

# FALLING THROUGH THE NET: SOCIO-ECONOMIC INSECURITY IN MALAYSIA

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## **Introduction**

*“Malaysians should not ‘show off’ or behave like they are from some developed country and demand for shorter working hours or for a five-day week...Maybe someday, when we do become a developed nation, then we can behave like the people there.” - Prime Minister Mahathir at the Workers’ Day Gathering (Sunday Star, 18 May 2003).*

Before the economic meltdown in the late 1990s, Malaysia was seen as an ‘emerging tiger’, one of the ‘East Asian miracles’. Annual growth rate was at an amazing 9% with full employment and poverty rates fell to as low as approximately 7%. In terms of the social protection system, Malaysia outranked most of her neighbours in the Southeast Asian region. But there is more to development and economic activity than just increased efficiency of resource allocation and the accumulation of capital.

*“Equitable, sustainable and democratic development...development that promotes societal well-being and conforms to the basic principles of social justice.”— Stiglitz (2002).*

Even during those ‘good years’, some quarters had expressed concern over inadequacies in the social protection system in Malaysia, and these were generally recurrent themes that were repeatedly discussed at related forums over the years.

The economic crisis of 1997 brought to the fore and highlighted these inadequacies. The crisis revealed serious weaknesses in the social safety nets of even the ‘emerging tigers’ and proved just how greatly vulnerable many households were to economic shocks, especially with deeper integration with the world economy resulting in greater exposure to global economic pressures.

Globalization has meant greater uncertainty and insecurity in the face of the internationalization of production processes and decline of the standard employment relationship. Uncertainty in the dynamics of the economy meant that there is great deal of uncertainty about the consequences of any policy.

It also forced a rethinking of the “positive orientalism” approach taken by some governments, including Malaysia, that rapid economic growth and full employment negates the dependency culture and precludes the need for an elaborate system of social protection.

### **Objectives and methodology**

This paper will focus on one facet of socio-economic security, that is, income security where individuals have adequate and regular or stable income. Also, this paper will examine only the formal social protection schemes in Malaysia, i.e. schemes and benefits provided or managed by the government to provide income security. It does not include social protection schemes provided by individual employers, the commercial market or non-profit entities in the third sector.

The aim of this paper is to highlight the inadequacies and some concerns regarding the existing social protection system provided by the government. Thus, it will not provide a detailed description of the form, content and administrative procedures of the different schemes or of the organizations managing these schemes. In so doing, this paper will identify some causes of the weaknesses in the social protection system in Malaysia. This should enable labour leaders/representatives and like-minded individuals/groups to work out some strategies to overcome the weaknesses of the existing system and strengthen the social protection system in Malaysia.

This paper is based primarily on data from secondary sources as well as some anecdotal data from informal discussions with trade unionists and workers.

### **Concepts**

As has been highlighted by the International Labour Organization (ILO) in its many forums and publications, **socio-economic security** is a multi-faceted concept. It includes income security, safety and health at work, stable employment, skills

development, access to public services, right to organize and freedom from violence and oppression. The absence of one or any of these components can result in socio-economic insecurity. Socio-economic security can be promoted through a combination of economic, labour and social policies. Socio-economic insecurity can be seen from two perspectives, i.e. structural socio-economic insecurity and conventional socio-economic insecurity (Getubig and Schmidt, 1994)

**Structural socio-economic insecurity** or ‘first-order’ type of insecurity usually results from poverty and lack of overall economic development where individuals do not have adequate, stable or regular income. This is commonly associated with the less developed or less industrialized countries in the Southern Hemisphere and the poor in the informal sector of any country.

**Conventional socio-economic insecurity** or ‘second-order’ type of insecurity usually results from some unforeseeable circumstances or contingencies such as unemployment, employment injury, sickness, death, invalidity or old-age where individuals suffer a substantial reduction or stoppage of income. This is commonly associated with the developed or industrialized countries of the Northern Hemisphere and the non-poor in the formal sector of any country.

Thus, an effective **social protection system** is one which provides relief and assistance not just when individuals face distress now and then during contingencies but also guarantees individuals physical survival where individuals can meet their basic needs and enjoy a decent minimal level of security at all times.

The ILO sees social protection as one of the four strategic objectives through which it can promote and secure **decent work** for people everywhere. It defines decent work as “productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities.”(ILO, 1999) Thus, it envisages that employment, income and social protection can be achieved without compromising workers’ rights and social standards.

**Income security** is one facet of socio-economic security. Income security is not only about the adequacy of income but also about its regularity. It means that individuals have an income that is adequate for subsistence. It also means there are no fluctuations of

income so that individuals can maintain the standard of living to which they have become accustomed. The family, institutions of civil society, enterprises, the commercial market and public institutions provide income security. Public institutions can promote income security through various means, including: regulation of labour markets and organizations involved in the provision of social benefits; economic and employment policy; organization and provision of social benefits; and the provision of tax benefits. (ILO, 2000)

### **Inadequacies of existing system**

In Malaysia, there are several social protection schemes managed by the government, some from as far back as 1951. They are generally statutory compulsory schemes that cover the waged/salaried groups in the formal sector. These schemes aim to provide socio-economic security when individuals experience distress caused by:

- a) Loss or reduction of earnings due to old age, retirement, disability, employment injury, sickness, maternity and unemployment; and
- b) Inadequate or low earnings due to increase in family size, underemployment, seasonal employment, and lack of skills/training, generally resulting in poverty.

### **Old age and retirement**

The government provides protection during old age and retirement, including early retirement due to invalidity, through 3 major statutory schemes, i.e. the Government Pension scheme for civil servants, the Armed Forces Provident Fund for the rank and file of the armed forces, and the Employees Provident Fund (EPF) for most employees in the private sector and civil servants who opt out of the government pension scheme. There is no universal pension scheme.

Many serious concerns have been raised about the EPF over the last few years. As far as income security is concerned, one of the long-standing issues is the ineffective coverage and hence, absence of protection, for the self-employed and workers in the informal sector, including short-term contract workers, part-time workers, home-workers, casual workers, fishermen, farmers, and hawkers. More than 20% of the working population in Malaysia is estimated to be self-employed with the majority of them in the

rural sector (Ragayah et. al., 2002). Global trends indicate that the informal sector will expand in the urban sector as well with stock market volatility leading to the growth of precarious employment relationships in the form of casual and short-term employment, especially among women.

It is estimated that about 30% of the working population in Malaysia or about 3 million people, inclusive of foreign workers, are not covered by any formal retirement scheme (Rajasekaran, 2001). If one were to include those in the non-working population, such as full-time housewives and the mentally and physically challenged, then the numbers will be staggering.

Although there is provision within the legislation for coverage of the self-employed, it is ineffective since their participation in the scheme is voluntary. To date, the EPF has not been able to ensure significant participation of these groups, though the issue has been under study for some time.

Even among those covered by the EPF, about 60% of the contributors earn less than RM1000 per month. As there is no pooling of risks and benefits are based directly on contributions, this means that the vast majority of workers from the private sector will retire with very little savings in their retirement fund.

This is compounded by four factors. Firstly, the definition of “wages” as stipulated in the EPF Act does not include overtime payment. Many low-income workers such as security guards earn a basic salary which maybe as low as RM250 per month but whose overtime payments constitute 50% of their income. However, the calculation of EPF contributions for both the worker and employer does not take into account the overtime payment. This is a big saving for the employer but a great loss for the worker.

Secondly, the retirement savings are further reduced by periodical withdrawals for purchase of a house, computer, educational expenses and medical expenses. Most low-income workers do not have access to any other source of funds for these purposes.

Thirdly, the dividends paid out by the EPF to the contributors have dropped over the years from 8.5% in the late 1980s to 4.5% in 2003, giving very low yield on their savings.

Fourthly, the life expectancy of Malaysians has increased over the years. It is estimated that by 2020 the number of people above the age of 55 years in Malaysia will

more than double to about 3.8 million. This, together with the lack of transparency, questionable accounting practices, poor investments and fraudulent withdrawals, has shaken the confidence of contributors in the ability of the EPF to safeguard their retirement savings.

The EPF Board Chairman stated that 72% of EPF contributors who withdraw their savings at the age of 55 years tend to spend all their money within 3 years and so the EPF wants to educate their members on how to use their savings prudently and invest the money well (Star, 5/2/2002).

But what really is the reason why these retirees are in dire straits –is it because they spent their money/invested it foolishly or that they just do not have adequate income/savings in their old age? The National Council of Senior Citizens Organizations Malaysia (Nascom) estimates that 5% of the 1.4 million elderly people in Malaysia belong to the hardcore poor. There are only nine government –run homes that can cater to the needs of about 2,500 elderly people.

The inadequacy of retirement benefits is also a major concern of many government pensioners. Although fulfillment of the full qualifying period entitles them to a maximum of 50% of their last drawn salary, this amounts to RM180 per month for civil servants in the lowest income bracket, far below the official poverty line income. Just before the 1999 General Elections, the Malaysian Government Pensioners Association highlighted the fact that 20% of the 380,000 pensioners were in this category. There is no automatic or periodic indexation of pensions in Malaysia. As a result, pensions are often overtaken by inflationary spirals and are thus unable to protect the living standards of pensioners.

This problem is even more acute among former armed forces personnel, many of who retire when they are in the 40s, with young school-going children to support. Their retirement benefits are usually used to purchase a house, as they have to leave their quarters upon retirement. Many of the lower ranking personnel do not have the necessary skills or qualifications, which can help them secure a good job. Thus, many of them are only able to find employment as security personnel or drivers. Being in the unorganized sector, their position is very vulnerable and open to exploitation.

The government expects the family and community to play a major role in providing social protection. However, the capacity of the family and community to provide protection against insecurity is limited if there is inequitable income distribution or during an economic crisis when there is a general drop in real wages and higher incidence of unemployment. Furthermore, global trends indicate smaller nuclear families, higher labour mobility, higher divorce rates, increase in single-parent households and higher old-age dependency ratio. All these trends have grave implications for income security. As one trade union leader accurately put it, “Many Malaysians will have to work until the day they die.”

### **Employment injury and invalidity**

The government has provided protection for loss or reduction of earnings due to employment injury and invalidity, including death, for both private and public sector workers. For private sector workers, employment injury benefits are provided under a statutory employer liability scheme. Invalidity benefits are provided under a social insurance scheme where both employee and employer make monthly earnings-related contributions to the Invalidity Pension Scheme. Benefits include medical benefits, temporary and permanent disablement benefits, monthly invalidity pension, dependent’s benefit, funeral benefit, rehabilitation benefit and constant-attendance allowance and education benefits. The Social Security Organisation (SOCSO) manages both schemes.

Here again, inadequate coverage of the working population is a serious concern. There is no uniformity in the legal definition of “employee” in Malaysia. The statutory definition of “employee” under both these schemes does not include those who earn more than RM2000 per month and a few other categories of people including casual workers, domestic servants and the self-employed. As of 2001, a total of 8,769,321 employees were registered with SOCSO of which 4,064,085 active employees.

Those who earn more than RM2000 have some degree of social protection if they have enlightened employers who include it in the employment contract or if they are in the organized sector and their trade union leaders have been able to secure income security in the event of disability and invalidity through the collective agreement. However, it is a well-known fact that less than 10% of the working population in

Malaysia is unionized. Thus, the rest of the working population will have to purchase income security in the event of disability or invalidity from the commercial market in the form of personal insurance. The government has introduced tax exemptions for this purpose over the last few years. However, the low-income groups generally will not be able to afford private insurance and hence, do not have recourse to any form of protection in the event of disablement or invalidity. It was reported a few years ago that SOCSO is carrying out a study to introduce a low premium comprehensive insurance scheme for the self-employed but to date, no such scheme exists (Star, 25/1/2000).

The economic slowdown over the last few years has also affected coverage. As stated in the 2001 Annual Report of SOCSO, as a result of higher incidence of unemployment during the economic downturn, there has been a 16.8% decline in the number of active employees registered with SOCSO.

Workers in both the urban and rural informal sector also fall through the net as far as invalidity and employment injury benefits are concerned. These may range from freelance tourist guides and cleaners in the urban informal sector to smallholders and fishermen in the rural informal sector. This serves to highlight the highly vulnerable position of Malaysians who do not qualify as “employees” under the statutory definition.

Non-compliance by employers also results in some employees being left out. This is especially in small enterprises in the unorganized sector where there are no trade unions to monitor and act as watchdog over the employer and to educate the employees about their rights. There is no data available on the extent of the problem although the media has highlighted some cases over the past few years. The 2001 SOCSO Annual Report stated that there is an improvement in compliance of the statutory provisions among employers as evidenced by a decline in the number of employers prosecuted in 2001. However, this conclusion is acceptable only if enforcement and inspection by SOCSO covered all enterprises governed by the relevant statutory provisions.

Another aspect of coverage, which has been raised over the years, is the definition of “occupational injury”. Although SOCSO has expanded the coverage over the years, including for example, commuting accidents, the existing legislation focuses on physical losses, including occupational diseases. However, there is a need to revise the existing definition especially when workers are exposed to new work processes and new

chemicals/raw materials used in the production process resulting in new types of injuries, disabilities and diseases. These include stress-related disabilities such as nervous breakdown and clinical depression, nerve injuries and impairment of reproductive health. Stress is not the monopoly of managerial level or white-collar workers only; production operators and assembly line workers also experience stress everyday, especially with the introduction of new labour processes in the guise of “multi-skilling”, “team-working” and “just-in-time”.

In addition, problems and weaknesses in the identification, reporting and assessment of occupational injuries also undermine income security of Malaysian workers. Very often, it is difficult to establish a clear causal link between the work processes /conditions of work and injuries /disabilities and it requires further medical research and long-term observation. For example, in some electronics factories in Penang, the workers have to stand throughout their 12-hour shift with only 2 half-hour breaks in between. Many of the workers suffer from swollen feet, corns, varicose veins and hairline fractures on their ankles. Some workers have even collapsed at work. However, the industrial nurses and panel doctors in the factory have not identified these injuries as “employment injuries” and hence, the affected workers are only given some basic medical treatment and occasional medical leave. Questions also arise as to the objectivity and professional integrity of the doctor or industrial nurse who is on the pay roll of the company.

The qualifying period of 24 months imposed for entitlement to invalidity benefits is also a point of contention among workers and trade union leaders. This leaves new entrants to the scheme in a vulnerable position with inadequate protection.

At the moment there is no incentive or reward for workers with a clean record without any claims made against SOCSO; they ‘lose’ all their contributions to SOCSO when they retire. It has been reported that SOCSO is considering paying ‘no-claims bonus’ as cash incentive to such workers to inculcate a safe work culture. However, to date, no such benefit exists.

Over the years, SOCSO has made many improvements to benefits and services provided to the insured workers. However, judging from reports in the media, there are still complaints regarding the delay in processing and payment of compensation, and

rejection of claims. The level and amount of cash benefits has also been increased over the years but the minimum invalidity pension of RM300 per month is still far below the national poverty line income.

Concerns were also raised regarding the possibility of SOCSO funds being depleted by 2009 as SOCSO's expenditure far exceeded the rate of increase in contributions (Star, 20/2/2002). This was due to increase in payments made to beneficiaries as well as increase in administrative costs. In addition, abuse and fraud by employers and employees as well as lack of uniformity and objectivity by SOCSO panel doctors were also cited as contributory factors.

### **Unemployment**

Statutory social protection for Malaysians during periods of involuntary unemployment is very limited. The Mahathir administration generally perceives provision of unemployment benefits as encouraging malingering, indolence and the "dole mentality".

The Employment Act, 1955 and related regulations provide coverage generally for workers who fall within the legal definition of "employee" in this statute which includes all employees engaged in manual labour, employees (irrespective of occupation) whose wages do not exceed RM1, 500 per month and domestic maids. In addition, entitlement to termination or lay-off benefits is dependent on a record of employment of continuous service for 12 months in the aggregate, with any broken period not exceeding 30 days. This leaves out white-collar workers who earn more than RM1, 500 per month. It also excludes out-workers, casual workers, short-term contract workers and the self-employed. Employees in the organized sector and in larger, more established enterprises generally still enjoy some level of protection where retrenchment benefits or severance pay is provided for in the collective agreement or individual employment contract; the rest fall through the net.

Even for those within the coverage of the statute, protection is often ineffective. Although the law requires employers to give written notice of termination and pay cash benefits in the event of termination/lay-off, media reports indicate that there are employers who flout the law. In some cases, such employers remain undetected or

unexposed because the affected workers are ignorant of their rights and enforcement by the relevant agencies is ineffective.

The amount of cash benefits paid out to individual workers in the form of retrenchment benefits is also often inadequate, especially if the worker has worked for less than 5 years with that enterprise and is unemployed for more than 2 months. This situation is not uncommon, especially in the foot-loose electronics industry dominated by women employees where retrenchment takes place often. Thus, a person may have worked for 15 years but still earns only about RM450 per month because she has been retrenched every few years and has to start from scratch with loss of seniority every time she finds employment in another electronics factory.

In addition, employees are also in a vulnerable position if they are retrenched due to winding-up of the enterprise. If the company is declared bankrupt, creditors are given precedence over the employees in settlement of any payments by the employers. This is a serious deficiency in the law and has been highlighted many times over the years by some trade union leaders but to no avail. It is important to note that the Labour Market Report has cited the drop in market demand and winding-up of companies as the main reasons for retrenchments over the last one year.

Official statistics have always shown Malaysia as enjoying full employment—but events over the last few years have changed that. These include the East Asian financial crisis of 1997-1998, the attack on the World Trade Center, the war in Iraq and the onslaught of the Severe Acute Respiratory Syndrome (SARS).

The socio-economic impact of the financial crisis was felt largely by workers in the informal sector, especially women, and foreign workers in Malaysia. In fact, the large number of foreign workers within the Malaysian labour force provided an extensive cushion for Malaysian workers as they bore the brunt of the impact (Atinc, 2003). Thus, open unemployment was limited or camouflaged. However, the SARS outbreak has significantly affected the local workforce, especially in the travel and tourism sectors. Many Malaysians, including both employees and the self-employed, have suffered a drastic reduction or loss of earnings.

These events served to highlight the highly vulnerable position of certain sectors of Malaysian society and exposed the serious limitations in the ability of private and

public safety nets to cope with unexpected shocks of such magnitude. Questions also arise regarding the wisdom of relying on rapid growth and full employment with limited provision of a public safety net.

The Labour Market Report gives the retrenchment figures for the period from January 2002 to January 2003 as 26,966 workers involving 1,270 employers. In the last few years, women make up more than 50% of retrenchments. This only refers to the reported cases, usually focusing on formal unemployment. Unemployment and underemployment in the informal sector, falling wages, forced pay-cuts, voluntary severance and movement of workers from the formal sector to low-paying jobs in the informal sector are usually not captured by official statistics. The increasing numbers of mergers and outsourcing threatens the standard employment relationship of even professionals and management staff (Auer & Daniel, 2002). This often results in these issues not being addressed or given inadequate attention by the policy-makers.

Youth unemployment and graduate unemployment has become a serious concern over the last few years and has received some attention from the policy-makers. As these individuals do not have any employment record at all, they do not qualify for any of the existing benefits and protection. Since 1998, the government has implemented training, retraining and skills-upgrading schemes for unemployed graduates and retrenched workers. It was stated that RM150 million was set aside for the training of unemployed graduates and another RM150 million for the retraining of retrenched workers (Star, 4/6/2002). These youths are also encouraged to further their studies so as to delay their entry into the labour market. However, questions arise as to whether these measures are long-term solutions that address the root causes of unemployment or just stopgap measures to pacify the more vocal sections of the electorate.

In the late 1990s, the Malaysian Trades Union Congress (MTUC) had proposed a National Retrenchment Fund, jointly funded by contributions from workers and employers, to provide protection for workers who were not given retrenchment benefits or who remain unemployed for a period longer than 3 months. The Malaysian Employers Federation opposed this proposal from the very beginning. Of late, perhaps in the light of the severe repercussions of events beyond the full control of the government, the government appears to be more receptive to the MTUC proposal but it does not appear

ready to put pressure on the employers to secure agreement. To date, the status quo remains.

### **Sickness and maternity**

Protection against loss or reduction of earnings due to sickness or childbirth is provided through a statutory employer liability scheme. Benefits are in the form of paid leave, with entitlement dependent on length of service, subject to a maximum of 60 days per year. Maternity benefits are provided for the first 5 childbirths only.

As pointed out in the earlier sections, the same issue of coverage applies here as well; in effect, this protection is available for workers in the formal sector who fall within the statutory definition of “employee” as stated in the Employment Act, 1955.

But even for these employees, the statutory benefits do not cover the cost of medication and treatment, which may be substantial for serious ailments like renal failure. For certain critical illnesses, workers are allowed to withdraw a maximum of 10% of their EPF savings to cover their medical expenses.

Many employers provide more than the minimum statutory level of sickness benefits in the collective agreement or individual employment contract by providing access to private healthcare and covering or subsidizing the cost of medication and treatment, including in-patient treatment. However, panel/company doctors are sometimes under pressure from employers to put a cap on the level of medical treatment and medical claims or at least cut costs. Gone are the days when the company doctor gives vitamin pills charged to the company accounts!

There is a growing trend among employers, including the government, to encourage their employees to purchase personal health insurance from the commercial market. These risk-rated health insurance schemes generally cater to high-income earners with low health risks. Even then, there have been many cases of delays and non-payment of claims by the insurance companies.

The participation rate of women in the Malaysian workforce has increased significantly over the years but social protection for women has not kept pace with this development. There is very little support from the government, employers, trade unions and society at large in the form of services and benefits for working mothers and caring

labour in general that can enable women to reconcile work and family commitments. Maternity benefits do not extend beyond the maximum confinement period of 60 days and do not cover the cost of childbirth and instances of miscarriage. Security of tenure does not extend beyond the statutory confinement period so if a woman wants to stay home longer to care for her baby, her employer is under no statutory obligation to keep her on the payroll and neither is she entitled to any compensatory benefits from the government. There is no statutory requirement for employers or the government to provide childcare facilities or reimburse childcare costs for working women. Hence, working mothers are generally a very stressed-out lot!

“Caring labour”, generally comprising homemakers or women who stay home to care for children, aged parents or invalid family members are not given any economic value in Malaysian society. Whether a mother should stay home to look after her children or seek employment outside is seen as a personal choice that does not call for any social policy action. Thus, childbirth and the resulting increase in family size may in effect mean a reduction in household income and loss of income for women who choose /are forced to give up employment.

Most individuals in the low-paying informal sector do not enjoy any form of income security when they fall sick-- sickness and childbirth for these individuals means loss of or reduction in earnings.

However, the majority of Malaysians have access to a universal healthcare system, which is highly subsidized by the government and considered one of the best among developing countries. In recent years, concerns have been raised over some developments that have repercussions on the poorer sections of the population. These include the long waiting list for treatment, unequal access especially for the aged and rural population, high out-of-pocket payments for certain types of medical procedures and medication, corporatisation and privatisation of healthcare facilities, and the brain drain of medical personnel from government hospitals to the private sector (Star, 6/2/2003). The government is considering a proposal to introduce a national health insurance scheme but this does not guarantee that the weaker and poorer sections of the population will be adequately protected.

## **Poverty**

Poverty can be defined as an inadequate level of personal income and insufficient access to social services. Poverty eradication and the redistribution of income have been the twin pillars of Malaysia's development plans since 1970 with government statistics indicating a high level of success. While absolute poverty has been on the decline, at least until the East Asian financial crisis, the relative distribution of income shows a widening disparity between the rich and the poor since the 1990s. This disparity is worse than in most of the other countries in the region (Utusan Konsumer, November 2002).

The national poverty line income of RM510 per month is also not a realistic and valid cut-off point as it does not take into account the significant rise in the cost of living, especially due to increases in the cost of food and medical services in the last few years.

The government has implemented many poverty alleviation programmes, which address structural socio-economic insecurity. Most of these programmes are biased towards the Malays in the rural sector where the incidence of poverty was seen to be the highest. These include land development schemes, provision of subsidies to farmers and smallholders, setting up of cooperatives for fishermen and farmers, skills development courses, setting up of trust funds with easy access to loans, and infrastructure development. These have generally resulted in reducing the incidence of poverty and raising income levels over the years.

However, there are also leakages from the system through fraud, misappropriation, negligence, racial and political discrimination and cronyism that results in the benefits falling into the wrong hands or a few hands with the right political connections.

Over the years, there has been increasing concern over the rising level of urban poverty and the ineffectiveness of existing programmes to overcome the problem. Thus, the worsening urban poverty is manifested through the rise in the number of squatters, illegal hawkers and petty traders, drug trafficking and addiction, gangsterism, prostitution and other social problems.

Means-tested social assistance schemes also exist and are administered by a few different government departments under the Ministry of National Unity and Social Development, Ministry of Health and the Rural Development Ministry and the state

governments. Benefits may be in the form of cash benefits or benefits in kind such as food items and clothing. Target groups include the hard-core poor, the handicapped and elderly who are destitute. Coverage is again very limited with very little coordination between the different departments. Some groups of hard-core poor such as the Orang Asli live under impoverished conditions with very little or no attention at all from the government (Star, 22/4/2002).

There is no national level minimum wage in Malaysia. At present, there is minimum wage regulation for some categories of workers, i.e. hotel and catering workers, shop assistants, cinema workers, stevedores and cargo handlers. However, these wage levels are no longer relevant or applicable, as rising national income levels and inflation have overtaken them.

Recently, agreement was finally reached between the employer representatives and worker representatives regarding minimum monthly wages for plantation workers of rubber and oil palm estates. The long-awaited minimum monthly wage of RM350 is far below the national poverty line income. In addition, it does not help alleviate the hardship faced by these workers on a daily basis with harsh working conditions, poor housing and lack of basic healthcare and educational facilities. As the dropout rate from the school system is also significant, the younger generation also remains trapped in the poverty cycle. In the meantime, the plantation companies, some of which have the government as a shareholder, continue to reap profits (Yanasekaran, 2003).

There is also a trend in recent years for plantation companies to retrench their workers, evict them from their homes and convert the plantations into housing projects. Although the plantation company complies with the minimum statutory provisions for payment of retrenchment benefits, it is sorely inadequate and pushes these homeless and unskilled workers and their families further into the depths of poverty (Devaraj, 2003).

In imperfect democracies like ours, the voices of some groups such as commercial and financial interest groups are heard more loudly than others; the voices of labour and like-minded groups are drowned in the pursuit of higher profits and capital accumulation.

The MTUC had on numerous occasions called for a minimum living wage based on a basket of basic needs of a worker, including food, accommodation, education, clothing, medical care, transport, social security coverage and socio-cultural needs.

Employer groups have always opposed this proposal. The Mahathir administration is seen as lacking the political will to push this proposal through.

A national minimum wage would help to widen the circle of prosperity within the country in terms of democratic stability and social justice. It can ensure that all workers in the country have an income that is adequate for subsistence and to meet basic needs at all times. Contrary to assertions usually made by employers, studies have shown that minimum wage and variations in minimum wages have no statistically significant adverse impact on the employment prospects of individuals –it may even have a positive effect.

### **Migrant workers**

The inflow of foreign labour to Malaysia is not a new phenomenon, but their significant influx in large numbers began in the 1980s when the government welcomed foreign labour in order to meet labour shortages during a period of rapid economic growth. Although foreign labour generally fills the low paying “3D” jobs, i.e. dirty, dangerous and difficult jobs, their contribution to the economic growth and development of the country cannot be denied. Whilst the early years saw mainly Indonesians and Filipinos, now migrant workers in Malaysia come from all over Asia, including Mainland China.

Government policy on foreign labour has not been consistent over the years as reflected in the on-off crackdown and enforcement against illegal migrant workers. Thus, it is difficult to obtain accurate statistics on the total number of migrant workers in Malaysia.

Although the statutory definition of “employee” in the labour legislation of Malaysia does not make a distinction between domestic and migrant workers, migrant workers are generally in a more vulnerable position, especially since significant numbers of them are unregistered/illegal workers.

The registered migrant workers have some measure of social protection against contingencies such as death, invalidity and employment injury under the Foreign Workers’ Compensation Scheme where the employer is required to purchase private insurance for the migrant worker. However, even among registered migrant workers,

including housemaids, there is no dearth of cases involving exploitation and inhumane treatment by employers. Sometimes they are paid a lot less than what was promised to them by their agents. In many cases, the employer makes more deductions than just the foreign workers' levy payments, leaving very little for the migrant workers to live on. Many of them work and live in appalling conditions. Even enforcement personnel sometimes behave in a very high-handed manner against these workers, as evidenced by the numerous media reports and police reports.

The situation is a lot worse for the thousands of unregistered migrant workers—there is no income security or protection at all. They are completely at the mercy of their agents and employers while playing hide and seek with enforcement personnel.

The Malaysian government has not ratified the International Convention on the Protection of the Rights of Migrant Workers and Members of their Families. Measures taken by the government generally do not address the root causes of the problems of migrant workers. The MTUC and civil society groups like Tenaganita have highlighted the problems of migrant workers and proposed counter strategies but the authorities have ignored them. Under Malaysian laws unregistered migrant workers can be whipped and deported if caught.

## **Conclusion**

Should Malaysians work to live or live to work? Should labour be treated like any other factor of production? Should politics be separated from economics? Should uninterrupted economic growth be taken for granted? Should we rely on economic growth and full employment to guarantee us socio-economic security? These are some of the questions that the government, employers, labour leaders, workers and the civil society must grapple with.

Globalization and its concomitant uncertainties are inevitable. We need more social protection in a globalized world. Effective safety nets are a long-term investment. They work much better if they are established before a crisis, based on timely, accurate information, broad-based social dialogue and empowerment of marginalized groups (Marshall, 2003). We live in an imperfect world with an imperfect market and within an

imperfect democracy. Thus, there is a greater need for all the stakeholders to be proactive and cooperative so as to achieve equitable, sustainable and democratic development.

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