and their number declined about 4% from 1986.

The managerial and professional group made up 4% in 1987 with an increase of 3.7% from 1986.

The male workers comprised 51.5% in 1987 compared to 48.5% females. However, majority of women workers in 1987 were concentrated in production operation (84%) followed by clerical (9.5%), technical and supervisory (3.2%), general workers 1.9% and only 0.9% in managerial and professional.

I., 1994, p. 32). This is probably because women workers are reluctant to work overtime as their domestic duties and responsibility for their children are greater obstacles to them working extra hours and on weekends.

On the other hand, Malaysian electronic workers earn only a fraction of what electronics workers earn in the United States or Japan (Xavier, I., 1994, p. 32).

Although it is generally held that the reason for employing women is their lower than average cost in wages, the young women workers of the electronics industries in the Free Trade Zones especially, are paid wages slightly higher than those obtained by unskilled and semi-skilled workers in the textile industries. For example, the average daily wage in the manufacturing sector in 1991 for unskilled worker was MR\$9.00 to 10.30 per day, while for semi-skilled workers it was MR\$10.50 to 12.50 per day. In the textile industry the average daily wage for female workers was MR\$8.50. The starting wage in textiles for female workers was about MR\$300.00 per month. In comparison the starting wage in the electronic industry was MR\$9.25 per day (Malaysian Labour Indicators 1991). As shown in Table 5.2, however, average wages in the electronic and textiles industries are still lower than average wages in the entire manufacturing sector as shown in Table 5.3. This suggests that the expansion of waged work due to urban industrial development has by no means eliminated the deprivation suffered by poor people especially women of the working class. Industrial development might have generated high employment opportunities, but only in limited sectors and in the lowest segment of the industry. As low wages affect two-thirds of the total population of the workforce, this problem deserves attention. An economic recession will certainly worsen the low wage problem. In fact this situation was experienced by industrial workers, particularly the low waged, when the Malaysian economy suffered from recession in the 1980s and a great number of unskilled production workers were made redundant.

There is no universal acceptance of the definition of low wage. However, earlier analyses have given two conceptually different definitions of low wages. One approach is

	Sex	Average Daily Rate	Average Starting Salary	Average Monthly Salary	Average Monthly Earnings
Electronics	Male	10.30	324.47	413.51	536.14
	Female	9.25	318.00	461.51	621.31
Textiles	Male	7.60	224.30	238.59	337.26
	Female	8.50	304.20	359.00	407.20

TABLE 5.2: Average Daily Rate, Starting Salary, Monthly Salary, Monthly Earnings In Textiles And Electronics Production Workers - 1991

SOURCE: Calculated and adapted from Occupational Wages Survey in manufacturing sector 1991, Ministry of Human Resources, Malaysia

Note:

- Daily rate - the average rate paid to workers daily
- Starting salary - basic salary paid to workers when first started working and after completing trial period of employment for normal working hours in a month
- Monthly salary - basic pay paid to workers according to normal working hours in a month
- Monthly earnings - total cash payment for reference month (before deduction) including overtime pay, payment for public holidays and other paid leave, cost of living allowance (if any) but excluding payment in kind and year-end bonuses

to relate earnings to the level of means-tested benefit provided by the state for an average family. This definition is regarded as 'poverty based'. The other approach is to define low pay in relation to the distribution of earnings, this it is considered as relative definition (Bazen,S, 1985, p. 6).

In calculating low wages in the industrial sector in Malaysia, the average wages of manufacturing workers were calculated from data provided by the Ministry of Human Resources. Based on the figures in Table 5.3, the average monthly earnings in 1991 of male workers are determined to be MR\$886.70, thus, those wages that fall below MR\$591.00 per month (two-thirds of the average male earnings) are considered to be low wages. Therefore, the average monthly wage earned by production workers in the electronics and textiles factories are in fact below the low wage level as calculated above.

In addition, a set of figures from the Censuses and Surveys of Manufacturing Industries as reported by Soon (1987), showed that the average wage per worker in the manufacturing sector in 1983 was M\$536.91 and M\$529.33 per month in 1984. These figures also indicate that workers in the manufacturing sectors in that year were in the low waged group.

The international literature has established a clear and universal association between low wages and poverty. (MacLennan, 1983, p. 5). Townsend has asserted that:

low pay in the past can cause indebtedness for years to come, prevent the accumulation of assets, reduce capacity to overcome such sudden adversity such as sickness or unemployment when it arises, result in under-nutrition, restrict activities and social experience and hence leaves permanent scars (Townsend,P. 1979, p. 63).

Thus, the effects of low wages are also associated with factors that finally lead workers to poverty. Tony Atkinson, 1973, also argued that low pay, which is generally associated to low status in the labour market, is linked with some other factors that may cause poverty (Atkinson, 1973 in Mac Lennan, 1983, P.6). A study on low pay in Northern

	Sex	Average starting Salary	Average Monthly Salary	Average Monthly Earnings
Office Occupation	Male	1317.08	1930.74	2032.06
	Female	1181.16	1567.47	1726.25
Maintenance Occupation	Male	550.75	836.05	959.00
	Female	311.80	431.60	487.73
Production Occupation	Male	792.40	1056.30	1254.80
	Female	541.65	681.67	815.38

TABLE 5.3: Average Starting Salary, Monthly Salary And Monthly Earnings In Manufacturing Sectors - 1991 (M\$)

SOURCE : Calculated and adapted from Occupational Wages Survey in Manufacturing Sector 1991, Ministry of Human Resources, Malaysia.

Note :

- Starting salary - basic salary paid to workers when first started working and after completing trial period of employment for normal working hours in a month.
- Monthly salary - basic pay paid to workers according to normal working hours in a month.
- Monthly earnings- total cash payment for reference month (before deduction) including overtime pay, payment for public holidays and other paid leave, cost of living allowance (if any) but excluding payment in kind and year-end bonuses.

Generally, female workers are paid less than their male counterpart in the same category of occupation.

Ireland by Black, Ditch, Morrissey and Steele has also indicated that low wages are the cause of poverty (Black, B., Ditch, J., Morrissey, M. and Steele, R., 1980). Indeed, low wages will reduce workers' living standards and may cause hardship because of the inability to meet minimum day-to-day living requirements.

The estimates of poverty in Malaysia are dependent on the definition of the poverty line. As mentioned earlier a household monthly income of MR350.00 is an indicator of being on the poverty line (Economics Planning Unit, Prime Minister Department). Thus, the lower individual earnings are, the greater the tendency for the household unit to be living in poverty or on the margins of poverty. However, if a wife is working, her wage may lift the unit out of poverty. A worker with low earnings may not be in poverty if he lives alone and has a low rent. But those with children (especially three or more) are most likely to be in poverty (Townsend, P., 1979, p. 629 & 649).

Another way of linking the low waged and poverty is by a simple example:

assuming two households, one earns MR\$400 a month and has 8 members and another makes MR\$300 a month and has 2 members. If a household poverty line is defined to be MR\$350 a month, and if average family size is 5, then an implicit per capita poverty line is MR\$70 a month. Thus, according to the household poverty line, household 1 is not poor and household 2 is poor. According to the per capita definition, household 1 is poor (per capita income of MR\$50 when poverty line is MR\$70) and household 2 is not poor) (Surjit Bhalla & Homi Kharas, 1992, p. 55)²⁹

Low wages have effects throughout the life cycle. This has been observed as:

they are less likely to be able to accumulate savings, to acquire their own home or rights to an occupational pension, and are therefore more likely to find themselves impoverished in old age (MacLennan, 1983, p. 6)

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US\$ 1.00 = MR\$ 2.50; Pound 1.00 = MR\$ 4.00.

Townsend also suggests that statutory and non-statutory provision is needed to eliminate low wages believed to be linked to poor working conditions, unsocial working hours and limited fringe benefits. Strengthening Wages Council legislation, introducing the minimum wage, and improving conditions and terms of work will probably help to solve the problem (Townsend, P., 1979, p. 650). However, there is a possibility that even with the presence of the minimum wage regulation or wages council, the wages can be set at a minimum level lower than the official poverty line. Without the existence of workers' unions or in situations where the union is weak, the government may set a minimum wages level as low as they wish. This may happen if the government is operating a policy to protect investors in order to sustain economic growth.

Generally, the principle of a minimum wage has not been legally acknowledged in Malaysia. There is no provision which lays down the minimum wage that workers are entitled to receive nor do they have recourse to demand fair wages through unions. However, there are exceptions in certain industries. Four Wages Regulations Orders made under the Wages Councils Ordinance, 1947 were gazetted between 1965 to 1972, which laid down the minimum wage for four categories of workers: shopworkers; hotel and catering industry workers; cinema workers; and Penang port stevedores and cargo handlers. These groups were singled out because at the time the Wages Councils were established, it was intended to provide a minimum wage for those workers who were not unionised (Aminuddin, 1992, p. 95). However, the minimum wage provided by the Wages Council to these workers was still low and in fact below the poverty level if she or he was the only earner in the household unit (the official poverty level in Malaysia is MR\$350 per household per month). For example, the minimum wage for hotel and catering workers is only MR\$185.00, which is hardly sufficient to provide the most basic needs for the worker's family (Mohideen A. Kadir, 1985, p. 98). Although the above rates have been revised, they are still far lower than wages in other sectors.

The establishment of minimum wages for all workers may help to improve the worker's standard of living, as the cost of housing, food, clothing and other essentials

increases. There is still a large proportion of workers who are not organised and are paid very low wages. There are workers who have to take up two or three jobs in order to make ends meet.

Thus, long term improvement in the standard of living of workers, and the protection of their welfare and rights, is in urgent need of attention. Otherwise, development policies through industrial growth aimed at poverty eradication will create a new problem among the low waged working population. If low wages are being associated with poverty, or may cause poverty as Townsend and Atkinson suggest, various measures have to be considered to overcome poverty that arises as a result of industrial development. Government interventions in the economic developments to eradicate poverty and raising the living standards of people may not end at this point. Working class interests have to be considered and balanced with economic interest. Although a strategy of growth-mediated security through promoting economic growth, economic expansion and providing basic necessities as suggested by Dreze, J. & Sen, A. (1991) could play an important role in social security the problems faced by the working class need another form of direct intervention. Government intervention could be in the form of the improvement in labour legislation, social security provision, growth and development of a strong trade union movement and the employers' role in enhancing their employee's welfare.

5.4 WORKING CONDITIONS

An increase in job opportunities generally affected unskilled production workers. Women workers are mostly required in industrial operations such as food, footwear, electronics, garment and textile industries, thus resulting in a massive entry of women into the manufacturing sector. For example, in 1957 only 17 per cent of the workforce were women in the manufacturing sector, but in 1970 this had increased to 28.1 per cent, 40.1 per cent in 1980 and 43.1 per cent in 1985 (see Table 5.4). On the other hand, the percentage of men in this line of the manufacturing has declined from 83 per cent in 1957 to 71.9 per cent in 1970, 59.9 per cent in 1980 and 56.9 per cent in 1985 (Sixth Malaysia

Industry	1970		1980		1985		1990	
	Male	Female	Male	Female	Male	Female	Male	Female
Agriculture and forestry	62.0	38.0	61.0	39.0	61.6	38.4	65.6	34.4
Mining & quarrying	87.4	12.6	89.7	10.3	89.5	10.5	87.1	12.9
Manufacturing	71.9	28.1	59.9	40.1	56.9	43.1	53.6	46.4
Electricity, gas and water	94.7	5.3	92.5	7.5	96.6	3.4	93.1	6.9
Construction	93.3	6.7	92.9	7.1	94.4	5.6	95.7	4.3
Transport, storage and communication	81.8	18.2	70.7	29.3	62.3	37.7	61.4	38.6
Wholesale & Retail Trade, hotel and restaurants	95.7	4.3	93.7	6.3	89.6	10.4	88.9	11.1
Finance, insurance, real estate and business services	-	-	70.5	29.5	64.9	35.1	65.8	34.2
Community, social and personal services	71.1	28.9	70.6	29.4	63.2	36.8	62.1	37.9
Average percentage distribution	69.0	31.0	67.3	32.7	65.4	34.6	65.0	35.0

TABLE 5.4: Percentage Distribution Of Employment By Sector And Sex 1970-1990

SOURCE: Sixth Malaysia Plan 1991-1995, Prime Minister Department, Malaysia, 1991

Note: The average percentage distribution of men decreased from 69% to 65% between 1970 and 1990. The women percentage increased from 31% to 35% during the same period. However, the overall female employment remained low compared to male

Plan, 1991-1995, p. 415). This change is due to the fact that the majority of the new labour intensive industries such as the electronic and electrical sectors, favoured female over male labour. This was based on the assumption that the nature of these factory jobs were more suited to women's gender abilities. It has been said that "... work which requires abilities like keen eyesight, manual dexterity and the ability to sit for long hours, is associated with the female gender. Women workers are also more willing to accept the lower wages paid by these industries compared to men..."(Jamilah, A., 1992, p. 25). Men are highly represented in the upper levels of hierarchies in the manufacturing sector and they are mostly concentrated in the non-manufacturing sectors such as construction, communication, transportation, mining, utilities and other services. However, one factor contributing to the demand for female labour was the changing role of women's economic activities. A result of educational expansion was the increase in the proportion of educated women who changed their attitude towards paid employment. Industrialisation and the expansion of the urban economy created job opportunities in labour-intensive industries such as textiles and electronics, creating a high demand for female workers. In addition, social factors such as delayed age of marriage, which reduces the fertility rate, thus reducing the life-cycle phase associated with child-care responsibilities, allows women more opportunities to seek employment. Also, the use of high technology automation which reduced the demand for hard physical labour attracted women into the labour market (Jamilah, A., 1992, p. 259 and Lim, L. L., 1983, p. 33). Thus, women's growing labour force participation itself appears to exert feedback effects. For instance, the availability of women willing to work for relatively low wages made possible the great expansion of what came to be female - dominated occupations.

In addition, Hirschman & Aghajanian, (1980) observed the increase in women's labour force participation rate as a result of a combination of the decline in agricultural employment and sizeable growth in non-agricultural employment especially among younger women in Malaysia (Hirschman & Aghajanian, 1980, p. 48). Hing.A.Y., called microscopic jobs in the electronic industries and textile factories women's jobs, because they require much patience, endurance and care which is argued to be relatively acquired in female

workers. In addition, male workers do not desire this kind of job because of its low pay, distasteful working conditions, and openness to imported recession resulting in regular retrenchment and insecure tenure (Hing.A.Y. & Rokiah, T., 1986, p. 11). This has been observed in some cases, for instance in the large multinational companies in Malaysia, where there has been a practice of periodic retrenchment (lay-off) of workers. In any one year, there is at least one lay-off and recruitment exercise. A company will terminate workers in one month and a few months later it will recruit new workers. These practices have been conducted in response to the fluctuation of markets that cause job instability.

On the other hand, due to socially propagated values as to what is suitable and right for women and men, certain jobs such as those in the mining, transport, utilities and construction sectors are almost exclusively male preserves, with males comprising 87.1 per cent, 88.9 per cent, 93 per cent and 95.7 per cent of the labour force in each of these sectors in 1990 respectively (see Table 5.4). This situation leads to the assumption that the unskilled work in electronic and textile production operation is a female preserve. They are the poorer working class reflected in their low wage earnings, maybe due to lack of skills and poor educational background, low commitment to the labour force, lack of union organisation, and the nature of work which is not desired by men. The lack of union organisation especially in foreign firms was due partly to the concentration of foreign capital, and to the virtual absence of local capital in the electronics industry. Foreign investors in Malaysia are promised 'union-free' work environments should they want them. In addition, there is a perception of women as supplementary wage earners to their family or in other words secondary income earners whose jobs and incomes are an "optional" addition to total family income. Therefore, it is justifiable to pay them lower wages than men for equivalent jobs. It is also more acceptable to lay off women workers rather than men for much the same reasons. The oppression of the working class is clearly reflected in the wage structure of the labour force. In addition, women employed within the industry are on the lower levels of the production hierarchy, while men occupy the higher technical supervisory and management levels. Women with dependents, for example small children, find it hard to take up employment or work extra hours as there are hardly any day care

centres or nurseries to care for children of working mothers. Most working mothers have to leave their children with parents, relatives or neighbours in the slums, squat areas or housing estates at a small cost. This arrangement has helped to prevent women in need of income from being 'trapped' in their houses because of children. However, many companies in Malaysia still refuse to employ married women in order not to have to pay maternity benefits, and therefore to reduce their social costs.

It is hard, however, to judge whether the above practice has been unfair to married women. From the management's point of view, they must make their judgements on economic grounds primarily. They are constantly under pressure to reduce costs, particularly at a time of statutory price control and high levels of inflation. Generally, women are employed where they are short of labour and have certain types of jobs which it is felt women carry out more effectively than men, for instance in garment factories and electronic assembly production. The employment of women had the advantage of being cheaper in terms of wage costs, where equivalent terms of employment were not given, and also in terms other staff costs. This position is reversed if more married women are employed. At this point, there will be no cost advantage and it may actually be more expensive to employ them where there are a large number of women of child-bearing age and the employer has to hire extra staff to cover maternity leave.

In general, policies in social security, for instance social insurance and other fiscal policies, provide extremely little support or encouragement for the employed mother. They receive no tax relief or child care allowance to cover child care costs. They are not given any paid leave if they must stay at home or hospital to look after a sick child. In contrast to the situation in Malaysian plantations which provide creches for the children of estate women or that of professional women who can afford household help, the low-waged factory women tend to have nowhere and no one with whom to leave their children.

Government attitudes towards the child care and other problems of women's participation in the labour force can be characterised by reluctance and lack of initiative.

Women's work has never been regarded by the government at large as a matter of women's equal right to work as men. Rather, women's work is considered to be disposable when the economy does require it, or supporting of men's work at best. Certainly, women's participation in the labour market will contribute significantly to the whole economic system. It is not just the answer to the problem of labour shortage but most importantly reduce the family's financial constraint. As financial burden of their children's education, living expanses are higher because of the concentration of the population in the urban areas. In addition, their need for additional income has increased due to the increase of living in the urban areas. There is a necessity of saving for sickness and old age, because of the lack of an effective social security system. Therefore married women with children need more income to assist their family budget.

In line with the above situation, it is crucial for policy makers to identify variables associated with women's position and status in the labour force and also the improvements to be worked towards their well-being. Thus, employment policy, social policy and labour laws have to be closely adjusted to the actual situation. These have to include not only training and education for women, but most importantly the situation of women in the context of social security and fiscal legislation. There is also the need for urgent improvement in the number and quality of social facilities capable of helping working parents to provide for their children. Different arrangements for the care of their children have to be developed, and it is not a matter solely of creating social services such as nurseries, infant schools, and family assistance; changes may also take the form of re-arrangement of work timetables.

5.5 THE OCCUPATIONAL WELFARE PROGRAMMES

Undoubtedly, the drive towards an industrialised society by the year 2020 has many implications for the welfare of Malaysian workers. The emerging large new class of workers will be entirely dependent for their livelihood on the regular payment of wages. They are at a high risk of being reduced to privation should their wages be stopped due to injury,

illness, unemployment or retirement. The present social welfare provisions in Malaysia generally only cover the minority. Health care which has been subsidised by the state is inadequate in terms of its efficiency, facilities and standard of services. State support for the infirm and disabled is generally negligible and although education has been fully subsidised beyond primary schooling, pre-school education has been left to the community and tertiary education, it has been decided recently, is to be privatised (Ministry of Education, 1995). The social security schemes in the form of occupational welfare were heavily criticised by the Malaysian Trade Union Congress for their limited benefits and coverage, and the fact that they mainly only provided for those in employment. Certainly, whatever inadequacies and differences in the level, coverage and effectiveness of State provision of social security that existed were partly due to financial constraints in this country. However, the main issue is, how far the future of Malaysian society, particularly the workers, will be influenced by the industrial development process. The ambitious policy of 'Vision 2020' (an attainment of a fully developed and industrialised economy by the year 2020) and a controversial population policy require careful and detailed analysis in all aspects of future planning. The Government should start thinking and planning for social security for all sections of the population in order to ensure that a certain minimum standard of care, protection and benefits will be available for those in need.

In line with the above, the approach and form of social security may be based on certain conditions in society. Titmuss (1958) in his work on 'The Social Division of Welfare', has shown how the aim of meeting certain needs has been collectively taken up by organisations in three different methods, called social welfare, fiscal welfare and occupational welfare. In this context the following discussion will be focussed on occupational welfare.

Adrian Sinfield (1971) uses the term 'industrial social welfare' to describe any programme that aims to promote or preserve the welfare of the workers. However, Joan Brown and Stephen Small (1985) call it occupational welfare or fringe benefits to describe any occupational provision for certain human risks which are financed from the resources

of employers. Another writer, Toshiaki Tachibanaki (1987) adopted a term 'non-wage labour costs' (NWLCs) which refers to any labour costs other than direct remuneration which are paid by firms to their employees (either statutory or non-statutory). Whatever term is being used, these programmes have a common objective which is to provide some protection for employees and their families, from any social risks of the work process and the work setting. In addition, occupational welfare may promote 'good human relations' in industry. According to Titmuss, the employer's provision is part of the model of the 'good employer' (most of the provisions are non-contributory) (Titmuss, 1958, p. 52).

In fact in the United States the growth and development of occupational welfare or what is commonly known as employee benefits has been a significant economic and social phenomena (Rosenbloom, J.S. & Hallman, G.V., 1986). It has been an important part of employers' compensation packages for employees, and is recognised as promoting economic development. This 'compensation package' represents all the ways, direct and indirect, that an employer uses to remunerate or benefit its employees. An employer's compensation package consists of a number of elements, one of which is employee benefits. In this context, the compensation concept implies that the various elements of a compensation system, including employee benefits, should be effectively planned, coordinated, and balanced to help meet the 'needs and desires of the employees' (as nearly as they can be determined), while at the same time also meet the employer's compensation objectives (Ibid). Of course, the needs and desires of individual employees naturally differ; however, generally, the benefits should provide an appropriate standard of living for employees and their families; to provide protection against medical expenses not only for them but also for their dependents; to provide protection from loss of income in the event of death, disability or unemployment; and to provide retirement income. Employers may in return be compensated in terms of a stable labour force, with increased productivity and business profits which are enhanced in a number of ways by the adoption of a sound employee benefit programme (Ibid). The state, on the other hand, enables the promotion of industrial development, raises living standards and increases the longevity (demographic composition) of the working population.

Thus, occupational welfare as part of social security programmes plays an important role in promoting, preserving and protecting the welfare of workers and their families from any social costs³⁰ of the work process and the work setting (Sinfield, A., 1971). The question is, to what extent do occupational provisions appear to be a social security for workers? In some countries, particularly developing countries, occupational welfare provisions have promoted and established a stable labour force, thus enhancing industrial growth. In this situation, occupational welfare is provided for the benefit of both the employer and the State, to promote and safeguard economic stability. In developed countries, the need for this provision is to protect the workers and society as "...partial compensation for dis-services for social costs and social insecurities which are the product of rapidly changing, industrial-urban society..." (Titmuss, 1968 in Sinfield, 1971). However, occupational welfare is mostly needed to protect employees from the social effects derived from the process of industrialisation.

The functions and aims of occupational welfare can be understood from the development of this programme. Sinfield divided the development of industrial social welfare into three stages. The first examples of occupational welfare were introduced by individual employers to meet particular needs of their industry on a limited basis. Occupational welfare provisions were also introduced by Europeans who owned companies during the early industrial revolution to the colonies. African and Asian countries were examples of places where some forms of basic and very limited amenities were provided for workers. These provisions were mainly for the purpose of attracting workers in the isolated locations of the mines and plantations, and to keep industries going. Such industries had to provide the most basic amenities such as housing, food and crude medical facilities (Sinfield, 1971).

The second stage of the development of occupational welfare saw the beginning of

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Social costs can be understood as "part of the price we pay to some people for being part of the costs of other people's progress" (Titmuss, 1968).

government intervention in most countries. In most industrialised countries, government intervention in the provision of employee's social welfare was a result of pressure and struggle by workers and their representatives - the trade unions. In developing countries, the employee's involvement in the establishment of welfare programmes has been very limited (Ibid). Historically it depended upon occupation, level of industrial growth, size of firms, and degree of unionisation. For developing countries, industrial development means a growth in the economy, and is highly dependent on foreign investments. Thus, the government has to safeguard the interests of industrialists by protecting them from any pressure from the workers. In some of these countries, like Malaysia, unionisation is legal but subjected to restrictions. Legislation on workers' rights and welfare protection has been formulated but in practice is more biased towards the employer. Thus, employees' welfare requirements imposed on employers were very limited so as not to burden employers too much, as the country was highly dependent on foreign industries for its growth. In this context, it is not surprising to see that the welfare programmes in some developing countries, which were formerly colonies of countries such as England or France, still persist even after a long period of independence with very little improvement.

Indeed, in non-statutory provision, often described as 'fringe benefits', without strong government intervention employers have some power to control social welfare provisions, since the range and coverage is normally determined by negotiations between employer and employees. This is also important because fringe benefits are, in fact, "deferred" payments that have some important economic implications. The Japanese example supports the hypothesis that raising the level of fringe benefits, such as retirement payment and benefit in kind, may encourage workers to stay in the company (Hashimoto, 1979 and Tachibanaki, 1984). Halls (1982) and Freeman (1981) found that the higher the level of fringe benefits, the lower the rate of turnover in the United States. It would be possible to conclude that fringe benefits discourage labour turnover amongst workers. Therefore it is one of the most useful labour market policies for lowering unemployment (Toshiaki Tachibanaki, 1987).

The third stage of the development of occupational welfare, according to Sinfield, is a shift from employer's provision to community and government responsibility in providing industrial social welfare. This underlines the fact that the industrial expansion from primary industries, such as mines and plantations, to manufacturing has changed the relationship of the employer to the employees and to the community at large and government. Thus, social welfare provisions such as medical care, housing and education are considered to be government responsibilities. In addition, the growth of industries has increased the interdependent relationship between the factory and the local community and this has brought a closer co-operation with government at national, regional and local levels (Ibid).

5.6 OCCUPATIONAL HEALTH AND SAFETY

The nature of work for electronics and textile workers in Malaysia varies, depends on the size of the factory, the ownership and location of the factory (whether in Free Trade Zones or outside), the type of product produced, the work processes, and the level of automation. There are factories in FTZs employing thousands of workers where much of the work involved is highly automated, and small industries outside FTZs that employ a few hundred workers who do most of the work manually. The electronics industry is claimed to be a clean and safe industry, and considered to be better than textile factories where jobs are mainly for women. Electronics factories have to be air conditioned to protect machinery and equipment from the tropical humidity and most of them are clean new buildings with modern facilities. Some factories have installed piped music which serves to reduce talking among the workers. Nevertheless, strict labour discipline is enforced on the factory floor (Lim, L. Y. C., 1978). The stress on productivity and quality also means that workers are restrained from wasting time, therefore the workers are discouraged from communicating with one another, and even visits to wash-rooms are regulated. Thus, factories adopt tight labour control strategies with supervisors closely monitoring workers' performance. Most electronics workers work eight hours a day, and are required to work three shifts and some even have a four-shift system. In small factories the workers are required to work one or

two shifts. Factories which are under-staffed require their workers to do overtime work to meet demands and production quotas. The assembly line work itself is tedious, meticulous and monotonous, but requires lots of concentration because of its precision nature especially when it requires speed-ups (Lim, L. Y. C., 1978). The job also requires workers to work with the machine in front of them for long hours, soldering fine pieces of wire onto metal chips and looking through highly magnified microscopes all day. For other workers, their work involves being on their feet all day, or having to continuously breathe solder, acid or solvent fumes without any protection. Thus, besides the boredom of the repetitious work they do and the strict supervision they are subjected to, the workers have also to put up with occupational hazards like headache, eye strain and eyesight deterioration from looking through the microscopes eight hours a day. The 1975 Survey of Workers in an American multinational in Malaysia reported that 44 per cent of the workers complained of deteriorating eyesight and 42 per cent of headache. Those who suffered from eyesight problems caused by the microscopic hazard have to wear spectacles but the company would not pay for these instead the workers were terminated due to their now poor eyesight. This is probably one cause of "voluntary" turn over of workers in the electronics factories (Lim, L.Y.C., 1978); one factor in this survey is the problem of high turnover among factories. However, there is no proper documentation available on this problem.

An observation was also made by Heyzar, (1986) on the safety and health conditions in textile factories in developing countries, that they had indeed remained of poor standard. Certainly, this is in line with the factor that the relocation of industrial production to the developing countries has reduced investment costs. As mentioned earlier, the low social costs make it easier for the relocation process to take place. Thus, reducing the social costs not only includes paying low wages but also lead to a low standard of safety and health measures. Basically, the textile industries use heavy and extremely noisy machinery thus the workers are exposed to noise pollution. It was estimated that one in seven textile workers suffers from hearing trouble. The use of glue and chemicals in the packing section has also caused skin irritations, while in the weaving and spinning section, cotton dust flies all over the floor plant, which may cause a disease called byssinosis which affects the lungs.

The environmental monitoring of the textile mills in Malaysia showed that in some of the factories, the workers' exposure to cotton dust was high. However, no biological monitoring was carried out due to the unavailability of equipment and hence, no medical examinations of persons in the hazardous work area took place (Labour and Manpower Report 1980, p. 193).

In general, most factories comply with the labour laws of the country and provide all the minimum benefits to workers specified in the Employment Act 1968, but in smaller factories, many of which are owned by local investors, the labour laws are sometimes violated. One example is denying medical benefits to employees: unless it is reported to the Labour Office, action cannot be taken against these employers. Medical benefits are usually available, in fact most bigger factories have industrial nurses on the plant all the time, while some companies have appointed their own panel doctors. However, these types of health services are only basic medical care. Most medical personnel know very little about the equipment, material and work processes in the industry, and are not trained in occupational health and thus unable to deal with industrial diseases. A survey done in 1982 to evaluate industrial nursing services in Malaysia found that out of the eighty-seven nurses currently employed in industry, only one had received formal training in occupational health (Lim Heng Huat, 1982).

Another disappointment is that panel doctors who are appointed by companies are usually general practitioners who normally show little interest in the occupational health status of the workers (Lim Siew Hoon, 1984). This is probably not to jeopardise their business contracts with the companies as the employers do not favour such practices (Xavier, F., 1994, p. 34-35). There have never been any cases where employers paid compensation to workers suffering from diseases caused by occupational hazards in Malaysia. Xavier, (1994) claimed that neither government agencies nor researchers from universities or other organisations have been able to get permission to conduct studies on health and safety in the Malaysian electronics industry (Xavier, F., 1994, p. 35). Thus, there are no records of any factories having been taken to court due to poor Health and Safety

standards in the workplace. Although industries in Malaysia have been identified as lacking occupational safety and health guidelines, these conditions have not placed management to be liable for any injuries to their workers as they are covered by the Employees' Social Security Act.

At present the Factories and Machinery Department under the Ministry of Human Resources is charged with the responsibilities for industrial safety and health. As in most developing countries, occupational health services in Malaysia are given low priority (Lee Siew Hoon, 1984). None of the government hospitals have occupational health clinics or places where workers can go for consultation on occupational health problems or industrial hygiene counselling. Neither are such services provided by employers except for two industries (ESSO and Malaysian Air-line Systems) which employ full-time physicians trained in occupational medicine. As reported by Lim,(1984), there were fewer than ten doctors in Malaysia who have received formal training in occupational health in 1984.

The Occupational Safety and Health Act 1993 (OSH) was finally passed by Parliament recently, after nine years in draft, and took effect only on 1st of April 1994. However, the union claimed the legislation is still lacking in certain areas, for example, some provisions are vague or not included. These include provisions for expectant mothers who may be exposed to hazardous substances at work; annual occupational safety and health audits conducted by work site safety committees; and measures to deter sexual harassment or any harassment of employees (The New Straits Times, 1/04/1994, p. 2).

Although the Occupational Health and Safety Act today has been improved to secure the safety, health and welfare of persons against any risks from work activities, it requires a strong team to enforce this legislation. The enforcement team need the will and resources to enforce the law effectively. There may be complexity in the operations in some industries, such as microelectronics, where there are a multiplicity of risks and production processes are complex. The enforcement personnel need to know what all the potential dangers are, and what to look for. This means that the enforcement personnel must be well

trained, knowledgeable and need necessary specialisation. Sometimes victimisation can be hard to prove to the satisfaction of the law.

Thus, a special medical provision (industrial medical care) is needed to protect industrial workers from occupational health hazards. As management is unlikely to take the first step towards improving the working environment, strong and effective legislation needs to be introduced by the government. To this end, social security schemes have to include not only health care but industrial medicine as well in their provision.

5.7 SHIFT AND OVERTIME WORK

The investigation in Chapter Four indicated that workers dislike shift work, because besides the disruption it causes in worker's sleep and activity cycles, the night shift also poses particular danger for women who are vulnerable to assault and rape on their way home. Further, workers on night shifts are often sleepy and unable to concentrate on their work. It is known that industrial accidents are most common during night shifts. Amphetamines are commonly used by workers on night shifts as a way to keep awake (Cardosa & Koo, 1978, p.). These pills are easily available from any local traditional medicine shop although are illegal for consumption or trade.

Physical health deterioration probably causes psychological strains in factory life that have led to a phenomena of mass hysteria of workers in electronics factories, which is a common incident. Mass hysteria usually occurs on the midnight shift, from 11.00 p.m. to 7.00 a.m, when hundreds of female workers begin "shivering, crying or laughing" or screaming that they saw a "ghost" which is interpreted by other workers as "possession by a devil". The hysteria rapidly spreads throughout the plant floor, with many female workers becoming unconscious, others screaming and so on, thus disrupting production completely. These workers are sedated and sent back to work or dismissed. This phenomena can be explained as an unconscious response of the workers to distasteful working conditions which creates an atmosphere of great tension. Those who can not bear it eventually resign,

thus explaining the very high rates of turnover (Lim, L. Y. C., 1978 p. 481).

Part of the reason for the above phenomena may be to do with the responsibility of women as supplementary wage earners. The reason for women going out to work is their need for income to maintain themselves and their families. A large portion of their income is for family expenditure even where they are living away from home. Hence, the family income might be affected without the additional wages from daughters or wives, hence, family pressure forces them to stay on at their jobs no matter how distasteful the work. A study done by Cardoso and Koo gave one example of the hysterical phenomena, when a young worker entered into a hysterical state in her rented room, screaming that she hated living there, hated working there and that she merely wanted to go home to her mother (Cardosa & Koo, 1982, p. 15).

The above phenomena was actually due to the poor and unpleasant working conditions that led to workers being depressed and irritable. Thus, workers on shift work suffer from the double problem of trying to adjust their body clocks to a rotating system of working hours and night work, combined with work pressure, family and social stress.

A study carried out by the Malaysian Trade Union Congress (MTUC) in 1988 on the health and safety of workers in the chemicals, metal, textile and plantation industries reported that half of the 40 per cent respondents involved in shift work complained of its effects. About 50 per cent of them reported loss of appetite, 14 per cent fatigue, 8 per cent nervous disorder and 7 per cent insomnia. However, generally there are two major health hazards associated with shift work: sleeping difficulties and changes in eating habits leading to gastro-intestinal disorder such as ulcers. Lack of sleep has been recognized as a major difficulty faced by shift workers (Aminuddin, M., 1992 p. 112).

Although the Employment Act specified that no worker should be required by his/her employer to work more than 8 hours per day or 48 hours per week, there are situations whereby a worker can be required to work longer hours than normal. These

exceptions are laid down in Section 60(2) of the Act quoted as follows:

- i. accidents, actual or threatened, in or with respect to his place of work;
 - ii. work, the performance of which is essential to the life of the community;
 - iii. work essential for defence or security of Malaysia;
 - iv. urgent work to be done to machinery or plant;
 - v. an interruption of work which it was impossible to foresee;
 - vi. work to be performed by employees in an industrial undertaking essential to the economy of Malaysia or any essential service as defined in the Industrial Act 1967.
- (Employment Act 1955, in Aminuddin, M., 1992)

Certainly, all industrial undertakings are essential to the economy of Malaysia, thus in the light of clause (vi) it is becoming a norm rather than the exception in the industrial sector for workers to work longer hours. Thus, overtime work has become a normal activity in manufacturing factories. Should a worker agree to the request of his/her employer, she/he may do so but there is a limit, which is presently of 104 hours per month. Although it would be the worker's choice to work longer hours, the problem of low wages is the main reason for working longer hours. There are normally four reasons why overtime is necessary:

- a temporary shortage of manpower;
- a temporary increase in workload;
- productivity of the workers is low; and
- difficulty in recruiting additional workers.

The first and fourth reasons are common problems faced by textiles and electronics factories due to their high rate of turnover. As mentioned earlier, that the majority of unskilled and semi-skilled production workers are paid very little, therefore these workers are left with no choice but to give up their leisure time to work extra hours to increase their wages. However, not all workers are willing to do so, some of them (in this survey) were

reluctant to do overtime work because it could cause difficulties in their personal life. Those who have family commitments or are involved in sports or other such activities will not do overtime.

There are some other effects of overtime. Logically, longer working hours could lead to reduced productivity. The reason behind this assumption is: lengthy working hours may increase fatigue, thus, a person may make more mistakes that could lead to more accidents, this in turn may slow down his speed of work, which finally will reduce productivity (Aminuddin, M., 1992, p. 105). Thus, there is a great deal of pressure to work long hours.

While there are legal provisions relating to the rates for overtime work, the number of overtime hours allowed and the stipulation that overtime should be voluntary on the part of the workers, actual conditions indicate that enforcement of the law has been lax (Zechariah, 1981/82:36). What is needed is stricter government enforcement and directives to employers. In addition to shift allowance, employees' fringe benefits should be provided for those doing shift works such as transportation, subsidised canteens, work insurance and accommodation.

5.8 JOB INSECURITY

It is not surprising to find that industries which do not require workers to take rotating shifts or to use microscopes, can employ workers more easily despite the low wages that they pay. High turnover in the short run causes problems for firms because it increases costs and reduces productivity. According to Lim, turnover is higher among new employees which was about 80 per cent for many firms in 1978. This is not only due to distasteful working conditions as mentioned above, but also to employees' lack of familiarity with industrial work and, during tight labour market periods, the workers would go around "checking out" different factories (Lim, L. Y. C., 1978, p. 370).

On the other hand, turnover is low during slumps, in fact the condition may even deteriorate because the export-oriented industries are worst hit, as they rely heavily on world demand. This situation drastically reduces the earnings of these industries and as a result, redundancy among industrial workers becomes widespread. This was evident when the manufacturing sector recorded the highest incidence of redundancy during recession, accounting for 5,331 or 38 per cent in 1987 and the percentage grew in 1988 to about 60 per cent - see Table 5.5 (Labour and Manpower Report, 1987/1988, p. 23).

As a matter of fact, some of the redundancies made by companies were not primarily due to recession; but they were not reported as such. They were, in fact, a result of long run shifts of production, or what the companies regarded as "upgrading" and "consolidating" of the labour force (for example capital-labour substitution). Indeed, some companies were planning to increase efficiency and reduce the size of the labour force. The recession provided them with the "excuse" to lay off workers who would have been made redundant anyway by the introduction of automation and other new processes and production methods. Thus, some companies used the opportunity of slow down in production to improve productivity, by introducing new machines and training workers to use them. Part of the lay off was to "shake off" the redundant labour. They called the recession a "blessing in disguise" for this reason (Lim, L. Y. C., 1978, p. 323). Otherwise, it would have been extremely costly to lay-off workers during a non-recession period.

Workers who are covered by the Employees Act are entitled to retrenchment benefits if they have completed one year of service with the employer. The amount of benefit depends on the length of service. But, according to Lim, (1984) these requirements in law have since been deleted so that employers may not be legally bound to compensate their workers. However, if workers are unionised, there may be a collective agreement with the employer which lays down conditions and termination benefits that employers should

Industry	1987				1988			
	Total	Male	Female	No. Of Estab.	Total	Male	Female	No. Of Estab.
Agriculture, forestry and fishing	702	306	396	39	599	393	206	17
Mining and quarrying	359	322	37	20	250	196	54	6
Manufacturing	5,331	3,201	2,130	137	1,924	811	1,113	30
Construction	3,391	3,307	84	31	47	41	6	13
Wholesale and retail, trade, hotels and restaurant	2,146	918	1,228	89	71	39	32	15
Transport, storage and communication	253	194	59	12	158	140	18	9
Finance, insurance, real estate & business services	1,332	352	980	33	99	87	12	2
Community, social and personal services	218	173	45	21	24	13	11	7
Total	13,732	8,773	4,959	382	3,172	1,720	1,452	99

TABLE 5.5: Number Of Workers Retrenched According To Sectors 1987-1988

SOURCE: Labour and Manpower Report 1987/1988, Ministry of Labour, Malaysia

Note: A total of 13,732 workers from 382 establishments were retrenched and in 1988 the number fell to 3,172 workers from 99 establishments indicating a 77% decline. The manufacturing sector recorded the highest incidence of retrenchment in 1987.

provide. The union might resist and challenge the genuineness of the retrenchment by pursuing the case to Court. This may cause difficulties for the company in laying off workers during non-recession periods.

On the other hand, there is still no guarantee that the workers would receive the lay off benefits to which they are entitled as stated in the collective agreement if the employer is insolvent, thus, A recession is the possibly best time for these practices.

The oppression of the working class persists in another form, when companies re-employ (from their own or other firms) experienced laid-off labour but pay them a starting wage. This is because when a worker leaves or is laid off he/she automatically loses all his/her benefits and seniority, even though he/she is experienced and highly productive. Thus, this enables the companies to keep labour costs low and many workers have no choice but to accept an explicit wage cut in order to stay employed.

In fact the practice of laying-off workers is common in export-oriented multinational firms because of their notoriously unstable and precarious conditions (Lim, 1978; Jamilah, 1979; Munster, 1980). Such foreign-controlled, foot-loose industries are liable to move from one country to another in response to changing labour costs or changing political stability or tax laws. Thus, industrial workers in such industries are likely to bear the risk of being laid off without adequate compensation or assistance to make appropriate adjustment (Lim Lin Lean, 1984)³¹. Cheong and others (1981:139-43) noted that most of the training that factory workers (especially those in electronics) receive, is in-plant and on-the-job. Such training is in highly specific skills which are not transferable. This renders them vulnerable in the event of retrenchment (Ibid).

In view of the unstable nature of the manufacturing industry employing these

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In the last six months of 1982, it was reported by the Labour Department that 3500 factory workers were retrenched (Berita Minggu, 23 January 1983, 'The future problems of laid-off factory's workers')

workers, it appears prudent not to leave it to the discretion of these firms but to provide in law for a measure of income security or compensation for workers in the event of a lay-off.

5.9 HOUSING

Industrialisation brought mass migration of workers and their families into the host area, and housing has become a major problem. The questions here are to what extent housing programmes provided by the employer act as a remedial measure for a stable workforce; the extent to which they are integrated with social planning; and their adequacy to meet the needs of workers and their families.

In most developing countries, the problem of housing is not only concerned with shortage but also with low standards, such as improper sanitation, irregular and insufficient water supply and frequent breakdown of the electricity supply. The shortage of homes in these countries has resulted in people living in squats and slum areas. These conditions accelerate the spread of many diseases. With the growth of industries and urban cities, industrial workers are poorly housed. Rural-urban migration aggravates the situation.

In Malaysia, most of the big and medium size industries provide houses or hostels for their employees. This provision has been aimed at solving the labour shortage and reducing the turnover rate, therefore guaranteeing a stable labour force in industry. In addition, industries that require night shift and overtime work provided houses or hostels for their workers in or near the workplace areas, to avoid any latecomers or absenteeism. It is not surprising to find that some industries in Malaysia prefer to recruit unmarried workers because it is a problem for employers to provide adequate housing for married workers and their families at a reasonably low rate of rent.

Apparently, the Malaysian government has recognised the need to undertake housing development for industrial workers in industrial areas, such as nearby the Free

Trade Zone areas. However, this issue has not been handled in a positive sense, in other words the urgency of the need for housing has not been emphasised and government intervention is limited. The responsibility to carry out the programmes was entrusted to the state governments, and consequently low cost, two and three bedroom, flats were erected in industrial areas such as in Penang, Shah Alam near Kuala Lumpur, Johor Port and Pasir Gudang in Johor Bahru, but the housing programmes were not implemented adequately. For example, in the Johor Port area some of the flats were rented by firms as dormitory units for their workers but the rent of the flats charged by employers was still high, often as much as half their employees' wages. Even the low cost flats were found to be in a deteriorating condition as the blocks aged and no renovation or improvement was made. There was also no recreational space and the provision of facilities such as children's play areas and public meeting places was poor. Apart from that, the security risks of leaving motor-cycles and other vehicles in public areas was considerable. Many of those on low wages, unable to meet the high rent imposed by the employers, have resorted to squatting on public land around the perimeters of the industrial area by erecting their own houses. It has been observed that in the 1980s, large squatter communities emerged along waterways and road reserves outside this industrial area. As we can see now, the poor living conditions remained, with a minimum number of houses enjoying piped water, electricity or proper drainage and sewerage systems; the roads through the squatter areas were also poor (Guinness, P., 1994, in Brookfield, H., (ed), 1994, p. 203-205).

While the working population in this area is facing deteriorated housing and living conditions, the Chief Minister of Johor announced that the State Government will no longer be involved in housing development and that it will be taken over by the private sector (Ibid, p. 209). This would appear to imply that the Government is no longer involved in the provision of houses for industrial workers, or for the whole population, except maybe in enforcing the laws and regulations regarding construction imposed on the private sector. It should be emphasised here that programmes to promote the welfare of the worker are crucial and should not be neglected in view of the growth of industries and the increase of the working population in the industrial areas. As in any other developing country, it

appears that very little attention has been given to the needs of workers and their families as revealed by Peter Marris, 1988, in his study on "Family and Social Change in an African City". "For the lowest income groups, the problem is made worse in some cases by slum clearance and other government policies that eliminate or prohibit inferior housing, but offer no alternative"³². Housing policy has a significant role in integrating and segregating groups and is closely related to the standard of welfare in society. According to Schorr, "housing is the most expensive component of a modest standard of living...and appears to be the component that countries postpone improving when they have other pressure" (Schorr, A., 1970 in Ibid p. 34). In this context it is even more important that "the significance of improved housing and the tangible expansion of a rising standard of living which could contribute substantially to improved industrial efficiency and output" is recognised, for instance in Middle Eastern countries. It is also becoming more widely recognised that "housing for workers should be planned in the context of a national policy for housing and community facilities"³³. In line with this issue, there is also a close link between housing provision and industrial development which was emphasised at the Interregional Seminar on Social Aspects of industrialisation held at Minsk in 1964. Stress was placed on the economic and social importance of a dynamic house-building society. In fact some argue that, for developing countries, housing is a practical way to begin industrialisation because the production of bricks and other building materials requires relatively low capital input. Also, traditional building materials industries could be improved technically and economically to good advantage. There is no doubt that for developing countries, the housing construction industry creates employment and form of this industry is considered less expensive than generating work in other types of industries; even semi-skilled workers can be employed here (Ibid, p. 31).

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See Social Policy and the Distribution of Income in the Nation, (United Nations Publications, Sales No.E.69.IV.7) in Sinfield, 1971, p. 34).

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See report of the Workshop on "Urbanization in Africa", Addis Ababa, Ethiopia, 26 April - 5 May 1962 (ST/TAO/Ser.C/57-ST/SOA/Ser.T/4), p. 82, in Scinfield, 1971.

Thus, programmes for housing development should be undertaken by the government with greater co-operation by the employer and employees' organisations as well as the community. Housing policy should be innovative and sensitive to the needs and aspirations of the working population and their families. The aim should be for the provision of affordable housing with basic minimum standards ensuring proper services for the residents and the provision of a safe and convenient environment for the population. After all, everyone will gain from these programmes, the general welfare of employees is taken care of, the employer will have a stable and dynamic workforce, the government will successfully promote the social growth and development of the nation, and finally the community will be strongly integrated and have a higher quality of life.

As discussed in Chapter Four, the majority of the workers interviewed came from rural areas. The migrants were inspired by the availability of economic opportunities and the desire to improve their earning potential. The studies on urban in-migration, confirmed that the primary reasons for rural-urban migration are employment and income-related. Lim Lin Lean stated that some studies had found that it is the availability of jobs that has attracted migrant factory girls, particularly for first-time job seekers (Lim 1981b, p. 52-53).

In addition, the New Economic Policy as mentioned earlier had encouraged Malay rural-urban migration and many of the young girls who migrated were absorbed into the manufacturing sector. Impoverishment among the rural peasantry has also forced poor households to release their daughters from the land to work in industries so as to ensure their families' survival (Heyzer, 1982, and Jamilah, A., 1992, p. 25). Thus, there is an increase in the rate of population growth in the industrial urban areas.

These migrant labourers face several problems, and the most immediate among them is the housing problem. Certainly, any change in population, in the number, location or composition, can immediately affect the demand for housing. The demand for housing has seen becoming increasingly serious in industrial and urban areas. In fact, housing is a major problem in Malaysia especially for the increasing numbers of workers who came from far

away and out of state to work in a Free Trade Zone. Based on Lim's empirical studies, the number of persons per living quarter had increased significantly from 5.2 in 1957, to 5.5 in 1967, to 6.1 in 1970 (Lim, L. L., 1983, p. 275).

As shown in Table 5.6 it is estimated that a total of 602,723 units of housing were required between 1991-1995 in Malaysia. Of these, about 59,931 houses in Johor and 14,572 in Malacca were required (Malaysia, Sixth Malaysia Plan 1991-1995) p. 375-376).

The shortage of housing facilities has forced many migrant workers, particularly in the industrial areas, to live together in larger household units, some even sharing a single room with another family. Most landlords sub-divide, not merely dwellings but also rooms, in order to maximise their return in rent, thus causing overcrowding. This condition is similar to what happened in Singapore, where rooms were partitioned into cubicles providing a small room just enough for a single person to sleep (Kaye, 1974, p. 191 ff). Squatter settlements in the industrial and urban areas have also been on the increase and have caused some related problems for instance, improper sanitation, lack of water supply, and unplanned housing construction. Young workers are subjected to an undesirable social environment such as drug addiction and theft. Thus, the urban poor residing in these areas are exposed to multiple threats to their health and safety. (Malaysia, Sixth Malaysia Plan, 1991-199, p. 377).

The increase in demand for housing on the local market caused private rents in areas around industrial estates and Free Trade Zones to shoot up tremendously. For example, a room without water or electricity in a squatter hut near a Zone costs MRS40 per month, or one third of a workers' starting salary. Thus, these workers often crowd together, for example twelve girls might share a three bedroom terrace house. There have been cases of ten girls sharing one room. The room they rent has no cooking facilities, so they have to eat out which increases their food costs (Lim, Y. C., 1978, p. 484). Thus, the factory workers are not only threatened with health problems in the workplace, but are also exposed to undesirable living conditions.

State	New requirement	Replacement/ upgrading	Total Housing Needs
Johore	48,889	11,042	59,931
Kedah	32,228	9,559	41,787
Kelantan	38,584	19,137	57,721
Malacca	12,405	2,167	14,572
N.Sembilan	17,199	5,261	22,460
Pahang	30,121	6,739	36,860
Perak	42,038	16,801	58,839
Perlis	5,089	440	5,529
Penang	16,376	4,365	20,741
Sabah	52,482	28,966	81,448
Sarawak	44,178	29,796	73,974
Selangor	53,566	13,685	67,251
Trengganu	24,782	3,576	28,358
Kuala Lumpur	26,930	6,322	33,252
Total	444,867	157,856	602,723

TABLE 5.6: Housing Needs By State 1991-95

SOURCE: Malaysia, Sixth Malaysia Plan 1991-1995, Prime Minister Department, Government Printer, Kuala Lumpur, 1991

Note: About 602,700 units of houses will be required from 1991-1995. Of these, about 444,900 units are in demand for households while about 150,800 units will need to be replaced and upgraded due to bad conditions.

It should be noted here that although there was an emphasis in the Government Five Year Plan (1991-1995) on increasing housing development, these houses were for purchasing rather than for renting. Purchase is certainly not possible as these workers are young and not ready for such a big commitment as purchasing housing and most importantly their wages are low, just enough for food, transport and contribution to the family budget; even savings are rare. Neither the corporation nor the Federal or the Local Governments provide housing for workers employed in the Free Trade Zones. Some companies have rented out dormitories for their workers from private landlords. Thus, the majority of them rely on private accommodation provided by the employer. But workers have to pay rent for their space, and have to leave the house when they leave or are laid off from that factory. However, there was an effort made by the Selangor state government to allocate factories in a Free Trade Zone near Kuala Lumpur a certain number of flats each. But these were not subsidised flats, rather an attempt by the government to make some revenue for itself. Therefore, market rates are charged which the companies have a responsibility to collect and pay to the government authority. The companies do not subsidise the workers' rents either and refuse to pay the required deposit on the worker's behalf. The workers could not afford to live there, as one bedroom flats would cost as much as sixty per cent of the workers' wages (Lim, L. Y. C., 1978, p. 484).

Although there are a number of big companies and multinational factories providing accommodation for their workers, many more factories are not willing to bear the responsibility of looking after the welfare of their ill-paid workers. The Ministry of Welfare talks a lot about building flats for factory workers but it is all talk so far as no action has been taken. Thus the living conditions of industrial workers outside the factory are as bad as their working conditions inside the factory. Both the companies which employ them and the government which invited their investment by building Free Trade Zones and providing other facilities for them, have so far not done anything to improve the lives of factory workers.

Certainly, decent and affordable housing facilities would contribute substantially

towards meeting the needs of the poor urban working population. However, the solution obviously lies in the construction of more low-cost housing projects by the government or encouraging employers to build and maintain dormitories or hostels for their workers. Granting tax exemptions or giving subsidies for the land for such buildings would be a great incentive to firms.

5.10 MEDICAL CARE PROVISION

Another welfare provision that should not be neglected is medical care for workers. There are two separate types of medical care that are usually provided for industrial workers. One is medical facilities for the worker in the industrial setting, which in some industries means medical personnel on the industrial premises itself. This kind of provision attends to the worker's problems which are caused by their particular job, such as minor accidents or casualties. The other is general medical care provided by the employer to the worker and his family, while in some instances, dental and optical services have also been extended to them.

Indeed, medical services were provided by some employers to their employees as a result of the inefficiency of the government national health service in Malaysia. This inefficiency is the result of a lack of attention and very low priority given by the government to this area, and it can be seen in the total government budget for public expenditure in the various Five-Year Plans (Wan Muda, 1994, p. 24). Of course, employers are responsible for the welfare of their employees and have an important role in providing medical care, but surely this responsibility cannot be left to employers alone. The government and the employer are equally responsible for the medical welfare of the working population. Every citizen has the right to proper health care; this is a human right.

The rapid industrial growth in Malaysia poses pressure for a wider range of medical services, such as dental care and family health. However, the present and past budgetary allocation for health, as mentioned earlier, has not given these sectors the attention they

deserve. The future industrial development plan may be hazardous to the health of the working population if present trends in the delivery of health services are to continue into the twenty-first century. Unless employers of all establishments in Malaysia provide medical care services for their workers and families, the quality of life among the working population will deteriorate. Furthermore, industrialisation may also cause changes in the pattern of disease. Aspects of technology have created new problems, " the problem of noise and deleterious effects, the question of greater nervous tension and psychological fatigue, new hazards from working in the new processes of substances, isolation, monotony of machine minding and the mental health problems caused by the job insecurity of a fast-changing technological era"³⁴. Consequently, the state would have no alternative but to take full responsibility for the medical welfare of the working population.

5.11 RETIREMENT PENSION

Economic resources, especially their source of income, is the greatest worry for the aged (Philipson, 1982). For wage earners, retirement means a reduction of income, but even worse in the absence of retirement provision, there is a total loss of income. Chen et al, (1986) reported that 62 per cent of the elderly in Malaysia received their income from their families, 19 per cent from work, 12 per cent from pension and superannuation, 2 per cent from state welfare and another 4 per cent from other sources. This situation indicates that families and children are important sources of income and security for the elderly. The question is, what will happen to the elderly in the year 2020 if Malaysia has successfully become a fully industrialised country? Will the elderly be supported by their families and children? The impact of industrialisation on the family system, such as the emergence of the nuclear family as experienced by industrialised societies is now gradually emerging in the Malaysian society. This would suggest that in future parents will be unable to depend on

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International Labour Organisation, "Repercussion of Scientific and Technological Progress on the Condition of Work and Employment of Women", Report, ILO (E/CN 6/539), p.17, in Sinfield, 1971, p.45.

children or family for support; thus, a comprehensive retirement provision is strongly needed for Malaysian workers.

Related to this issue, Malaysian workers are actually cut out of employment even before reaching old age. It has been commonly accepted in Malaysia that old age is when a person has reached a retirement age of 55 years, although the census on ageing in Malaysia considered old age to begin at 60 (Chen, 1986). Thus these age groups are dependent on other sources of income and security, such as occupational pensions.

In the new industrialising countries, changes in new technology such as the use of automation require higher or at least different skills. Thus, these changes will cause dilution and obsolescence of old skills, and the group most affected by this situation will be older workers. Older workers have to compete with the increasing supply of young labour, consequently, older workers who are less skilled will be downgraded which will force them to take up early retirement (Sinfield, 1971, p. 68).

5.12 INVALIDITY, DISABLED AND SURVIVORS PROVISIONS

In some cases, before reaching retirement age, a worker might be forced to retire due to health reasons; although not positively disabled he may be judged as physically unfit to continue his occupation. In this circumstance, a special benefit needs to be provided. In some countries, this provision comes under invalidity benefit which can sometimes be grouped together with old age and survivorship. In Malaysia, invalidity benefits are provided under the social insurance scheme. In fact in this country, social insurance schemes not only cover invalidity benefits but also include disability benefits. However, as has been discussed in a previous chapter, this scheme has been criticised and needs major improvement. In a good employee programme, an employer may try to provide the best coverage possible: good medical care benefits and short and long term disability programmes. Unfortunately, there are times when these programmes are no longer necessary, that is, when the employee dies. While protection for the employee is then no

longer significant, there is a programme that may be extended to his surviving relatives. It is what is called survivors benefits.

In Malaysia, survivor's benefit is provided in the social insurance scheme, while many employers offer life insurance programmes to employees. However, this programme may come in two policies - non-contributory and contributory. A non-contributory plan is generally totally employer-funded, usually in the form of 'group term life insurance', which is provided due to constraints placed on employers by legislation, for example where a job involves a high risk of accidents. The contributory programme is an additional life insurance policy for employees, which can be purchased through the employer (De Cenzo, D. and Holoviak, S., 1990, p. 94). Of course, it is up to the employees to purchase the additional life insurance as there are some pros and cons to be considered.

5.13 UNEMPLOYMENT BENEFIT

Another particularly important issue related to employment is the risk of unemployment. It is seen as a pervasive risk for workers in the economy because it affects employees on all levels of the economic ladder. It also has profound socio-economic effects upon the economy and upon society as a whole. Given the importance and extent of the rise of unemployment, it is not surprising that in many countries insurance and other provisions have been developed to protect workers against its social and economic consequences. In the United States, the federal-state unemployment compensation system represents the most important attempt to meet the risk of unemployment. This unemployment scheme is designed to aid employees when faced with temporary or permanent unemployment (Rosenbloom, J.S., and Hallman, G.V., 1986, p. 381).

In developing countries, social security systems are still not ready for unemployment provision. This is probably due to unorganised employment markets and the fact that the network of employment is not sufficiently established. Without strict controls, any unemployment programmes could easily exhaust the resources of the contributory scheme

(ILO, 1989, p. 94). The Malaysian government has strongly opposed the principle of unemployment benefit. This is on the grounds that the government does not owe its people a living, and this benefit is considered as counter-productive and eliminating the will or the need to work (Mong, L. S., July 1986).

5.14 EMPLOYEES' STATUTORY BENEFITS

As discussed in Chapter Three, the Employment Act 1955 sought to protect and regulate workers from exploitation and guarantee minimum labour standards including contracts of service; payment of wages; working hours and holidays; medical benefit; termination and lay-off benefit and rates of overtime work. The Act applies equally to both sexes although there are some provisions which apply exclusively to women under the guise of "protecting" women workers.

It should be noted here that there is no clause or provision in the Act which lays down the minimum rate of wage that workers are entitled to receive, except for four categories of workers (mentioned earlier), the rate of wages were determined either by contract of employment or by collective agreement (if there exists trade union in the establishment). Since the government discourages the establishment of unions, most electronics workers in newly established industries are not unionised. Thus their wage rates, annual increments and salary reviews are made at the discretion of management based on prevailing market forces and the capacity of individual companies to pay. Individual companies may set a very low wage rate or cut it whenever they wish. This practice might happen especially during economic slumps or whenever the company "claims" to be in financial difficulties. Although some writers (Yau De Piyau, 1992, p. 407) suggest that this kind of practice reflects elements of flexibility in the present wage system in the non-unionised sector, it is felt that there is no guarantee that the workers are not being manipulated and exploited.

Another weakness of the Employment Act is the absence of provision to prohibit

employers from paying their women workers less than their male counterparts for doing the same amount of work. In other words, the principle of equal pay for equal work has not been legally recognized in this country even though the concept is by no means new, having existed for at least three decades. There are instances, as shown in tables 5.2, 5.3, and 5.7, where women workers are still subject to discrimination as regards their wages (except in certain occupations in textiles factories). Little or nothing can be done about it because the present law does not prohibit such practices. Since women possess no such legal rights in the first place, legal redress is not open to them (Jamilah, A., 1992, p. 136). In addition, it is difficult to prove such practices because they may be argued on the basis of the quality of the product these women produce.

Provisions for sickness benefits for workers available in the Act are basic and limited. As discussed in Chapter Three, there is no provision for prolonged illnesses which exceed the 60 day duration for benefits, nor any medical benefit for the workers' dependents except for dependents of management staff. The facilities for medical care rely heavily on existing government hospitals and health centres. However, the medical care provided by government hospitals is of a relatively low standard compared to private hospitals. Medical care benefits are more guaranteed in multinational and big local companies. In fact these companies employ medical personnel assigned at the premises or by appointing panel doctors in private clinics.

In fact, medical benefits for low waged workers in the future are still vague, as there was a proposition to privatise government hospitals recently (The New Straits Times, 2/05/1994, p. 15). The privatisation of government hospitals would cause an intolerable burden not only on the poor but also on low waged workers. Recently, government policy of free medical care has been under review with the objective of requiring the workforce to pay for medical facilities. In this case, the employer should be responsible for workers' medical benefits regardless of their employment category. But there should be some consideration, upon retirement at the age of 55, that if the retired workers cannot find employment, who then will take care of their medical treatment? It would be fair then to

	1974	1980	1990
Rubber Products			
Production supervisor/foreman	57.9	52.5	86.2
Rubber moulding press operator	45.1	53.1	72.4
Printing and Publishing			
Production supervisor/foreman	-	70.4	75.1
Hand compositor	61.3	59.9	111.1
Book binder	60.1	47.2	-
Plywood and Particle Board			
Production supervisor/foreman	30.8	56.6	67.0
Veneer cutter	-	75.5	-
Textiles			
Production supervisor/foreman	66.2	69.7	75.2
Thread and yarn spinner	85.6	101.7	93.8
Fibre rover	88.5	87.0	103.0
Machine cloth weaver	126.9	74.4	111.0
Electronics			
Supervisor/foreman	55.5	62.1	82.8
Production operator	-	97.4	82.7
Rubber Latex Processing			
Rubber processing worker	72.3	72.2	73.1
Sheet rubber maker	-	77.3	102.3
Rubber sheet clipper	75.3	-	-

TABLE 5.7: Average Female Monthly Earnings As A Percentage Of Male Earnings In Selected Occupations In The Manufacturing Subsector 1974-1990

SOURCE: Sixth Malaysia Plan 1991-1995, Prime Minister Department, Kuala Lumpur, 1991

Note: Figures above show male-female wage differentials, although narrowing, but continued to exist for certain production occupations.

have a compulsory medical insurance scheme or subsidised medical treatment for the poor, particularly for low waged workers.

According to section 37 (1) of the Employment Act, a female employee is entitled to a minimum of sixty consecutive days of maternity leave and maternity allowance for every confinement, provided she has no more than five surviving children. In other words a female employee shall not be entitled to maternity allowance and maternity leave if at the time of her confinement, she has five or more surviving children. With respect to maternity protection, the Employment Act does not follow the recommendation made by the International Labour Organisation (ILO) at the Convention 1919 (No.3), which requires that maternity leave of twelve weeks should be allowed (ILO, 1984, p. 41). In addition, a nursing mother should be allowed a thirty minute break twice a day by Article 3(d). 1952 and the enhancement of these provisions to a minimum of twelve weeks maternity leave and "compulsory leave" of "no less than six weeks". As a further recommendation of 1952, the leave was extended to fourteen weeks. Other additional benefits were included such as maternity cash benefits, maternity services at home or hospital, nursing allowance and nursing care services to be given by competent persons (ILO, 1984, p. 41). Although the government was requested by the trade unions to incorporate these recommendations into the Employment Act, there was no response even from The Ministry of Human Resources. On the other hand, if the above statutory "maternity protection" for women is adopted, it may lead to adverse and undesirable consequences for women. For example, employment establishments may not employ women with less than five children as their maternity benefits will burden employers. In fact, the present requirement of minimum and limited maternity benefits has become one of the factors in employers' refusals to employ women workers.

In order to ensure every worker has sufficient funds to sustain him once he has retired, a compulsory savings scheme is provided by the law. A person who has worked hard for his entire life should look forward to retirement without having to worry about finances. It is a sorry state of affairs if retirement means finding it hard to make ends meet

and having to beg for food because of unsettled debts. Thus, the Employee's Provident Scheme as described in detail in Chapter Three was set to provide a measure of financial security to every worker or their beneficiaries in the event of retirement, death or incapacity, so that they would not be impoverished and dependent on the state once they retired from the workforce. Every employer is required to register with the Employees Provident Fund (EPF) Board on setting up a business. Those who fail to do so are liable to imprisonment of up to three years or a fine of up to ten thousand Malaysian Ringgit (\$) or both. However, it is not surprising to find in this survey that most working people prefer not to contribute to any scheme but expect their standard of living to remain roughly the same after they retire. Preparation for retirement is important but few people know much about advance retirement planning. Even though they are aware of its importance, their wages presently are not enough to make ends meet, so saving for retirement has been their lowest priority.

However, this compulsory saving scheme is implemented through wage deduction and therefore employees are left with no choice. The proportion of the workforce which contributed to the scheme has increased from 4.8 million in 1985 to 5.9 million in 1990 (Table 5.8). Thus, about 1.5 million or 27.9 per cent in 1980 of the workforce did not contribute to the scheme (Asher, M.G., 1994, p. 7). This is because some of the workforce belong to government pension schemes, and to other provident funds such as the Armed Forces Provident Fund, and there is still likely to be a significant proportion of the workforce without any formal social security coverage, for example self-employed people.

However, there are some cases where workers have been cheated of the EPF contributions by employers. It was reported about 43,823 employers in 1989 and 42,774 in 1991 have failed to pay workers' contributions to EPF (The New Straits Times, 2/08/91). The government, however, has asserted that if the employer is genuinely declared bankrupt, the EPF board will take responsibility to pay compensation to workers. The board is liable to pay for the employee's share of the contributions for any deduction made from their wages if the employers fail to pay the contributions (The New Straits Times,

Year	No. of contributors (million)	Amount standing to credit of contributors	Annual contributions	Annual withdrawal	Dividend credited
1985	4.8	24.0	2.7	0.8	1.7
1986	4.8	27.6	3.0	1.3	1.9
1987	5.0	31.5	3.1	1.6	2.3
1988	5.3	35.7	3.2	1.6	2.5
1989	5.5	40.5	3.6	1.6	2.9
1990	5.9	46.3	4.3	1.7	3.2

TABLE 5.8: EPF Contributions Account 1985-1990 (\$ Billion)

SOURCE: Annual Reports, 1985-1989, Employees' Provident Fund. Quarterly Bulletin Report, Bank Negara Malaysia, December 1990 in Teh, H.Y. & Goh, K. I. (Eds) Malaysia's Economic Vision, 1992, p. 154

Note: At the end of 1990, membership in the EPF totalled 5.9 million persons accounting for about 83% of the total labour force. Total contributions were M\$4.3 billion and only M\$1.7 million withdrawals were made by the contributors during that year.

24/08/94). The question here is who is going to compensate the employer's share of the contribution (13 per cent of the wage) which was supposed to be made to the EPF? Thus, there is no guarantee that the contributors are protected in this scheme.

The Employees Provident Fund has also been questioned, as to whether it is a benefit fund or provident fund. This is raised because the government claimed that EPF is an institution that provides retirement benefits (NST, 02/05/94). However, by definition, benefit means an assured profit, gain or advantage spelled out in statutory provisions or agreements such as collective agreements between the employer and employees or in insurance policies. For example, the employer might be promised fixed rates for overtime work, accommodation or transport (Shaik Osman Majid, NST, 1994). Thus, the EPF is not a benefit fund, it is a provident fund, assuring only withdrawals of the amount in the member's account which is the sum total of contributions plus the compounded interest accrued over the years.

Although the EPF has allowed a partial withdrawal for the downpayment in purchasing houses, to demand more "benefits" from the fund is not justifiable, because this would mean the workers have to contribute more if they desire more "benefits". Few workers, however, realise that they could enforce their employers to deduct more than the mandatory 10 per cent of their monthly salaries. But for the low waged workers more deduction would mean a reduction in their take home pay.

The possibility of applying for EPF withdrawal for the downpayment on a house is certainly beneficial to purchasers, especially those in the low income group. However, low income groups are the worst hit during recession. During bad times, people lose their jobs and banks have to repossess houses. It adds to the hardships faced by these people. There have been many cases where many happy families have been hit by it. The events of the mid-1980s where even engineers and architects were retrenched should be remembered. A number of businesses went bankrupt and many families had to vacate their homes because the breadwinner could no longer pay bank loans. Thus, while the economy appears bright

it is wise if some plans and preparations are made for the next recession. Employees Provident Fund savings are a good avenue to turn to in such bad times. It is time for the EPF board to formulate a policy to allow for such contingencies in the event that a contributor is unable to service his bank loan. The savings should be put to good use when they are most needed to save a family from becoming homeless. After all, the money that is being contributed to the EPF is meant for the workers welfare. This is likely to be one of the ways to an effective means to eradicate poverty.

Another statutory provision to protect workers welfare is the Employees Social Security Act (SOCSO), which is also one of the most important social insurance schemes. As discussed in Chapter Three, this scheme provides for pension payments and compensation to employees in cases of invalidity and employment injury, including occupational diseases.

This Act however has been subject to much criticism, for example for the low rate of compensation it provides for disabled workers or dependents whose breadwinner died as result of accidents at work. It has been quoted as a "miserly" payment by the Consumer Association of Penang (CAP), that only 10 per cent of all funds paid to SOCSO go back as cash and medical benefits to employees (Utusan Konsumer, July 1982). It has been observed that the SOCSO is in fact capable of providing much more than the present rate of compensation. This is considering that the total fund in SOCSO has reached M\$2,604.9 million (excluding money on call with financial institutions totalling M\$38 million) with investment in government securities, fixed deposits, long term loans, share in public companies and through portfolio managers. Total investment returns have increased to M\$192.1 million in 1992 compared to M\$170.6 million in 1991 (Social Security Organisation Annual Report 1992). In fact this criticism is not new to those who are well versed in labour law in the country but so far, nothing has been done to improve it. It would not be unfair if it was accused of defeating the whole objective of the Act. The Act is supposed to look after worker's interests in providing an alternative to filing a suit in a court of law, in the event that they are unable to work as a result of a physical injury sustained

at work.

The Act also forbids an injured worker from suing his employer in court to recover damages for work injuries (Sections 31 and 42). If an employee comes under SOCSO he has to accept the compensation provided by SOCSO and cannot pursue the matter to court even if the payment made by SOCSO is unfair and disproportionate to the injury he sustained (Jamilah, A., 1992, p. 146). Thus, these provisions in fact relieve the employer of his liabilities under the common law. At a glance this scheme looks as though it is protecting the employer rather than the weaker sections of the society. Defending the criticism, Mr Paguman Singh from SOCSO said that without this scheme the worker might not get any compensation at all, if the worker sustained industrial injury. This is because according to him, it would be very costly to take an employer to court, and furthermore it does not guarantee that the worker would win the case and will be compensated by the employer (in an interview with Paguman Singh, SOCSO, 1994). For example, the worker may be otherwise proven to be negligent and may be ordered to pay for any damages caused to the machine. As such, SOCSO is not only providing benefits, it is also protecting workers from any liabilities due to negligence. Another weakness is the provision in Section 20B of the Act that a widower of an insured person will be entitled the survivors' pension only if he does not have adequate means of support and if he is wholly or mainly dependent on the earnings of the insured person at the time of her death. Similar conditions are laid down in Section 27 with regard to widower's entitlement to dependents' benefit. As seen here, there is a difference between a widow's and a widower's rights to those benefits. Whereas a widow is perfectly entitled to those benefits if she remains unmarried, a widower is subject to more stringent conditions before he has rights to those benefits. For a woman to be treated equally, she should be able to give the same benefits to her survivors as her male counterpart (Jamilah, A., 1992 p. 147).

The Employees Social Security Scheme is also limited to illnesses or injuries that arise only out of industrial accidents or occupational diseases. The workers' welfare would be more protected if the coverage was extended to all illnesses or other injuries, however

and wherever caused. Although as it is, under the Employment Act, the employer is already liable to pay for medical examinations, and there are many employers who do not provide this benefit due to financial constraints, especially among the small industries. For this reason, many workers' unions make provisions for payment of medical benefits including medicine and ward charges in their collective agreements, to ensure the welfare of their members is protected.

Recently, there was some consideration that the scheme should provide more benefits for its contributors, including paying expectant mothers a maternity allowance and for education for their children. The organisation which has about 5 million contributors, is also looking into the possibility of extending coverage to include those who are self employed. These benefits were in fact recommended by an actuary engaged by the International Labour Organisation. SOCSO was also considering increasing them to include benefits for total permanent disablement and temporary disablement (Alex Choong, "More SOCSO Benefits", *The New Straits Times*, 6/03/94). It is, however, not known whether this recommendation has been accepted by the government. There has not been any response to it since.

However, if the Employees' Social Security Scheme in Malaysia is to be a social security scheme in the conventional sense, that is to protect society against economic and social distress, the range of benefits should be considered even wider than those recommended above. The most critical benefits that are needed and without which might cause hardship, are housing for workers, old age pension schemes, medical care for retired workers and unemployment benefit for laid off workers. After all, the workers have made their contributions to the fund throughout their working life, and so it would not be unfair to give every worker some kind of benefit for their contributions.

5.15 TRANSPORT PROVISION

Apart from housing, transport provision may be extended to employees either free

or on a subsidised basis. Transportation of workers to and from distant work sites is not a major issue in the provision of occupational welfare, especially in developed countries, but in developing countries this provision is most important as the public transportation system is very poor. In Malaysia most of the big industries provide bus services especially for those who are required to work night shifts. This provision is not only to ensure punctuality but also for the safety of women workers particularly. Also, particular attention should be given to certain areas where transport provision is most crucial. There is no doubt that for disabled workers assistance is needed to reach work. They may be unable to use the public transport service or find it difficult to reach the service. Emphasis should also be given to working mothers who have to run a home, and perform duties as a mother and wife as well as work. In this situation, transport provision is needed to save time on the journey to and from work and thus lengthen the time spent with the family.

5.16 TRAINING PROGRAMMES

Probably the most significant investment an employer can make is training. There is a wide range of attitudes by employers towards training. Many spend as little as possible on the grounds that trained employees tend to be head-hunted by other organisations who are willing to pay more in wages but save on training costs. Many believe that training helps in retaining workers. Logically, if all employers in the country refuse to train their employees, the workforce will be both ignorant and non-competitive compared to workers in other countries. In Malaysia, the individual employer is responsible for training his workers but there is a certain amount of help from the government. At the same time the government is also responsible for providing training centres for industrial workers and education for the nation's children to ensure that they have the necessary vocational and commercial skills to enable them to adapt quickly to the needs of employers (Aminuddin, M., 1992, p. 56).

5.17 CONCLUSIONS

The creation by the electronics and textiles industries of a labour market for workers, especially women workers in Malaysia provides jobs and income which otherwise would probably not exist. But for individual workers these jobs are only temporary, and they do not provide workers with marketable skills that are useful elsewhere in the economy. Workers' welfare both inside the factories and in the community is poor. Statutory provision is still limited and there are loop-holes in the legislation where there is little protection for the interest and welfare of workers. Wages and conditions of employment are left to be determined by the vagaries of market forces.

In order to industrialise and modernise the economy and to improve the standard of living of the people, co-operation is needed between workers and their employers. Workers should be regarded as partners in economic production in the sense that it is through co-operation that productivity can be improved. Co-operation should not only exist in production but also in the distribution of the wealth produced by the workers. It is the share of labour in national output which has a direct bearing on workers compensation. While monetary compensation is expected to be kept up with rising productivity in the drive towards fully developed status, employee's benefits have to keep pace in order to maintain employee welfare and security. The welfare of workers must be sufficiently protected and every one must be guaranteed a level of social and economic security.

These changes will take place in terms of legislation. Studies by Gan (1981/82), Noorsiah (1981/82) and Zechariah (1981/82) have confirmed that legal protection is fundamental in any attempt to solve the problems of industrial workers especially female workers. Legislative requirements to support employee's welfare and security has to be changed. There should be more social legislation relating to employees' benefits either of a contributory or non-contributory nature. Besides the Employees Provident Fund and SOCSO, other areas of social security will be important such as unemployment insurance, national health plans, housing provisions, retirement pension, and minimum wage

legislation.

Employers should recognise the importance of employees' benefits plans in the total compensation package in order to maintain the quality of life of their employees and their dependents. This may include providing training and education to enable the workers to adjust to industrial employment, to benefit from technology, to transfer and pick up marketable skills, and to have a greater degree of upward occupational mobility.

However, the disturbing fact in Malaysia is that, in its efforts to attract foreign investment, the government appears to have relaxed or amended the laws, resulting in a decrease in the protection and rights of workers. For instance, discriminatory laws relate to shift work and trade union regulation (Lim, 1984). The bias of the government itself within the framework is also evident. The government feels impelled by economic imperatives to favour the exploitative transnationals operating in this country. There is undoubtedly a conflict of interest between the government, the working class and the employers.

CHAPTER SIX

SUMMARY AND CONCLUSIONS

6.1 INTRODUCTION

Although the development of social security in the Third World during the post-war years has been impressive, these schemes have brought few, if any, benefits to ordinary people. They cater primarily for those who are already privileged by having secure jobs and steady incomes and exclude those whose needs for social security are the greatest (Midgley, 1984: ix, in A.B. Atkinson & Hills, J. 1991, p. 104).

As seen by Midgley, social security programmes in Third World countries are closely related to employment. They cover only a minority of the population who already have secure incomes while the majority are excluded from the programmes. This can be seen in Malaysia, where self-employed, part-time, agricultural workers, informal sector and domestic workers are not covered by any of the current schemes. The higher-waged workers benefit more in the schemes. This is through their contributions to the Employees' Provident Fund, which is based on their salary, and provides more funds than those of the low waged.

As mentioned in Chapter Three, the development of social security in Malaysia is linked to the growth of economic development in this country. Its main social security programmes are primarily related to the need to protect the labour force from economic risks. It has been seen that social development has been neglected in favour of other pressing problems. The introduction or minor improvement of social security schemes have seldom come within the framework of the national plan. The contribution of social security towards economic development has been a priority, rather than social protection.

In view of the above, this study is concerned with existing social security schemes in Malaysia, to examine the nature and causes of economic insecurity and working

conditions in industrial employment. Thus, this thesis highlights the need for improvements in the social security system within the broader context of the industrial development of the nation. The focus of concerns are directed to the industrial workers, as the impact of industrialisation, as has been shown, affects them most.

The analysis suggests that the Malaysian social security system needs reform. There is a strong case for a multi-element social security strategy, with each element being regarded as an integral part of the overall social security system.

6.2 ECONOMIC DEVELOPMENT AND SOCIAL SECURITY IN MALAYSIA

It has been suggested that the obvious consequence of the colonial policy in Malaysia was the emergence of the 'dual economy'- traditional and modern sectors. The modern sector comprises tin mining, rubber plantations and commercial activities, while the traditional sector consists of small-rice farming, rubber small-holdings, farming and fishing. The former was primarily owned by British enterprises and managed by immigrant communities, and the latter by the indigenous Malays. The prominent differences in the characteristics of these sectors have resulted in inequalities which have today become one of the major problems in Malaysian society. Although the two sectors are related to each other, the traditional sector played the role of providing staple food (rice) and other items at the lowest possible price to the manpower employed in the modern sector, mainly located in urban areas. This has given the advantage to the colonial government, in reducing the foreign exchange bill for imported rice to feed the rest of the population. This policy was made possible due to the regulation of land utilisation which was formulated to restrict any changes by farmers. In fact the regulations often favoured the modern sector and fertile lands were used for cash-crops for exports (Thobun, J.T., "Primary Commodity Exports and Economic Development", 1977, in Aziz Muhamad, 1993, p. 153). Such economic arrangements are a means of explaining the continuing poverty of the Malays and the economic inequalities in Malaysia. Infrastructural development mainly served the mining industry and the growing plantations, and ultimately the expansion of economic

development, thus, it was mainly found in the urban areas where the modern sector was located. Social development was neglected for fear that if too much was allocated for social services such as education, health, housing and others, people's expectation would be raised, and it would be difficult to reduce expenditure during hard times (Toh Kim Woon & Sundaram, J.K., 1981 in Aziz Muhamad, 1993. p. 154). Most importantly, the expansion of social services would mean less finances available for investment projects in the economic sector. With this background it is not surprising that the First Five Year Plan (1956-1960), in which the British officials played an important role, emphasised mainly the provision of economic infrastructure such as telecommunication networks, electricity, roads, railways and port facilities. Approximately 80 per cent of the allocation in this plan was spent on economic sectors which were targeted mainly on infrastructure and also 'agricultural development'. These services are essential for the primary commodity export-oriented economy. In view of this fact, the colonial policy has a considerable influence on the development policy of Malaysia today, where little emphasis is given to social development particularly social welfare services for the poor. This may be seen in the small budget allocation for social development such as health, housing and social welfare services, compared with other sectors such as defence, in the total public expenditure (see Chapter One).

The Second Five Year Plan (1961-1965) was the first plan in which the ruling government played an important role and for the first time, emphasis was given to rural development. This may be due to the fact that the rural Malays are the politically dominant power in the electoral process, thus, substantial allocation has to be given to rural development. However, the 'independent government' adopted a basically 'laissez-faire' development strategy, meaning that there was minimum interference from the state, except by way of ensuring conditions suitable for rapid capital accumulation. In other words, the policy still favoured the British and foreign capitalists, while allowing local, predominantly Chinese, capitalists to consolidate and further strengthen their position in the economic sphere (Rudner, M., 1975 in Aziz Muhamad, 1993).

The following Five Year Plan, which is the First Malaysia Plan (1965-1970), pursued almost the same economic orientation and strategy which emphasised: infrastructural development in the rural areas; land development; industrialisation mainly on import substitution; and the expansion of the manufacturing sector. As seen here, development planning in the 1960s was aimed at achieving high rates of economic growth. This planning method probably assumed that by generating high economic growth the benefits could be shared by the poor masses. However, this assumption may be not be correct in the case of Malaysia. In fact, despite the high growth in Gross National Product (GNP) at the average of 6-7 percent annually in the 1960s, it increased the inequalities in the distribution of income - the rich became richer while the poor became poorer. There were also regional imbalances between the East coast and the West coast (where there was more advanced economic growth and infrastructural development due to the initial location of plantations and mines in this area) of Peninsular Malaysia. Similarly, imbalances exist between the rice-growing North and the rest of the peninsula. It may be concluded that the inequalities in income distribution and imbalance in growth and development have been primarily due to colonial economic policies and the relatively high post-colonial growth of Malay-dominated bureaucracy, and the minority Malay capital-owning class.

However, it would be unfair to keep blaming colonial policy for the existing socio-economic problems. In fact, the contemporary prosperity of Malaysian economic development is found in the economy that was built under British colonial policy. It was the post-colonial state's inability to solve the problems of inequalities that increased frustration among the poor, which resulted in inter-ethnic tension. Of course, socio-economic problems are not likely to be solved within a short period. But these problems still persist even after twenty years of government intervention in the New Economic Policy, which was a shift from colonial oriented policy to a more committed poverty eradication policy, and the restructuring of society. In short, the two objectives of the New Economic Policy as quoted in the Second Malaysia Plan are:

- (a) eradication of poverty by raising income levels and increasing

employment opportunities for all Malaysians irrespective of race, and (b) accelerating the process of restructuring Malaysian society to correct the economic imbalance so as to reduce and eventually eliminate the identification of race with economic functions.
(The Second Malaysia Plan 1972-1975)

These two strategies, however, emphasised greater resource allocation by creating economic growth through industrial development; land and regional development; and commercial and business enterprises. Except for education, social development was given a low priority. The policy makers believed that poverty eradication and the restructuring of society not only involved a reallocation and redistribution of material resources but also the movement of people between jobs and professions, between various socio-economic strata of society and even between geographical regions. Thus, social mobility is a factor contributing to the attainment of this, and in turn may be stimulated through education and training. In line with this, it is not surprising that education and training are the only aspects of social development that have been emphasised and given attention. The attempt was to create and promote a self-reliant and resilient society. In this context, as has been stressed in the Third Malaysia Plan, the government will only be involved in providing facilities, and it is left to the entrepreneurial spirit of individual or cooperative efforts, to improve their economic and social status. The poor are urged to grab the business and entrepreneurial opportunities open to them, and assistance will be extended in order to bring them to the mainstream of development. As quoted from the Third Malaysian Plan:

A self-reliant and resilient society consists of communities of people who know their worth and constantly seek to prove it. The community as a group is able to identify and integrate its short and long-term needs, strive for the satisfaction of these needs with minimum assistance from the Government and deal with all forms of challenges as individuals and as a community.

(The New Economic Policy: Third Malaysia Plan 1976-80)

What is important to note in this policy is that not every poor person is able to take up the opportunities open to them. It needs more than assistance and facilities to turn them into an entrepreneur. It involves changes in attitude, courage, interest, ability and

motivation and may not be practical to achieve within a short period. As cited by some writers, such as Appa Rao, Sophiee, Larson and Tjoa Hock Guan (1977), the Malays are more resistant to change than other communities as they tend to be fatalistic, or resigned to fate.

As described in Chapter One, the concept of development in Malaysia focused on economic growth as a primary mechanism to eradicate poverty and restructure society. However, as seen by some writers, for example Aziz Muhamad (1993) and Sundaram (1981), 'relative poverty' still persists, especially in the rural areas, and inequalities have increased. The export-oriented industrialisation however, may have generated greater industrial wage employment opportunities, but there is also evidence of inequality among employees in the industrial sector, especially between factory (blue collar) and non-factory (white collar) labour (see Chapters Four & Five).

The ending of the New Economic Policy in 1990 amid so much criticism marked the weaknesses of the policy. This was especially the case during the mid 1980s, when the Malaysian economy suffered a drastic down-turn due to world wide recession. Despite claims made by the Malaysian government that there was rapid economic development in the last two decades under NEP, the inter-ethnic and rural-urban dimensions of poverty still remain serious. Poverty is highly concentrated within the traditional primary sectors and in the rural areas. Since the Malays are predominantly located in the rural areas, and are involved in traditional occupations, poverty is high among this ethnic group. Of course, there has been an increase in the overall living standards of the Malaysian people, but the successful achievement of the ultimate goal may still be questioned. The government, however, still believes that economic progress will eradicate poverty and eventually social justice and national unity will be achieved as has been emphasised in the New Economic Policy (1970-1990) and stressed in the policy of 'Vision 2020'.

Given the socio-economic context of development in Malaysia, what kind of social protection system can be envisaged for the future depends on the political attitudes and

cultural values of Malaysian society as well as the resource capacity of the state and individuals. As indicated in Chapter Two, that in certain conditions and circumstances it is not possible to make the necessary arrangements for income protection on an individual basis. Thus, government intervention is necessary to provide legislative arrangements for the problems of economic and social insecurity. However, the alternative approaches to social security as presented in Chapter Two may provide some necessary information for the choice of programmes to be adopted. The contributory schemes may have greater advantages as the reserves fund can contribute to the national development as well as promoting the government's ideology of self-reliant society.

However, misunderstanding the economic objectives of social security and how these programmes can promote economic and social stability, led to a minimal consideration of the important aspects of state-funded social security and welfare provisions. The only poor relief is a welfare arrangement in the form of the public assistance programme, which is considered primitive by modern standards and targeted at orphans, the disabled and very poor old persons. Of course the national health service is provided universally, to everyone regardless of their financial status, however, it is well recognised for its inadequacy in terms of shortage of hospital facilities, doctors and medical staff, and inefficiency in providing health care and medical services.

As economic development policy is closely linked to the industrialisation process, there is an essential coverage for work injury. During the colonial administration, compensation for work injury was the first formal social security scheme to be put into operation. Legislation on Workman's Compensation was enacted in 1948, to require employers to compensate their injured workers. However, it was replaced by the Employees' Social Security Act in 1967, which had a wider coverage and benefits, but was still backward compared to the standard of social security in Western industrialised countries (see Chapter Three).

Such welfare provision appears to show that individual participation is necessary

for the worker to protect himself from contingencies. This view was perceived when the colonial government was in power, where economic and social protection were regarded as an individual responsibility. In this sense, the Employees' Provident Fund, which was introduced in 1951, operated for retirement savings. However, most economists claim that its purpose was mainly the accumulation of capital, rather than to provide for old age. Thus, economic considerations were more important than the social security purposes. The main social security institutions such as the Employees' Provident Fund and the Employees' Social Security Organisation are government-owned. Their investment has been constrained to primarily government and semi-government securities. These institutions have taken up a significantly high proportion of the savings in government securities. It seems, therefore, that social security institutions have indeed contributed significantly towards economic development in Malaysia. Thus, in Malaysia the vital role of social security institutions is to accumulate the capital needed for socio-economic development. Its shortage is usually considered as the most fundamental obstacle to domestic private investment and thus, to economic growth. Although after thirty-eight years of 'Independence', present conditions regarding the Employees' Provident Fund have not much changed from colonial times. It is felt that economic objectives are the primary concerns of this scheme, although apart from providing retirement savings it also enables members to withdraw a portion of their savings for a down-payment on a housing purchase (see Chapter Three). However, as mentioned in Chapter Five, the Employees Provident Fund scheme has been criticised for its weaknesses.

As mentioned in Chapter Three, the overall social security system in Malaysia remains rather backward and under-developed. In fact, the situation is no different from the fastest growing countries in Asia, Singapore, Hong Kong, Taiwan and South Korea (Chow, 1986, see Chapter Three). The form of social security that exists today in Malaysia and the industrial countries of Asia is a reflection of what has happened in the past. Thus, according to Chow, the variables which affect the development of social security in these countries can be described as a combination of historical, ideological, economic and political factors. The industrialisation process, accompanied by rising risks and the disintegration of

traditional networks, seems to have played only a minor role in shaping the system. However, in certain cases, traditional beliefs and practices actually play greater roles in the social security schemes.

The diversity and variety of problems and needs identified in Chapters Four and Five indicates that a social security system is necessary to protect the welfare and interests of industrial workers in Malaysia. The main approaches that can be suggested for meeting their needs are in terms of the formation of legislation and the role of employers in providing occupational welfare for their workers. The existing social security scheme has to be improved and expanded in terms of its coverage (that is both benefits and population covered).

As mentioned in previous chapters, Malaysia regards industrialisation as necessary for the overall development of the nation. It is assumed that industrialisation, namely import substitution, may induce economic growth, increase employment, and raise living standards. The manufacturing sector particularly will provide infrastructure and pursue a 'sound fiscal and monetary policy' that will encourage the private sector to participate directly in economic activities. Thus, it is the solution for economic problems, and it is the only way to escape from low income levels and poverty. Although this notion has been found to be untrue (Apparao, C., Carson, Sopiae and Tjoa Hock Guan, 1977), the government maintains its attempts to turn Malaysia into a fully developed and industrialised country by the year 2020. This is because industrialisation has amounted to a substantial transfer of resources away from agriculture already impoverished rural majority. The rural region has begun to stagnate. Powerful urban interests have been established, creating migration to the towns on a large scale. This has led to major social problems such as exploitation and bad working conditions for industrial workers, rural-urban migration, lack of housing facilities, overcrowding, inefficient and backward health care and most of all an increase in the cost of living. While Malaysia continues to regard industrialisation as an important developmental option, some developed countries have become increasingly disenchanted with industrialisation and are evaluating its effects. The undesirable social effects have to

be dealt with not only by the industries and community, but most importantly through government intervention (see Chapter Five).

It is therefore necessary to consider the many implications for the welfare of workers as Malaysia moves towards being an industrialised country by the year 2020. The benefits that employers, government and trade unions have to provide should be commensurate with the growth of the economy. Social expectations may be associated with rising prosperity. Thus, in the process of industrialisation the following factors that may influence the welfare of the workers have to be considered:

- (1) the rapidity of urbanisation as industrialisation precedes claims for collective consumption not only of infrastructure such as transport, telecommunications, water, electricity, recreation, and parks, but also of private services such as housing, health, and education;
- (2) the rise of full employment, and the increasing participation of women in the labour force, will have implications for family development. This requires provisions such as maternity benefits, fully paid maternity leave, maternity allowance, pre- and post- natal care, nursery, creche and pre-school education for children of working mothers;
- (3) with greater integration of the national economy into the world economy, there will be an increased vulnerability to the fluctuation of international businesses. This situation raises a demand for more comprehensive social security arrangements as traditional sources of support such as the family and community decline;
- (4) the move into sophisticated automation and higher technology machinery in manufacturing requires new skills and knowledge, thus, the main thrust of human resources development should be the enhancement of the workforce through education and training. In addition, greater protection against industrial disease and injury for workers is needed;
- (5) demographic changes are likely to increase the proportion of the ageing

population, thus requiring protection and old age financing for a longer period after the productive years;

- (6) with the growing economy, the wage system will have to be responsive and sensitive to changing labour market situations. In addition, the improvement in the quality of the labour force which enhances productivity requires adequate compensation;
- (7) a reform of the present social security arrangements needs to be considered, so as to become aligned with the requirements of Vision 2020.

6.3 EMPLOYEES' WELFARE AND BENEFITS TOWARDS 2020

It is useful to re-emphasise the characteristics of social security arrangements which will be needed in order to be compatible with Vision 2020. In view of this, it is also necessary to examine various aspects of constraints such as financial viability, administrative affordability, conventional flexibility, compatibility with international competitiveness, mixture of formal or informal social security instruments, social adequacy, and equity.

In this context, as has been suggested by Asher, M.G. (1994), an approach to social security reform has to be carried out in a cautious manner. This in turn implies building upon existing arrangements, particularly upon the most important social security institution in Malaysia, the Employees' Provident Fund and the Employees' Social Security Scheme. Accordingly, a strong case can be made for pursuing a social security reform strategy incorporating the following elements:

- i) modify current provisions and schemes in order to maximise advantages in the system, and to identify its weaknesses and limitations;
- ii) consolidate various benefits and programmes under the Employees' Social Security Scheme and similar schemes operated by some (if any) private and state-owned companies and public employers;
- iii) formulate and implement health care financing schemes, which do not exist

- in the present arrangements;
- iv) institutionalise the provision of contributory pension and superannuation plans by either private or state- owned companies;
 - v) strengthen informal social security systems among family, community, religious organisations and workers trade union through fiscal and other means. These systems depend on the capacity of the people and the organisations and the characteristics of the individual;
 - vi) as there are many individuals that may still find themselves without the means to meet essential needs, steps must be taken to provide a means-tested public assistance programme. This means-tested public assistance scheme should cover various sections of society, such as those with earnings below the national poverty level with dependents to support, or unemployed breadwinners who have been made redundant.
 - vii) revision and amendments must be made to the Employees' Act 1968 especially regarding the provisions for women workers on child care facilities, maternity benefits, and benefits for night shifts. Regulations on lay-off compensation must be improved. Housing provisions either by providing accommodation according to the worker's marital status or subsidies and allowances should be regulated in the Acts. The Act must also emphasise the employer's obligation to provide training and education for the workers. Other employer's provisions such as transport and food subsidies must be encouraged through incentives such as various forms of tax relief.

It is suggested that the reform strategy must attempt to incorporate all of the above element, in a complementary and integrated manner. This is necessary as it appears that various social security institutions and elements in Malaysia have developed independently, and not as integral elements of an overall social security system. "...Incorporating a variety of elements to accomplish multiple goals with minimum costs, including evasionary, distortionary and uncertainty costs is more likely to be effective" (James, 1992, p. 4, in

Asher, 1994). However, the preference for a strategy incorporating these elements needs to be examined carefully.

As suggested above, the present Employee's Provident Fund (EPF) scheme must be modified with regard to its limitations. This is in view of the fact that, although EPF significantly covers a wide range of the labour force, a large proportion of workers remains uncovered. Those not covered by the scheme are the self-employed, informal sector workers, and agricultural workers. However, a strategy to increase coverage can only be devised when those who are not covered have been identified. According to Asher, (1994), this can be done by imposing a requirement on workers to demonstrate their participation in EPF whenever they need to renew their license, for example, as a taxi driver or a hawker. Health financing may also be incorporated in the EPF just like the Singapore CPF, in the form of 'Medishield' which covers not only employed people but also the self employed. In this way, part of the contribution will go into their 'Medishield' account for medical and hospital care purposes.

Consideration must also be given within the EPF scheme to a means of expanding the scope of withdrawals. As it is a lump sum retirement benefit, a limited set of housing schemes, and a limited life insurance scheme are the only benefits provided. Asher has suggested that in order to avoid the lump sum withdrawals being used inappropriately when a contributor reaches retirement age, an annuity must be considered. Apart from lump sum withdrawals, it is worth considering a requirement for purchasing an annuity at a prescribed minimum sum (which is adjusted for inflation). Since one-third of the accumulated balance in the EPF may be withdrawn at the age of 50, it is at this stage that a requirement to purchase an annuity could be imposed. The insurance companies must be allowed to develop appropriate annuity products.

Besides annuity provision, the government must consider increasing both retirement and withdrawal age. The increase in life expectancy, and probable labour shortages suggest that serious consideration be given to gradually increasing the retirement age to 65.

According to Asher (1994), this measure will reduce the number of years for which retirement financing will be needed.

Another amendment which must be considered in the EPF, as suggested by Asher, is to expand the housing schemes either by providing full housing loans to the contributor or by financing housing developers. The EPF must also add higher education to its activities, based on cost recovery policies (interest-free loans). As the cost of tertiary education increases in Malaysia, certain groups of individuals may find their take-home pay insufficient to finance their children's education. A loan scheme will allow parents to borrow from their EPF accounts to finance their children's tertiary education in Malaysia.

One more important suggestion which must be considered is private pension and superannuation plans. Sallehuddin Mohamed (1992), argued for a substantial increase in the reliance on private pension plans (in Asher, 1994). He suggests that corporate pension funds be encouraged, and that the EPF and Employees' Social Security Scheme (SOCSO) must then cover only those employers who are unable to provide a similar scheme for their employees.

The second major social security scheme in Malaysia, the Employees' Social Security Scheme, also needs to change its role. Similar problems occur to those of the EPF, where the self-employed, informal sector employees, agricultural and domestic workers such as maids, gardeners, drivers and cooks are not covered by the scheme. Although SOCSO welcomes those in these sectors to join the scheme on voluntary basis, it receives a very poor response. Therefore, it is suggested here that there is a need to formulate a regulation to provide comprehensive SOCSO coverage to all workers in Malaysia.

Amendments to SOCSO have to be made to improve coverage and benefits to workers and their dependents. The amendments must be:-

- to enable workers involved in accidents at their work-places or while travelling there, to claim compensation from the insurance policy (at

present, workers receiving SOCSO benefit cannot claim compensation from insurance companies);

- to increase the quantum under invalidity pension scheme, which provides employees with 24-hour coverage in the event of invalidity or death resulting from whatever cause;

- to increase the daily temporary disablement benefit which is a cash benefit paid to the employee who has been certified by a doctor to be unfit for work;

- to pay the daily transportation cost to enable workers to travel to hospitals or health centres (currently not provided);

- to improve the quality of service and the capability of administrative machinery, as well as to reduce red-tape in dealing with claim;

6.4 TRADITIONAL SOCIAL SECURITY

It is suggested here that apart from the formal institutional mechanisms for providing social security, the family (extended or nuclear), social or religious groups, firms and the workers' unions must also provide social security. In order to strengthen the traditional functions of these groups in the community, the government must play an important role through social policy. Social development policy must play a role in strengthening the family and shaping family behaviour so that it remains sustainable. Public education that goes hand in hand with religious and moral education is essential and must be inculcated in students, as these positive values are necessary for the creation of a caring society. Somehow, there must be some measures taken against the negative trends that could befall Malaysian society.

Apart from inculcating positive social values at an early age among Malaysians through education, the state has to co-operate with community leaders through their organisations. As Qureshi (1985) observes, charitable provision by religious groups has been an important form of social security for health, education and to some extent to

alleviate destitution. Such practices are found in Muslim countries (Burgess, R. and Stern, N., 1991, p. 59 in Ahmad, E., Dreze, J., Hills, J. and Sen, A., 1991). The role of priests and religious leaders is crucial in order to reinforce or enhance the custom of giving a certain percentage of one's income, particularly the fruits of the harvest annually to the religious authority for redistribution. As mentioned in Chapter Three, the Chinese sacred literature of Confucian ethics, for instance, mentioned a tenth of the produce of the 'fields' being annually levied. In Hinduism however, there are more references to almsgiving. Generally, the habit of generosity, sharing possessions with others and relieving their wants, is more widespread among Indians. The concept and practice of voluntary charity is also mentioned in Buddhism. The Buddhists adopted Indian views on this subject. In fact, almsgiving appears in several passages of the Buddhist's older books, and it is considered an ethical and very laudable thing to do. In Islam, 'zakat' is one of the Five Tenets, and has been instituted for the purpose of social justice. It is an instrument of income and wealth redistribution. 'Zakat' is supposed to be "...levied on all income and wealth in excess of certain minimum levels acquired or earned over the period of a year or, in the case of farmers (according to the Shafi'i school) all produced in excess of a specified minimum production for each harvest" (ibid, p. 1). In Christianity, usage tithe or the tenth is generally defined as "part of a person's income that was required by law (ecclesiastical, civil, or both) to be paid to the church for the maintenance of institutions, the support of its ministers, the promotion of its work, and the relief of the poor". (The New Catholic Encyclopedia, 1967 in Aziz Mohammad, p. 32)

It is suggested here that although it is a moral duty to pay 'zakat', tithe or almsgiving, this form of traditional social security plays a very important role in protecting the poor, the low waged and the needy. This religious requirement must be institutionalised and monitored by the government authority.

For example, the administration of 'zakat' must be co-ordinated with the activities of other governmental agencies such as the Social Welfare Department. This is essential especially in identifying beneficiaries and in the immediate and proper distribution of the

'zakat' fund. Although the Federal Government does not have any jurisdiction on Islamic matters in Peninsular Malaysia, the Federal Government must be involved in some way or other in the administrative processes of 'zakat'. Since the Federal Government is committed to eradicate poverty and to reduce inequality of income, it is only proper that it plays a more active role in assisting the upgrading of the administrative machineries. Also, the extension of the 'coverage' of 'zakat' which is focused only on agricultural products (see Chapter Three) must extend to include wage earners, and mineral products such as tin and petroleum. This of course, needs separate studies as it clashes with income taxation. Finally, detailed research is needed into the role of 'zakat' as social security in Malaysia.

6.5 OTHER PROVISIONS

The government should also begin an initiative to promote employees benefits that can be provided by the private sector (enterprises). As in the United States, employees' benefits which are provided by the private sector can fulfill a significant part of the social contract between the government and citizens. In order to stimulate growth in employees benefits, these programmes may be given favourable treatment under the tax law and the regulatory structure. In the United States, such arrangement of employees' benefits programmes provides a high level of financial security to the vast majority of its citizens and has, in some ways become the focal point of employment decision and labour relations.

This may be implemented in Malaysia as a means of providing protection and benefits which are not provided by other forms of social security schemes that is by the Employees' Provident Fund scheme or the Employees' social security scheme. The benefits may include medical care benefits not only for the workers but also their dependents. There is an obvious need for efficient medical care programmes. Providing medical benefits on a private insurance basis may stimulate the growth of medical facilities and physicians. This programme may be desirable as most of the private health care and physicians are readily available in urban areas; thus, this leaves government medical facilities and physicians to those outside employment.

Unemployment insurance programme is suggested to be provided for workers. Although unemployment benefits may be impractical under the present conditions of labour market and employment service in Malaysia. But unemployment insurance which is suggested here is similar to that redundancy compensation which is government mandates (under the Employment Acts) that all employers have to provide. This is because (as seen in Chapter Five) compensation was not paid when workers were laid-off during recession. Thus, this form of unemployment insurance scheme is necessary to ensure that laid-off workers are compensated regardless of the company's economic conditions.

Other benefits employers may provide are housing allowances or facilities, transportation facilities, food and canteen facilities and other forms of benefits that may protect the welfare and interests of workers. Although some of those benefits mentioned are provided by employers but, it is suggested, these provisions are made mandatory through government legislations.

The role of trade unions in protecting workers from being reduced to privation is also crucial. There is a requirement in the Trade Unions Act 1959 to set up funds to provide allowances to members or their dependents on account of death, old age, sickness, accidents or unemployment. But these allowances are just small amounts aimed to supplement benefits provided by the employer and other social security schemes for immediate needs, and are still not sufficient in the long term. It is suggested here that trade unions implement pension and social insurance schemes for their members. This suggestion is in line with the idea put forward by the Minister of Human Resources, Lim Ah Lek, to transfer the government's responsibility in providing for the aged, destitute and accident victims to the private sector, such as trade unions. According to him, although workers now receive benefits from agencies such as the Employees' Provident Fund and the Employees' Social Security Organisation, additional union-initiated schemes would allow workers and their dependents to enjoy a better life. So far, only one trade union in Malaysia, the Transport Workers Union, has established a 'group multiple benefits/pension scheme' and

it was the first of its kind. There is no doubt that a similar social security scheme could be implemented by other trade unions. It does however, need government support by providing incentives such as leniency in approving the registration of a particular trade union which has social security provisions for its members.

6.6 CODA

It is clear that the arguments for social security are strong and the insufficiency of the provisions means that it is not possible to protect workers from economic and social insecurity. As long as social security is regarded as an individual responsibility, a comprehensive social security system will be slow to appear. Even if the schemes do make some changes, they may serve purposes other than social security. The Employees' Provident Fund and the Employees' Social Security Scheme may remain in operation mainly to accumulate capital needed for economic development, rather than to protect against old age or other social contingencies. Thus, this is certainly an area of importance for research.

It is suggested that more research should be conducted into the following areas:

- 1) Social security programmes for people outside employment - the unemployed, self-employed, farmers, fisherman, and the informal sector.
- 2) The role of 'zakat' as a social security scheme among Muslims particularly the Malays.
- 3) The evaluation and improvement of the administrative management of existing social security institutions.

APPENDIX A: TOPICS GUIDE USED WITH FACTORY MANAGEMENT

General Topics

1. Company's background
 - company size (based on paid-up capital)
 - ownership
 - employment size
 - type of products
 - location
2. Wage and payment system
 - basic pay
 - bonuses
 - allowances (shift, overtime)
 - cash incentives
 - cash benefits
 - benefits in kind
3. Human resource management
 - objectives
 - development approach
 - programmes
 - future planning
4. The rate of turn over
 - percentage of workers
 - breakdown of categories
 - common reasons
 - consequences
5. Workers problems
 - their needs
 - management's needs
 - rate of industrial accidents
 - workers-management disputes
6. Trade Union
 - management's recognition

- its role
 - problem with management
7. Management strategy
- to retain workers
 - job stability
 - income stability
 - job satisfactions
 - sense of belonging
 - feeling of loyalty

DETAIL QUESTIONS WITH FACTORY MANAGEMENT

1. How is this industry classified - big, medium or small scale industry?
2. Who are the owners of this company - please specify the major share holders?
3. How many employees do you have - please give the break down based on the different categories and sex?
4. In what category are most of the male/female workers employed?
5. What are your end products?
6. Where do you market your products?
7. On what basis were the wages based on - hourly, weekly, monthly or piece-rated?
8. Besides providing a basic wage, do you have other kind payments like allowances, bonuses, cash benefits and cash incentives and benefits in kind - please clarify the conditions and eligibility of the related ones?
9. What are the factors affecting the company's wage levels legislation, unions, selection of policy, employment conditions, or company's performance/profitability?
10. What are the factors affecting individual levels of pay - seniority, performance or degree of skills?
11. Is your company concerned about the importance of human resource development?
12. What do you wish to achieve in your human resource development plans?

13. Have you got any special programme for the workers in the production operators category?
14. Do you believe that the company's success and profits are dependent on the co-operation and effort of the workers?
15. Is there any promotional scheme and wage increment especially among the lowest waged workers?
16. Is the company willing to spend more money on social welfare schemes?
17. Some companies have social welfare benefits for their workers' dependants, what about this company?
18. Women's needs are different from men, have you got any special benefit schemes for female workers?
19. What kind of facilities does this company provide for female workers?
20. What measures has the company taken to motivate workers?
21. Are there any cash rewards or in kind for hard working and efficient workers?
22. What is the rate of workers turn over in this company?
23. What categories of workers have the highest turn over rate?
24. What are the common reasons for workers turn over?
25. Does this problem of turn over affect the company's production, costs and profit?
26. Malaysia reportedly has one of the highest rates of industrial accidents in the world, what is the rate in this company?
27. Is there any insurance scheme for the workers other than SOCSO?
28. Is there any competition with other factories in recruiting workers?
29. Do you agree that more benefits offered will:
 - retain workers
 - increase productivity
 - instil sense of belonging
 - increase loyalty to the company
30. Has this company ever made workers redundant?
31. What is the process and is there any compensation given?
32. Are the workers unionised?
33. What type of union - in house or national?

34. Does the management give 'recognition' to the union?
35. Has there been any collective bargaining and collective agreement made between the management and the union?
36. Do you think that job satisfaction would produce a quality of workers?

APPENDIX B: TOPICS GUIDE WITH EMPLOYEES

General Topic

1. Background/characteristics of employees
2. Nature and conditions of work
3. Employment experience
4. Social security - by government or statutory requirements, employers, trade union and other bodies
5. Workers awareness about the importance of social security schemes
6. Workers attitudes about:
 - working conditions
 - employers
 - trade union's role
7. Individual protection measures (savings, investments)
8. Workers expectation (wages, income, job stability, welfare benefits, financial incentives, performance reward, fringe benefits)
9. What are the workers needs (opportunities, job satisfaction, higher wages, better benefits, more facilities)
10. Workers anticipation about their future prospect (job security, job mobility, income stability, better working conditions, career opportunities)
11. Workers opinion about the effect of industrial development on their living conditions and standard of living

DETAIL TOPICS WITH EMPLOYERS

1. Workers background
 - name
 - age
 - residence
 - home town/village
 - marital status
 - number of dependants
 - name of employer

- type of work
 - level of income
 - level of education
 - living arrangements:
 - with parents
 - with spouse and children
 - with friends
 - living alone
 - employment status
 - permanent
 - temporary
 - full time
 - part time
 - casual worker
 - past employment
 - how long have you been in the present employment
 - any unemployment, redundant or job termination experienced in the past
2. What kind of working arrangement
 - shift work
 - night work
 - weekend work
 3. Were you given extra pay allowance for that kind of working arrangement (e.g. shift allowance)?
 4. What exactly is you work?
 5. Are you happy with the work you are doing?
 6. Do you think your employer is generous in terms of wages and allowance payment?
 7. Are there any deductions made in your wages (e.g. EPF, SOCSO, trade union, co-operative society, co-operative shop)?
 8. How much is left in your pay after deductions?
 9. Can you make any savings from it?
 10. Do you know what is the purpose of the deductions?

11. Do you think it is necessary/important to contribute to these schemes?
12. What are the benefits that the employer presently offers (retirement scheme, medical payment, accommodation, transport, subsidised canteen, holidays, recreational facilities, child care facilities, training, children's education)?
13. Which benefit is the most important to you and your family?
14. Which of the following benefits would you most like to have - study loan, life insurance, discounts on company product?
15. Which one of the following statements do you most agree with?
 - employer should offer higher wages and less benefits
 - employer should offer better benefits rather than increase wages
 - the present balance between benefits and wages is about right
16. Do you think the employer should make improvements in the employee benefit programme?
17. Are you a member of workers trade union?
18. Why do you need to join a trade union?
19. What benefits have you received by being a member of the trade union?
20. Are there any social welfare benefits schemes offered by the trade union?
21. Do you think that the trade union should provide more benefits to its members?
22. What are the most important benefits that a member should get from their trade union?
23. How do you regard this company (strict, lenient, calculative, thoughtful, profit minded, fair)?
24. Do you know anyone who has quit from this job?
25. Why do you think they quit from this job?
26. In your opinion, what are the most important factors which contribute to job satisfaction?
27. Large numbers of women now go out to work. Do you think employers should provide special benefits for female workers?
28. What do you think prevents women from working?
29. Do you intend to work in this company until your retirement age?
30. Have you thought of being made redundant by this company?

31. What are your plans if this happens?
32. Have you made any measures to support your family during employment?
33. Have you thought of getting another job?
34. Do you think it is better to stay on working in this company and improve your skill rather than changing to another job?
35. Is it difficult to get a job in this town?
36. Which do you think is better, working in the public sector or the private sector?
37. Why do you think so?
38. There will be more job opportunities in industries in future, do you think these changes will improve your future well being?
39. What are the benefits you think you can personally get from industrial development?
40. Do you think your living conditions will be more stable and secure when there are more industries?

APPENDIX C: TOPICS GUIDE WITH TRADE UNION

General Topic

1. Union's background
 - membership characteristics
 - date of establishment
 - duration of approval
 - conditions
2. The need to form a trade union
 - the role of union
 - its functions
 - its objectives
 - its benefits
3. Relationship with the management
 - recognition
 - collective bargaining and collective agreement
 - problems
4. Trade union's policy
 - workers' protection
 - representing workers
 - providing benefits
5. Social welfare benefits
 - insurance schemes
 - scholarship
 - holiday facilities
 - training course

DETAIL TOPICS WITH TRADE UNION

1. How big is the union in terms of membership?
2. When was it formed?
3. How long does it take to be approved by Ministry?
4. What category of employees are eligible to join?

5. How much is the membership fee?
6. Why do workers need to be unionised?
7. What are the workers' problems that need to be represented?
8. Why do workers need protection, and how is it done?
9. There are many people who say that trade unions are an outmoded concept and that in these enlightened times workers do not need a union. What do you think of this statement?
10. What benefits have been offered to workers?
11. How does the union improve workers' terms and conditions?
12. Has the union represented members with grievances?
13. Was there any collective bargaining with the management?
14. What transpired from the bargaining process?
15. What improvement has it made to the workers' economic and social security?
16. Do you agree that trade unions are also responsible to provide social welfare benefits for its members and their dependants?
17. The Minister of Human Resources, Datuk Lim Ah Lek, has suggested that workers' unions should implement pension and life insurance schemes for their members. Has this union implemented these schemes?
18. What measures have been taken by the union to protect workers from economic and social insecurity?
19. Some workers' unions provide benefits in the form of training courses, scholarships, holiday facilities, insurance schemes, transport, and nursery and kindergarten facilities.
20. What kind of benefits does this union provide?

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