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Cairo, 10-12 December 2002

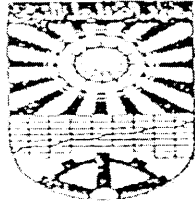
**SOCIAL POLICIES IN MALAYSIA**

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**Safadi Foundation**



**Institute of  
National Planning**



**Economic and Social  
Commission for Western Asia  
(ESCWA)**

## **Social Policies in Malaysia**

### **Policy Makers Meeting on “Social Policies in the ESCWA Region”**

**10-12 December 2002**

**United Nations**

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## ABBREVIATIONS AND EXPLANATORY NOTES

ADS	Administrative and Diplomatic Service
BCG	Bacille Calmette-Guerin
CT	Computerized Tommography
HIS	Health Information System
HIV / AIDS	Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome
IAPG	Inter-Agency Planning Group
ICT	Information Communication Technology
ILO	International Labour Organization
IMR	Institute of Medical Research
IRPA	Intensified Research in Priority Areas
IT	Information Technology
MARA	<i>Majlis Amanah Rakyat</i> (Council of Trust for the Indigenous People)
M&C	monitoring and coordination
MBC	Malaysian Business Council
MCA	Malaysian Chinese Association
MIC	Malaysian Indian Congress
MP	Member of Parliament
MRI	magnetic resonance imaging
NDP	National Development Policy
NGO	non-governmental organization
NEP	New Economic Policy
NVP	National Vision Policy
RED	Rural Economic Development
SOCISO	Social Security Organization
RM	Ringgit Malaysia (currency)
THIS	Total Health Information System
TWG	Technical Working Group
UMNO	United Malays National Organization

## INTRODUCTION

The social policy process raises many complex challenges to national governments in both developed and developing nations. Among the challenges are those pertaining to the provision of accessible and affordable social services to the public; the role of government in the process, particularly in the delivery of essential social services; the sources of funding for providing the services; and the relative importance of expanding social services vis-à-vis economic growth, in the broader context of national development. There is obviously no single best approach to meeting these challenges squarely and effectively. In fact, a nation may change from one approach to another depending on the prevailing circumstances.

Malaysia is an example of a developing country that has formulated its own approach to the provision of social services and to socio-economic development in general. The formula that is the basis of current social policies and programmes was developed very much on Malaysia's own initiative over a period of over 45 years. There were a number of improvements made to the original formula, but its core features have remained intact. The features are the continued and real importance accorded to the development of social services as part of the overall national development agenda, the leading role played by the Government and public service in the provision of social services and the emphasis given to providing services that are equitably beneficial to the rural populations and the poor and low-income group.

The results of the Malaysian approach are reflected in the many improvements in education, health and medical care, employment opportunities, social protection and poverty eradication as well as the greater role being played by women and youths in national development. Nevertheless, further improvements will need to be introduced as new challenges appear, including those posed by globalization.

In the following chapters, the salient features of the Malaysian social policy process and the social development process will be presented. Chapter I will focus on the evolution of Malaysian social policies and highlight the main factors in the Malaysian environment that have strengthened the process. Chapter II will highlight the major features of social policy formulation, implementation and monitoring and coordination phases of the process. Chapter III, which forms the bulk of this paper, describes the policies and programmes of seven critical areas of social development, viz., health, education, employment, social protection, poverty reduction, women and youths. Chapter IV looks at the factors that had an effect on the policy process, including globalization.

# I. THE EVOLUTION OF SOCIAL POLICIES IN MALAYSIA

## A. INTRODUCTION

Malaysia's social policies evolved through three discernible stages from the late 1950's to the present time, in terms of the role of the Government in providing social services. In general, while the Government continued to play the leading role, there has been a noticeable increase in recent times in the participation of non-governmental organizations (NGOs) and, with regard to health and education, of the private sector.

## B. GENERAL FEATURES OF SOCIAL POLICIES

Social policies incorporate objectives and strategies that address social concerns and problems including health, education, training, housing, unemployment, poverty and income disparities, crime, drug addiction, ethnic and community relations, and family violence. The paramount goal of these policies is to improve the welfare or well being of the people or particular groups, such as women, youths, children, the aged, the disabled, ethnic groups and other minorities.

Social policies that are relevant typically account for more than just addressing social problems. They also address the entwined economic and political milieu of the problems. For instance, poverty reduction programmes deal not only with the upgrading of work skills and education levels as well as better housing and health standards of the poor, but also with ensuring better employment, promoting micro or small business opportunities and empowering the poverty group.

Governments typically initiate and administer social policies using public funds. This is because the complicated nature of social problems and the huge cost of dealing with them means that, except in a limited number of cases, NGOs, corporations and private philanthropists, are incapable or unwilling to deal with them fully and effectively. As such, there is a general consensus across the political spectrum that governments initiate social policies and play a lead role in their implementation. However, there is a continuing debate on how big this role needs to be. In other words, the primary issue is the desirable type of welfare state to be established: should it be the institutional or residual type or should it be a mix of both?

A related issue on the role of government in the provision of public assistance programmes is the form and quantum of assistance. The options on form involve cash or kind (such as food, services and jobs) or a combination of both. The alternatives on quantum is circumscribed by considerations of providing assistance that is sufficient for maintaining a certain minimum level of needs of recipients but which does not act as a disincentive to them to seek productive employment.

## C. THE CONTEXT OF SOCIAL POLICIES IN MALAYSIA

Malaysian social policies evolved within the context of decades-long political stability and the absence of serious natural disasters or debilitating armed conflict. There was almost continuous economic expansion and more significantly, there was in place a broadly accepted philosophy of *equitable growth*. Such an environment that facilitated the formulation and implementation of social policies that kept pace with economic growth, were integral components of overall national development and improved the well being of Malaysians.

Political stability has been maintained in Malaysia since 1961, the year it was formed when the then British colonies of Sabah, Sarawak and Singapore<sup>1</sup> joined Malaya, which had already been independent since 1957. In the case of Malaya, the political stability was in place since at least 1955 when self-government was granted to it.

This stability was achieved because successive Governments were formed by the same coalition of political parties. Initially, the coalition was known as the Alliance Party and comprised the United Malays National Organization (UMNO), Malayan Chinese Association (MCA) and Malayan Indian Congress (MIC).<sup>2</sup> Later, after the formation of Malaysia, it was expanded to include political parties from Sabah and Sarawak and called itself the National Front. These two coalitions have won at least two-thirds of the Parliamentary seats they contested in all the general elections held in Malaysia, except in 1969. They have also continuously won control of State Assemblies over the same period in the said elections except for three states, viz., Kelantan and Terengganu in Peninsular Malaysia (formerly Malaya) and Sabah, have at one time or another been governed by other political parties. In effect, the evolution of social policies, in fact all public policies, of the Federal Government was not subjected to intermittent swings from one political ideology to another in line with the change in the reins of government from one political party to another. This allowed for stability, continuity and incremental changes to be made to social policies and programmes.

Political stability was complemented by the virtual absence of major natural disasters. Malaysia's geographical location protected it from earthquakes, volcanic eruptions, typhoons, droughts and famines. Floods occur during the annual northeast monsoons, but they only affected Peninsular Malaysia's three eastern states and Johor. However, their magnitude has been well below that of the floods that hit Europe in 2002. The absence of natural catastrophies meant that economic life was not disrupted and the well being of Malaysians protected.

Similarly, Malaysians were able to live in peace for much of the period from independence till the present time. There was the fight against communist terrorists inherited from colonial times but it was limited to the jungles and rural areas. It was reduced to sporadic skirmishes after independence and was ended in 1960. There was also Indonesia's confrontation against Malaysia that was launched in 1968 by President Sukarno. It included military action between the two countries on Malaysian soil but it was confined to few a localities in a few states. Finally, there were the short-lived racial riots of May 1969 in the capital city of Kuala Lumpur, which led to a state of emergency being declared for the whole country and a National Operations Council being appointed to manage the country. This emergency ended in 1971.

Of greater significance, in the wake of the 1969 ethnic unrest was the adoption of a new development philosophy in 1970. This decision was made after consulting with and obtaining the agreement of leaders of ethnic and other interest groups. The new policy replaced the former development model, which emphasized a *laissez-faire* urban-based economy, and complemented by large-scale Government-funded agriculture/rural development programmes. *Laissez-faire* was perceived as having widened economic and income disparities between, on the one hand, the rural-

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<sup>1</sup> Singapore ceased to be a member-state of Malaysia in 1965.

<sup>2</sup> Following the formation of Malaysia, they rename themselves Malaysian Chinese Association and Malaysian Indian Congress.

based Malaya and native ethnic groups of Sabah and Sarawak (collectively called *Bumiputera* or “sons of the soil”) and, on the other, the urban or modern economy-based Chinese and Indians. British colonial policy had in general, compartmentalized the Bumiputera in traditional small-scale agriculture, the Chinese in urban-based trade and commerce and the Indians in rubber plantations. In the post-colonial period, the free market perpetuated the separate economies and the Bumiputera, in particular, the Malays, who held political power, lamented this shortcoming.

The new development philosophy was *growth with equitable distribution*. It was predicated upon the firm belief that economic growth alone was not enough and not an end in national development, given the ethnic configurations of Malaysia’s patterns of economic occupations and wealth ownership, at that point in time. The ultimate goal is national unity, i.e. a multi-ethnic and multi-religion nation whose peoples live in peace and harmony. Without it, economic growth and the attendant increase in income and well-being would not only be more costly to achieve but would be less meaningful as well.

To achieve unity, it was paramount that the fruits of economic growth be equitably shared among the major ethnic groups and the poor of all groups. In this regard, it was new wealth that was to be shared: there was to be no redistribution of wealth that had been acquired in the past.

The philosophy of growth with equity also required an active role to be played by the Government in the market place and in the provision of social services to bring about equitable distribution and greater well-being. Past experience leading to the 1969 riots had demonstrated that the free economy could not be expected or depended upon to bring about the desired distribution of new wealth.

#### D. INTERGRATING SOCIAL POLICIES WITH ECONOMIC POLICIES AND NATIONAL DEVELOPMENT PLANS

The national development philosophy was concretized in the form of the New Economic Policy (NEP). The NEP became the policy framework or basis for the country’s first long-term development plan, the First Outline Perspective Plan (OPPI), 1971-1990. It also circumscribed the programmes and projects of the four medium-term development plans under this long-term plan, viz., the Third, Fourth, Fifth and Sixth Malaysia Plans covering the periods 1971-1975, 1976-1980, 1981-1985 and 1986-1990, respectively.

In spite of its name, the goal of the NEP, as indicated earlier, was national unity, not maximum economic growth. To achieve this goal, it identified two major strategies, viz., the eradication of poverty, irrespective of race of the poor and the restructuring of Malaysian society such that there would be no identification of race with particular economic activities. Both strategies were to be implemented within the context of a rapidly expanding economy. (Appendix 1)

In the implementation of the two strategies, focus was given to reducing poverty among the Bumiputera as they formed the majority of the poor. Programmes to restructure society also gave primary attention to them because they lagged behind the other races in terms of wealth ownership and employment in professions such as medicine, law, engineering and architecture. They were also behind the others in terms of university education in science and science-based subjects. In line with this, programmes and mechanisms were implemented to improve their educational achievements, numbers in professional and technical or para-professional jobs and wealth ownership.



The introduction of the NEP and its accompanying development plans marked the first time that social policies were integrated with core national development policies and plans. In earlier periods, although there were social policies which were accorded due importance by the colonial and the post-independent governments, they were less integrated with economic and other national policies.

As a strong indication of the critical importance of the principles of the NEP to Malaysia, the Government introduced Vision 2020 during the first meeting of the Malaysian Business Council (MBC) in 1991. In presenting Vision 2020 the Prime Minister, in his capacity as the chairman of MBC, reiterated the equitable growth imperative and laid out nine challenges that had to be addressed before Malaysia could achieve developed nation status (Appendix 2). Vision 2020 was accepted by the MBC and soon after, by the country in general.

Another clear indicator of the relevance and acceptance of the philosophy underlying the NEP was the continuation of its strategies after the 1990s. The new policy replacing the NEP, the National Development Policy (NDP), 1991 – 2000, retained all major features of the NEP and formed the basis of the Second Outline Perspective Plan (OPP II) 1991-2000. Subsequently, the National Vision Policy (NVP), 2001-2010, incorporated into the Third Outline Perspective Plan (OPP III) 2001-2010 as its core policy, also followed suit by retaining the growth with equitable distribution premise of its predecessor policies. (Appendix 3 and Appendix 4)

#### E. PHASES IN THE EVOLUTION

It is possible to identify three phases in the evolution of Malaysian social policies for the 1957 – 2002 period. The main distinguishing characteristic is the role of the Government and public sector in funding and implementing social policies in each phase and relatedly, the role of the private sector and NGOs. The three phases are part of the modifications to the Government's role in the overall socio-economic development of the country.

The first phase covered the post-Malaya independence period until the mid-1980s. It was characterized by the prime role played by the Government in providing the funds and organizational infrastructure for educational and health services, welfare assistance to the poor and other groups in need, social protection and other related programmes for the well-being of Malaysians. In contrast, the private sector and NGOs played a limited role. There were a small percentage of private schools and hospitals and a smaller number of NGOs that provided various forms of welfare assistance. Apart from that, a notable feature of social policies during this phase was the special attention given to the rural areas. This was to upgrade the scope and quality of social services, in line with similar efforts to build and improve roads, bridges, and community halls, post offices and provide electricity, piped water and telephone services, and generally to improve the quality of rural life, long neglected during colonial times. In addition, a new social protection public body, the Social Security Organization (SOCSO) was created to add to the number of other social protection and pension schemes including the Employees Provident Fund, Workmen's Compensation Scheme, public sector pension scheme, Armed Forces Provident Fund and occupational pension schemes of major employers. By this period, too, there was already in existence social welfare assistance provided by the Government. In addition, although not officially termed as 'Poverty Eradication Programmes', there were already in place a broad range of agriculture-rural development and skills enhancement programmes catering to the poor and low-income group.

The second phase, from the mid-1980s to 1997, witnessed not only the primary role of the Government in developing and implementing social policies being continued, but also an increasing role of the private sector and to a lesser extent, involvement of NGOs. This was clearly the case in the provision of education and health services. With the emergence of a bigger middle class and greater sophistication, there was a growing demand for better quality services in education and health care. These were provided by private schools, institutions of higher learning, hospitals and medical centres. The Government, in the meantime, continued to expand and improve the coverage and quality of the services that they provided in both urban and rural areas.

The second phase also saw a more focused role for the Government in the fight against poverty. The Development Programme for the Hardcore Poor was introduced as a means to deal with hardcore or extreme poverty in a coordinated and comprehensive manner. To ensure greater effectiveness, the Government provided full support to the work of the *Amanah Ikhtiar Malaysia* (AIM), an NGO organized on the principles of Bangladesh's Grameen Bank.

The changes in the role of Government in managing social policies in the second phase was, in fact, part of a bigger programme of accelerating and encouraging private sector investment in the economy. Deregulation and privatization was seen as the way forward to reduce the public sector financial burden, while still pushing ahead with the restructuring objective. The Government recognized that public debt and taxes would have to be increased in order to maintain heavily subsidized services that would meet the changing tastes of consumers arising from modernization and development. The Government was of the opinion that privatization could further increase the momentum of economic restructuring which was already taking place, enhance the level of productivity and efficiency as well as raise potential output. In the social sector, however, private sector involvement in selected social services provided a wider choice to consumers, especially for those who could afford to pay. The provision of public sector social services was and is still made available to those who could not afford, thus ensuring that no one is denied access to these services. With greater private sector involvement in the provision of social services, the demand for such services in public sector facilities was reduced. The Government was thus able to promote the healthy development of the social sector through enhancing its regulatory function and safeguarding public interest, especially in terms of pricing and adherence to standards.

The third phase, which began in mid-1997, is still in progress. With the onset of the financial crisis of 1997, the Government had to deal with more urgent tasks. These included overcoming the currency devaluation and, more importantly, the consequent economic slow-down and its possible effects on the poor and other effected groups and the continued delivery and demand for social services, welfare assistance and other related services. The Government continued its regulatory function to ensure that public and consumer interests are adequately safeguarded in terms of price, and that availability and quality of services is maintained. Deregulation and privatization will continue to be tailored to meet the country's domestic socio-economic objectives without sacrificing overall efficiency and productivity. The regulatory framework governing this initiative is continuously being reviewed and improved to protect the interests of consumers and to ensure that privatized entities fulfill their social obligations.

## DISTINGUISHING FEATURES OF THE EVOLUTION

There were two features of the evolution of social policies in Malaysia that can be considered as distinguishing it from those of other countries. Firstly, there was the existence of a stable and supportive environment *for a lengthy and continuous period*, which allowed the orderly and incremental development of social policies. Not many developing countries had the benefit of such an environment. In this regard, while the absence of major natural disasters can be attributed to the favourable geographical location of Malaysia, the other elements of stability and harmony had much to do with the pragmatic and sensible nature of Malaysians.

Secondly, there was a real will and commitment on the part of the Government and public sector to improve the well-being of the people. Successive Governments under the Alliance and the National Front were all strong with large majorities in Parliament and the State Assemblies. Evidently, this political strength was well complemented with a real willingness and commitment to develop the social services and the country as a whole and contributing towards improving the quality of life of the people.

## II. SOCIAL POLICY FORMULATION, IMPLEMENTATION, MONITORING AND COORDINATION IN MALAYSIA: INSTITUTIONAL FRAMEWORK AND PRACTICE

### A. INTRODUCTION

The current institutional framework and practice for social policy formulation, implementation, monitoring and coordination is the product of development and refinement of the last 45 years. It was structured and organized to allow for broad-based participation and the formulation of relevant policies. This is particularly true in the case of the policy formulation process whilst the other processes are more technical in nature.

### B. SOCIAL POLICY FORMULATION: INSTITUTIONAL FRAMEWORK AND PRACTICE

The process of formulating social policies in Malaysia is conducted through largely the same institutional framework and subjected to the same practice found in the process of formulating economic and other policies. In general, the process has political, administrative, legal and parliamentary components, while its decision-making is circumscribed by the main principles of the equitable growth philosophy.

Three major types of social policies are formulated through this institutional framework. The first comprises policies that are introduced or modified in the process of formulating national development plans, viz., the outline perspective plans, the five-year development plans and the mid-term reviews of the five-year plans. These tend to be major and long-term policies stated in broad terms. The second type consists of policies that are part of the Government's annual budgets. These tend to be short-term or one-year versions of the broad policies in the long-term plans. Finally, there is the third type that is made up of policies that are formulated to address a specific social problem or concern in greater detail than those spelt out in the plans or annual budgets.

The institutions that participate in the social policy formulation process include individual members of the public; interest groups and NGOs; mass media; political parties; federal public service entities, including those at sub-federal levels; Cabinet; Parliament (House of Representatives and Senate) and the Paramount Ruler or King. (Figure 1). On matters that may affect the Islamic religion and Malay culture, the Council of Rulers is also referred to for decisions.

Among them, federal public service institutions, viz., the central agencies and the ministries, departments and statutory authorities (hereinafter referred to as ministries) implementing social policies, working in close cooperation with each other and under the advice and directive of the Cabinet, play a leading role in the formulation of social policies.

The central agencies are the Treasury or Ministry of Finance, Economic Planning Unit, Malaysian Administrative Modernization and Management Planning Unit, Implementation Coordination Unit, and Public Services Department. Apart from the Treasury, the central agencies are under the Prime Minister's Department.<sup>3</sup> Central agencies are authorized by law and administrative procedures to consider and approve requests for projects and funds from implementing ministries.

The Treasury, under delegated authority from Parliament, manages public finance. It prepares the annual budget that is presented to Parliament for approval and then to the King for assent. In preparing the budget, the practice in the last decade or so, has been to conduct a series of dialogues with representatives of the relevant private sector bodies and NGOs so as to obtain their inputs. They are also attended by representatives of other central agencies and relevant ministries. The dialogues are in addition to the long-standing practice of budget negotiations or discussions between each ministry, including ministries implementing social policies, and the Treasury to determine its annual budget allocation. The allocation itself is divided into two sub-allocations, viz., for operating and capital or development expenditures.

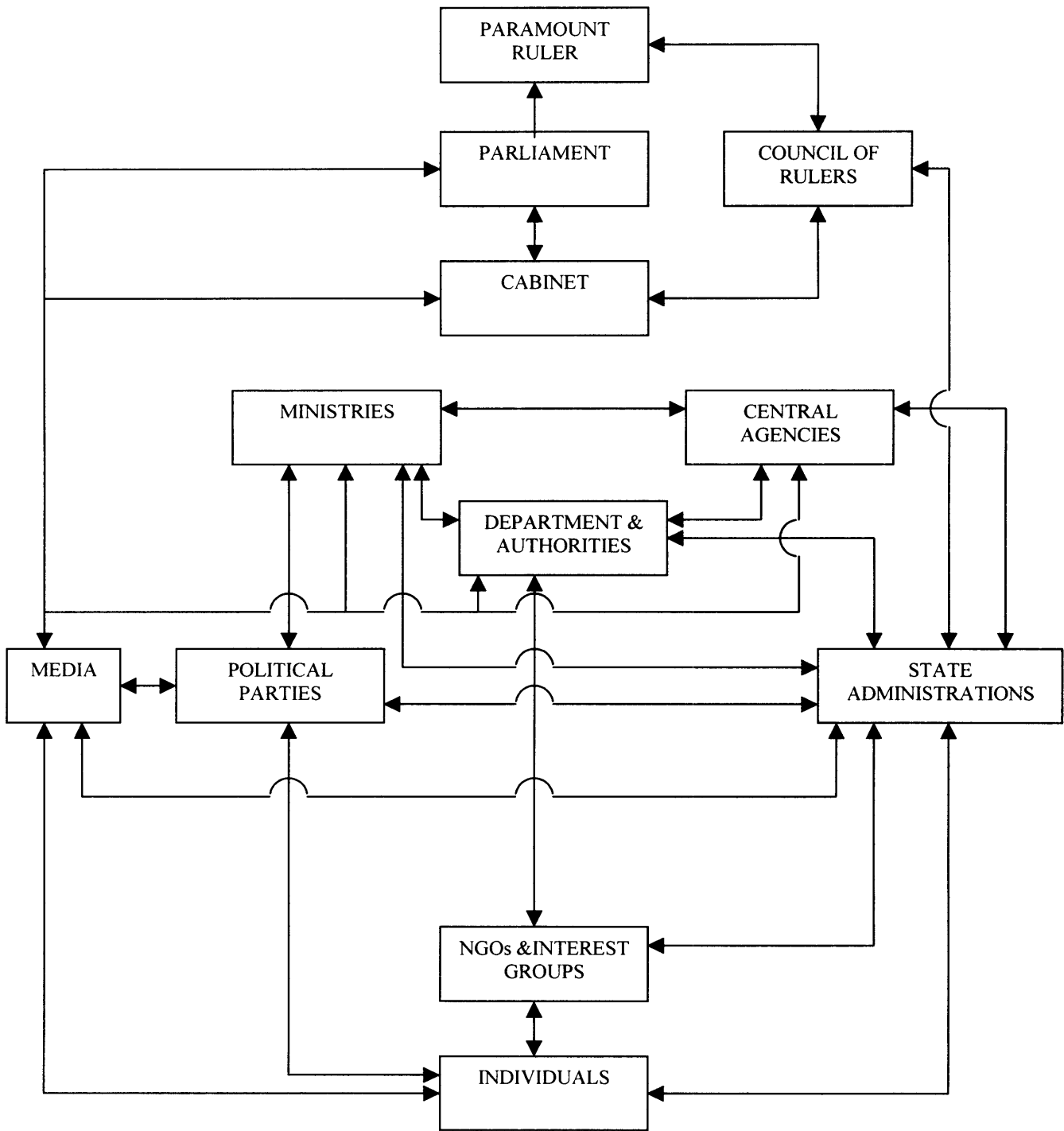
The Economic Planning Unit is the development planning body of the Federal Government. Its primary function is to formulate outline perspective plans, the five-year development plans, and undertake the review of the five-year plans. In preparing them, the Economic Planning Unit gathers data and proposals from members of Inter-Agency Planning Groups (IAPGs) and Technical Working Groups (TWGs) of each IAPG. Each IAPG focuses on one subject of importance, such as education or health or poverty eradication, and its members are senior officials from relevant ministries and the central agencies. The TWGs focus on specific and technical aspects of the work of an IAPG and the members of a TWG are usually subordinates of the members of the IAPG of that TWG. In addition, many TWGs enlist members from the academia, NGOs and the private sector. A crucial aspect of the planning process is the identification of projects and the provision of the necessary budget allocation to be launched or implemented during the Plan period. This exercise is conducted separately from the meetings of the IAPGs and TWGs and it involves a thorough examination of each proposed new project and continuance of current projects by each ministry.

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<sup>3</sup> The Prime Minister's Department is actually a Ministry. It is called a Department because calling it Prime Minister's Ministry does not seem right. Since it is called PMD, all major departments under it are called Units.

FIGURE 1

POLICY FORMULATION INSTITUTIONAL  
FRAMEWORK



The completed draft Plan prepared by the Economic Planning Unit is then submitted to the National Development Planning Committee. The chairman of this Committee is the Chief Secretary to the Government. Its members consist of the Secretary-General of the Treasury, Governor of the Central Bank, Director-General of Public Services, Director-General of Public Works, Director-General of Education, and Secretaries-General of economic ministries. Other senior officials are normally invited to join the discussions on subjects relevant to their work. The approved draft is then submitted to a special Cabinet Committee and subsequently to the full Cabinet for their approval.

A special briefing is conducted by the Economic Planning Unit for the local and foreign media a day before the tabling of the Plan in Parliament. This briefing is subjected to a time embargo that ends with the presentation of the Plan to Parliament. The early briefing is to enable the media, particularly television stations, to prepare the necessary graphics to accompany the live transmission of the Parliamentary session on the Plan presentation and the print media to prepare analyses of the Plan for their readers the following day.

The Plan is then tabled in Parliament by the Prime Minister to signify its importance to the nation. Several days are allocated for debating the Plan, after which it is approved. Any proposal for change expressed during the debate is noted and, if found to be acceptable, will be incorporated in the following annual budgets and mid-term review of the Plan. The final stage of the process is the presentation of the Plan to the King.

In terms of social development, the Plans have had separate chapters on education and training, health and family planning, and social and community services since the First Malaysia Plan, 1966-1970. It also had chapters on employment and manpower, agriculture and rural development and utilities, i.e., policy areas that were also related to poverty and other social concerns. Reflecting the changing concerns of the Government and the nation, separate chapters on poverty reduction and restructuring of society, youth, women and housing were later included. By the Eighth Malaysia Plan, 2001 – 2005, these concerns had become permanent chapters in the country's development plans.

The other three central agencies do not have a direct role in the formulation of social policies. The Malaysian Administrative Modernization and Management Planning Unit is involved more in managing the utilization of information and communications technology as well as in introducing improvements to work processes and procedures in ministries while the Public Services Department, as the central personnel agency, is focused more on providing necessary personnel support to ministries. The Implementation Coordination Unit is the central agency for monitoring and coordinating policy implementation. Their contributions will be discussed presently.

As mentioned earlier, ministries that implement social policies are part of the social policy formulation process through their participation in the preparation of Plans and annual budgets. In this regard, their contribution is either in the form of supplying data and feedback on policies that are being implemented at the request of central agencies or in a few cases, submitting proposals to amend existing policies or to introduce new ones. However, it would be incorrect to conclude that their role is minimal. The reality is that both central agencies, particularly the Treasury and EPU, and the implementing ministries have their respective roles to play in social policy formulation and are important in their own ways.

Another significant participant in the process is the Cabinet. Its significance stems from the fact that in the system of governance in Malaysia, proposals that are of national importance have to be

submitted to the Cabinet for consideration and decisions. The Cabinet meets every week on Wednesday mornings and are followed by post-Cabinet meetings in each ministry between the minister and his deputy minister(s), parliamentary secretary(ies) and senior ministry officers wherein he will inform them about the day's Cabinet decisions affecting the ministry and request for appropriate actions to be taken.

The Chief Secretary to the Government, who acts as the Secretary to the Cabinet, also attends cabinet meetings. As such, he is in the appropriate position to convey any Cabinet decision affecting the public service to the ministries for their knowledge and action. In effect then, the Cabinet is the most powerful decision-making body in Malaysia's system of government. This is the case, even though some decisions require amendments or the promulgation of new Acts of Parliament. This is because the Cabinet is assured of parliamentary support since a large majority of members of parliament (MPs) are from the National Front.

Parliament itself plays a useful role in the process of formulating social and other policies in Malaysia. All Plan documents are tabled in Parliament which would thus allow for discussion and debate on the overall national development agenda, policy directions, programmes and projects that will be implemented as well as the proposed development budget allocation for that particular period. The questions posed by MPs during Question Time and the parliamentary debates on various social and other issues, are an important feedback shortcomings of particular policies and programmes being implemented. While the debates normally take on a political tone, their views and opinions are duly noted. They are subsequently given due consideration and may be incorporated in future policies and programmes.

Political parties, including component parties of the National Front, are also important participants in the policy process. Their special contribution is that, in their comments, criticisms and proposals, they reflect the views of the ethnic group or sub-group that their parties represent. These are particularly well articulated during the annual conventions of the parties. While this may generate debate among other ethnic groups, they also create awareness on the needs of each group and this helps the policy formulation process.

Interest groups and NGOs play a role similar to political parties in putting the views of special groups on the national social policies agenda. However, they tend to be less influential except for those with big constituencies or memberships and those willing to adopt a negotiating rather than a confrontational stance vis-à-vis the Government. These groups usually complement the efforts of ministries that actively deal with women's, youth, consumer and aboriginal affairs as well as the problems of the poor, disabled and other marginalized groups.

The media also participates in social policy formulation by reporting on social problems and issues in an open and matured manner. This contributes towards providing information and knowledge as well as creating awareness among its readers. Although radio and television stations highlight the Government's position on major issues and problems, they also report on problems faced by the ordinary citizen or small-time businessmen.

Individuals acting on their own also play a useful albeit small role in the social policy-formulation process by forwarding suggestions on how current policies can or should be improved. For this purpose there are many channels through which they can voice their opinions. These include NGOs, interest groups, political parties (National Front, as well as Opposition parties), the media, and

department and authorities of the federal and state governments. To ensure that their views are heard, they normally resort to using more than one channel.

### C. SOCIAL POLICY IMPLEMENTATION: INSTITUTIONAL FRAMEWORK AND PRACTICE

Several ministries and their respective departments and authorities, are involved in implementing social policies. These are the Ministries of Health, Education, National Unity and Social Development, Human Resource, Rural Development and the Ministry of Housing and Local Government. The remaining ministries, through various programmes, and participation in poverty reduction efforts also assist in implementing social policies. Apart from these, NGOs and foundations receiving Government funds also complement Government social policies in implementing their programmes.

Ministries implementing social policies are, as are other ministries, staffed by politicians and relevant professionals. The politicians, who are members of the elected House of Representatives, head the ministries and they include the minister, deputy minister(s) and parliamentary secretary(ies). Each ministry is headed by a secretary-general, who is a professional either from the Administrative and Diplomatic Service (ADS) or from other services such as the Medical and Health Service, Education Service or Labour Service. The policies and programmes, approved by the Government, are implemented by respective the Ministries that are staffed by officers from these professional services.

In the implementation of social policies, the ministries are guided by four sets of rules or procedures. Firstly, there are the objectives, strategies and programmes of the particular social policy. These are stated and explained in a written form. The second set comprises rules and regulations concerning the financial management of social programmes. These are determined by the Treasury and they apply to all ministries and policies. The core document is the Treasury Instructions that is complemented by more detailed financial circulars and circular letters. The third set of rules and regulations which social policy implementing ministries must adhere to are those pertaining to personnel management. These are determined by the Public Services Department and they apply to all ministries. The core documents are the General Orders and complementary services circulars and circular letters. The fourth set of rules and regulations are those concerning the purchases, installation and management of information and communications technology equipment by ministries. These are determined by the Malaysian Administrative Modernization and Management Planning Unit.

In view of Malaysia's federal system of governance and administration the implementing ministries are structured to have at least three levels of organization, viz., federal, state and district. In the states of Sabah and Sarawak, there are, in addition, residencies and divisions, respectively, between the state and district levels. Furthermore, there are also sub-district, *mukim* and village levels below the district level. In view of this, all ministries, except the Ministry of Foreign Affairs, have offices at the federal, state and district levels whilst the bigger ministries, such as Ministry of Health and Ministry of Education, have service delivery points, i.e., schools and clinics, even at village levels. In the case of health, there are also mobile clinics to serve very remote areas.



## SOCIAL POLICY MONITORING AND COORDINATION: INSTITUTIONAL FRAMEWORK AND PRACTICE

The monitoring and coordination (M&C) of the implementation of social policies in Malaysia are conducted by the same institutions. The data generated by the monitoring process form an important set of inputs of the coordination function. As in the cases of social policy formulation and implementation, M&C are joint efforts by many public services organizations at many levels of government and administration. However, unlike policy formulation, M&C are more technical in nature, with politics playing a lesser role.

The agency that has been assigned the task of managing the M&C function is the Implementation Coordination Unit, of the Prime Minister's Department. The Unit is well known for introducing a system or technique of monitoring development projects called the Rural Economic Development (RED) Book. The system monitors the progress achieved in constructing each physical project, for example a school or hospital, and in spending the budget allocated for it on a weekly and monthly basis in comparison to the progress they should have achieved during the same period.

The RED Book was derived from the Operation Room technique that was utilized during the fight against communist insurgents that had begun and escalated in the post-World War II years. When it was first introduced in the 1950's, the system was manually operated but during the Third Malaysia Plan, 1976 - 1980, it was converted to a computer-based system. The initial computer-based system was called the Project Monitoring System I (PMS I). It was subsequently reviewed, improved and renamed Project Monitoring System II (PMS II). PMS II can currently be accessed through the Internet by all ministries and state administrations including district offices.

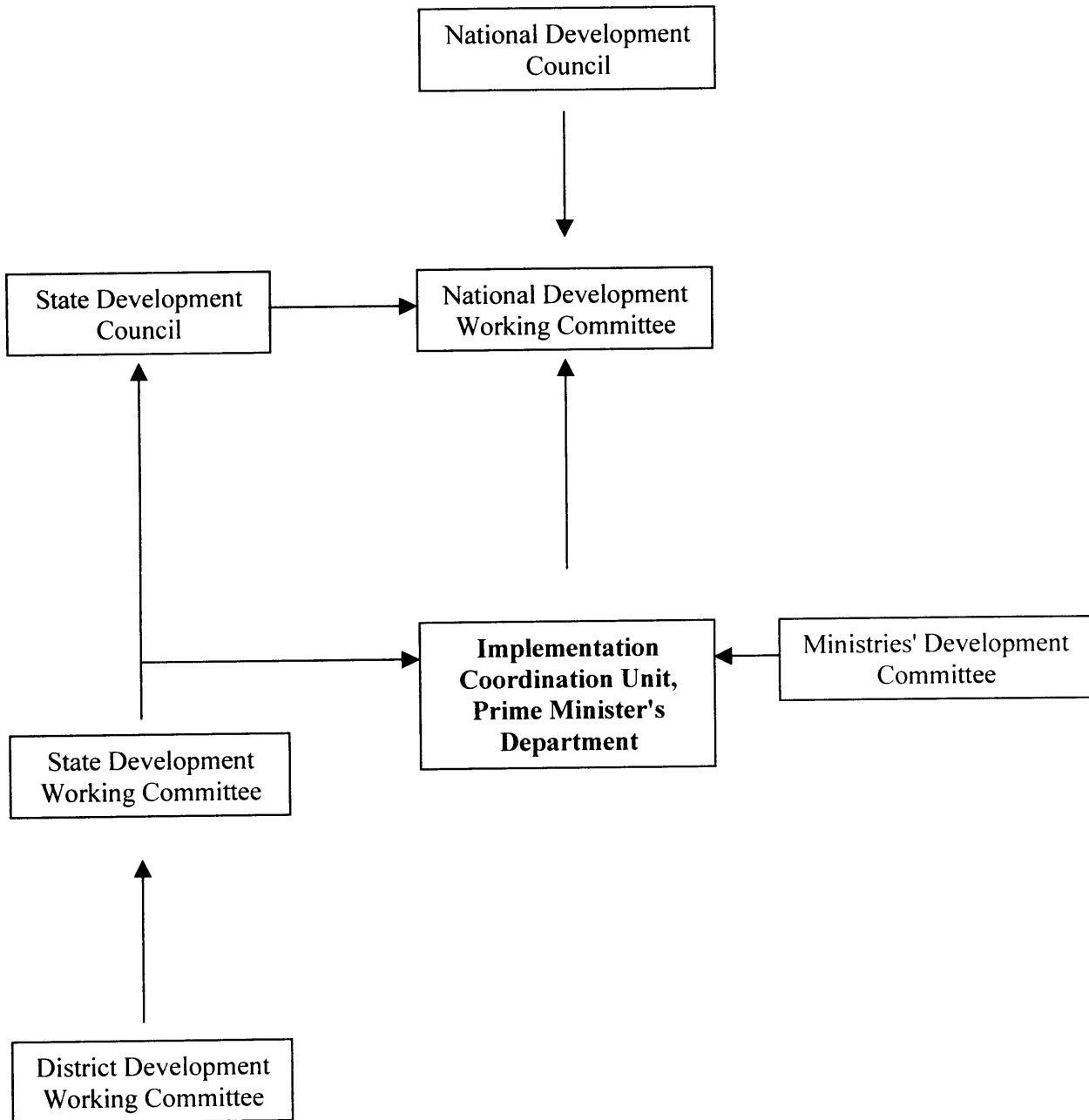
The RED Book was effective in speeding up the implementation of physical projects. This was especially noticeable during the 1950s - 1970s period when successive Ministers for Rural and National Development, spent considerable time personally inspecting rural projects and checking the accuracy of the RED Book of district offices. This proved to be a strong motivating factor for project implementers to adhere to project schedules, resulting in most projects being completed on schedule.

The main management technique utilized in the coordination of social policies, programmers and projects is the multi-agency or multi-organization committee. Currently, there are six such committees, as shown in Figure 2.

At the lowest level are the District Development Working Committees, which exists in every district. The District Officer chairs the Committee and the members comprise district heads of federal departments and agencies or authorities. Meetings are held monthly and focus on the progress of project implementation, reason for delays and steps to be taken to overcome these delays.

FIGURE 2

IMPLEMENTATION COORDINATION MECHANISM FOR  
NATIONAL VISION POLICY



Source: Prime Minister's Department, Directive No 1, 2001, May 8, 2001.

At the next higher level are the State Development Working Committees. Each Committee is chaired by the State Secretary (the highest ranking civil servant in the state) and members include all federal heads of departments and agencies in the state and all District Officers. Among them is the State Development Officer who reports to the Director-General of the Implementation Coordination Unit. This Committee coordinates project implementation at the state level and resolves, if possible, coordination problems at the district level, which could not be resolved by the District Development Working Committee.

The State Development Council is the highest level in each state. It is chaired by the *Menteri Besar* or Chief Minister of the state and its members include selected members of the state government. The state secretary is the secretary to the Council and senior state heads of departments and authorities are in attendance at Council meetings. The Council makes decisions on coordination problems referred to it by the State Development Working Committee.

At the federal level, there is a Ministerial Development Committee in each ministry. It is chaired by the secretary-general and its members are senior ministry officers and heads of departments and agencies or authorities under the ministry. Meetings of the Committee focus on discussing the progress of the ministry's development projects and resolving any coordination problems that arise. The output of these meetings, particularly progress reports on project implementation, are reported to the Implementation Coordination Unit and discussed at periodic meetings of Unit's Inter-Ministerial Development Committee.

At the next level, there is the National Development Working Committee, which is chaired by the Chief Secretary to the Government and whose members are heads of central agencies and secretaries-general of all ministries. This Committee is informed about the progress achieved in implementing Government projects and problems encountered. It makes decisions on resolving the problems and may also decide to refer some cases to the National Development Council.

The National Development Council is made of selected ministers and is chaired by the Prime Minister. It resolves serious issues in coordinating implementation of development projects. In this regard, it gives particular attention to projects on poverty reduction and those targeted at improving the socio-economic position of the *Bumiputera*.

Apart from the above-mentioned committees and institutions, there are several other mechanisms that are in practice and which are also utilized by ministers and administrators to monitor and coordinate social policy implementation. The Post-Cabinet Meeting in each ministry, every Wednesday afternoon, is one of them. At each meeting, the minister will inform his deputy minister(s), parliamentary secretary(ies), senior ministry officers and department heads about decisions or observations made by the Cabinet in its meeting that morning. In many cases, they pertain to the progress and problems of project implementation.

Another institution is the Cabinet itself. The weekly Cabinet meeting is, in effect, also a coordination meeting at the very highest level of Government. Its membership and powers facilitates the resolution of real or perceived overlaps in the functions and activities of ministries in implementing social policies. Its decisions are generally sound, relevant and easily accepted by the implementers.

## CONCLUSION

Malaysia has an established institutional framework for formulating, implementing monitoring and coordinating social and other policies. The main participants are public sector institutions and personnel but other institutions such as political parties, interest groups, NGOs, media and individuals are also active contributors.

### III. SOCIAL PROGRAMMES AND POVERTY REDUCTION

#### A. INTRODUCTION

The philosophy underlying Malaysia's development initiatives is that growth is not to be pursued as an end in itself. Growth has always to be accompanied by equitable distribution so that all segments of society can benefit from this growth process. Malaysia has thus undertaken to achieve rapid and sustainable economic development, as this will provide a larger volume to resources for social development. The Government believed that economic growth alone cannot guarantee social harmony, more so in a plural society like Malaysia. It requires placing people at the centre of development and directing economic resources to meet human needs more effectively. As such, social development, which is aimed at building a better life and enhancing its quality, has and will continue to be a part of the overall development agenda, as indicated by the allocations provided under the various five-year development plans (See Table III.1).

When Malaysia gained independence in 1957, a major task of development was to integrate the population, especially the indigenous segment, into the modern economy as quickly as possible. This was seen as a *sine qua non* for nation building. Programmes to redistribute the wealth of the nation as well as develop a comprehensive programme to deliver essential social services, such as education, health and housing, were developed. As provision of social services was independent of individual incomes, large sections of the population could thus access social services much earlier than they would have been able to do so on the basis of their own income. Thus the universalization of social services, not only improved the standard of living of the population, but also promoted equity.

Table III.1

**FEDERAL GOVERNMENT DEVELOPMENT ALLOCATION BY SECTOR (RM MILLION)**

Sector	1 <sup>st</sup> MP (1966-1970)		2 <sup>nd</sup> MP (1971-1975)		3 <sup>rd</sup> MP (1976-1980)		4 <sup>th</sup> MP (1981-1985)		5 <sup>th</sup> MP (1986-1990)		6 <sup>th</sup> MP (1991-1995)		7 <sup>th</sup> MP (1996-2000)		8 <sup>th</sup> MP (2001-2005)	
	Alloc.	%	Alloc.	%	Alloc.	%	Alloc.	%	Alloc.	%	Alloc.	%	Alloc.	%	Alloc.	%
conomic	2,210.8	63.3	7,394.72	72.3	12,655.16	68.3	30,103.81	61.41	24,048	64.8	29,875	51.0	49,351.6	47.7	50,514.6	45.9
ocial	644.7	17.7	1,431.03	13.7	3,092.15	16.6	10,340.99	21.09	9,046	24.8	14,780	25.3	32,156.0	31.0	37,518.1	34.1
ecurity	645.7	15.7	1,104.84	10.4	2,200.00	11.9	7,741.78	15.79	2,955	7.2	11,139	19.0	12,747.6	12.3	10,750.0	9.8
eneral dministration	109.0	3.3	369.86	3.6	597.68	3.2	838.84	1.71	1,241	3.2	2,706	4.7	9,309.7	9.0	11,217.3	10.2

Sources: Mid Term Review of 1<sup>st</sup> MP, 2<sup>nd</sup> MP, 3<sup>rd</sup> MP, 4<sup>th</sup> MP, 5<sup>th</sup> MP, 6<sup>th</sup> MP, 7<sup>th</sup> MP & 8<sup>th</sup> MP

## B. HEALTH

### a. Health Policy and Programmes

In Malaysia, the development of the health sector has been and will continue to be viewed as one of the many contributors to development, and as such, investments in health is a central part of the overall development strategy. Improved health status is seen not just as an outcome of economic development, but also as a means of achieving it.

Since independence the objective of health sector development focused on improving the health status of all Malaysians through the provision of an integrated and comprehensive range of quality health services that included primary, secondary and tertiary levels of care. In addition, the Government also ensured the accessibility to health care through a more equitable distribution of services.

In the 1950s, emphasis was given to the provision of facilities in the rural areas as the economic structure at that time was agriculture-based with the population being largely located in the rural areas with high infant and maternal mortality rates as well as high mortality and morbidity from infectious diseases. As the rural population had to seek treatment from clinics in small towns and hospitals in larger towns, but often lacked the resources to do so, a rural health service programme, which was virtually free, was introduced to deliver health services directly to the rural population. Under this programme, comprehensive health care was provided, which included services such as maternal and child health care, medical and dental care, immunization, family planning, communicable diseases control and environmental sanitation. Periodic upgrading of the rural health service programme contributed towards its continued relevance in meeting the changing needs and expectations of the population.

Hospitals providing a range of primary, secondary and tertiary care have been and continue to be established in the urban areas by the Government. These facilities provide a higher level of care than that provided at the rural health units. In fact, the rural health units serve as outposts of hospitals as they are linked through a referral system offering outpatient and inpatient care. Hospitals also ensure the provision of care for the urban population.

The steady expansion of health services, especially in the first two decades after independence, made it possible for the increased population to have access to these services. By the 1990s, the principal diseases, such as malaria, tuberculosis, and diarrhoea, and the causes of morbidity, such as poor sanitation and malnutrition, which were associated with poverty and underdevelopment, had been replaced by illnesses associated with affluence, such as cardiac problems and hypertension.

Currently, the health policy and objective of the health sector continues to be aimed at improving the health status of the population. Primary health care will remain the focus of national health development, while concerted efforts will be continued to improve equity and quality in the provision of health services for the population. This will include further development and expansion of the scope of primary, secondary and tertiary healthcare, greater use of information and communications technology (ICT) in the delivery of services as well as increasing the quantity and capabilities of health personnel to meet the demands of the rapidly expanding health sector.

Specifically, four major programmes are currently being implemented. These are promotive and preventive health services, medical care services, health manpower and medical research and development.

i. Promotive and preventive health services

The Government continues to emphasize health promotion and disease prevention, as this will reduce future expenditures on curative and rehabilitative care. The focus is on addressing the changing pattern of diseases, from communicable to non-communicable, which are related to affluent lifestyles, accidents in the workplace and homes as well as the containment of new and re-emerging strains of communicable diseases. More health education and awareness programmes are being undertaken in order to educate and disseminate information to the public. The *healthy lifestyle programme*, which emphasizes healthy behaviour and the prevention of diseases, is being implemented. In line with the wellness paradigm programme that will take into account the determinants of health, such as environmental, occupational, socioeconomic and behavioral factors, various themes have been identified under this programme. A special programme for youths and adolescents for the prevention of HIV/AIDS is also being implemented. These programmes are being implemented with the cooperation and assistance of private hospitals and clinics and NGOs as well as other ministries.

The *immunization programme* features as an integral component of the preventive health programme. Under this programme, vaccination for Bacille Calmette-Guerin (BCG), triple antigen (diphtheria, pertussis and tetanus), poliomyelitis and measles will continue to be made available for children, while hepatitis vaccinations for adults will be encouraged.

The *surveillance and control of infectious diseases* was further improved by establishing greater cooperation among various agencies, including the World Health Organization and the Centre for Disease Control, Atlanta, USA. In addition, an Infectious Disease Centre was established to strengthen Malaysia's capability in handling infectious diseases.

The *family health programme*, designed to promote the optimal health status of the individual, family and community, is being expanded. The Family Medicine Specialist Services was introduced in 1997 to enable the early detection of diseases and the provision of appropriate management of patients at the primary healthcare level. This step and the decentralization of outpatient departments from hospitals to health clinics as well as the provision of comprehensive primary healthcare to health clinics made comprehensive primary healthcare more accessible and reduced unnecessary referrals to hospitals.

Under the *food and nutrition programme*, the National Action Plan on Nutrition is being implemented. The Plan emphasizes the need for food safety from the source to marketing and consumption. It also emphasizes equitable access to nutritional food and healthy eating habits, particularly among school children and adolescents.

The *environmental health and sanitation programme* continues to focus on attaining full coverage of piped water supply in urban areas and wider coverage in the rural areas. For the rural areas that do not have access to piped water, alternative safe water sources, such as community wells and facilities to tap groundwater are provided. These sources of water supply will gradually be phased out as piped water is extended to rural areas.

The *occupational safety and health programme* will continue to focus on the creation of safer and healthier work culture and environment. More public campaigns, training and education programmes for workers and employers will be implemented, while increased law enforcement will be undertaken to reduce the incidence of occupational accidents and diseases.

#### ii. Medical care services

Medical care services will continue to be improved to support the primary health care service and meet the demands for quality care. The programme in the provision of medical care services in the recent years involved the construction and establishment of new medical facilities, while at the same time expanding and upgrading existing facilities.

New medical facilities are being equipped with the latest equipment and technology. In addition, to take advantage of the benefits of ICT, two IT-based specialist hospitals have been commissioned since 2000. A computerized Total Health Information System (THIS) is also being introduced in selected new hospitals.

To ensure improved quality of diagnosis and care, installations of new diagnostic machines in major hospitals is being undertaken, while existing equipment is being upgraded. These include magnetic resonance imaging (MRI) machines, computerized tomography (CT) scanners, mammography equipment and bone densitometers.

The facilities, equipment and technology of the rural health programme are also being upgraded as part of the overall improvement programme and to meet the increasing demands of the population. New primary health care clinics are being established while existing community and midwife clinics being upgraded to provide a broader range of primary healthcare. This physical upgrading is being complemented by the provision of new medical equipment and technology, including imaging and laboratory diagnostic facilities and teleprimary IT systems, at the rural facilities. Apart from this, improvements are also being made to the mobile services the service the rural and remote areas.

Programmes to regulate and control the production and use of pharmaceutical and medicinal products including those of traditional medicine, to ensure their safety and quality are also being implemented. A Quality Assurance Programme, designed to improve the quality, efficiency and effectiveness in the delivery of health services is also being implemented.

#### iii. Health manpower

To ensure that the manpower requirements of health services provided by the Government are fulfilled, several training programmes are being undertaken. New facilities are being constructed while existing institutes are being expanded. In addition, the outsourcing of training is also being undertaken. Training of doctors, medical specialists, dentists, pharmacists and other health personnel are being undertaken in Malaysia as well as abroad. As an interim measure to meet the current shortage of these personnel, foreign doctors and specialists are being recruited and retired personnel being reemployed on a contractual basis.



#### iv. Medical research and development

Medical research has a long tradition in Malaysia with the establishment of the Institute of Medical Research (IMR) in 1900. The IMR has been designated as a WHO Regional Centre for Research and Training in Tropical Diseases and Nutrition that aims at developing methods for the control of major communicable and non-communicable diseases, especially parasitic and nutritional diseases prevalent in Malaysia and the Western Pacific Region. In addition, the IMR is also the WHO Collaborating Centre for Ecology, Taxonomy and Control of Vectors of Malaria, Filariasis and Dengue, as well as the focal point for the WHO Collaborative Surveillance Programme on Antibiotic Resistance in the Western Pacific Region. This work of the IMR was complemented in more recent times with the establishment and contributions of the National Institutes of Health and research conducted by universities and other institutions including those financed from funds of the Intensified Research in Priority Areas (IRPA) Programme. The focus of recent IMR research has been on the diagnosis, treatment, prevention and control of diseases of current concern to Malaysians, i.e. HIV/AIDS; hand, foot and mouth disease; nipah virus, and health effects of the haze. Research under the IRPA programme focuses on the health implications associated with lifestyles and demographic changes, occupational safety and environmental health, communicable diseases, new health technologies, and development of medical biotechnology, healthcare systems and industry, socioeconomic impact of HIV / AIDS and food production.

#### v. Role of private health service providers

Private health service providers have expanded in the recent years. There are currently about 230 private hospitals in the country. They are mainly located in urban areas and provide curative care, usually at a higher fee than that in Government hospitals.

Apart from providing medical care, private firms also provide support services to Government hospitals, following a privatization exercise in 1996. These support services are non-medical in nature and include clinical waste management, bio-medical equipment maintenance, facility maintenance and linen and laundry services. Other privatized activities were the production of medical and pharmaceutical products, and the medical screening of incoming foreign workers.

#### c. Federal development expenditure for health services

During the 1996 – 2000 period, the Federal Government expenditure on health services amounted to about RM 3.7 billion.<sup>4</sup> (Table III.2) This was almost 12.0 per cent of total social sector expenditure and 3.7 per cent of the total development spending of the Federal Government.

For the Eighth Malaysia Plan period of 2001-2005, the budget allocation for the development of the health sector has been increased considerably to RM 5.5 billion. This amounts to 14.7 per cent of the social sector budget and 5.0 per cent of the total development budget.

The largest expenditure during the 1996-2000 period was for the construction of new hospitals and clinics. (Table III.2) This same item has also been allocated the biggest budget for 2001-2005. In

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<sup>4</sup> 1 USD = RM 3.8

addition, the budget allocation for research and development for 2001-2005 has been increased to RM 25 million from only RM 5 million during 1996-2000, reflecting the increased importance of the R&D programme.

#### d. Conclusion

The implementation of the health programmes resulted in more facilities and wider coverage of health services for the population, as shown in Table III.3. There were increases in the number of rural health facilities, urban health facilities, as well as beneficiaries of healthcare programmes.

More importantly, the programmes implemented have led to the continued improvement in the health standards of Malaysians. Life expectancy at birth for males increased from 56 years in 1957 to 69 years in 1990, and subsequently to 69.9 years in 2000, while that of females increased from 58 years to 74 years and eventually to 74.9 during the same period, as shown in Table III.4. Accompanying the increase in life expectancy was a marked decline in infant mortality, which dropped from 76 per 1,000 live births in 1957 to 13 in 1990 and subsequently to 7.9 in 2000, while the maternal mortality rate decreased from 280 per 1,000 live births in 1957 to 20 in 1990 and currently stands at 0.2.

Table III.2

### DEVELOPMENT ALLOCATION FOR HEALTH SERVICES, 1996 – 2005 (RM million)

<i>Programme</i>	<i>7MP, 1996-2000</i>		<i>8MP, 2001-2005</i>
	<i>Allocation</i>	<i>Expenditure</i>	<i>Allocation</i>
<b>Patient Care Services</b>	<b>2,691.85</b>	<b>2,640.04</b>	<b>4,169.00</b>
New Hospitals	1,510.86	1,447.39	2,284.60
Upgrading and Renovation	1,180.99	1,192.65	1,884.40
<b>Public Health Services</b>	<b>889.32</b>	<b>917.91</b>	<b>1,020.60</b>
Urban Health	375.15	456.37	306.10
Rural Health	500.17	447.54	708.30
Environmental Health	14.00	14.00	6.20
<b>Other Health Services</b>	<b>155.93</b>	<b>167.55</b>	<b>310.40</b>
Training	150.93	162.55	285.40
Research and Development (R&D) <sup>1</sup>	5.00	5.00	25.00
<b>Total</b>	<b>3,737.10</b>	<b>3,725.50</b>	<b>5,500.00</b>

Source: Government of Malaysia, Eighth Malaysia Plan, 2001-2002 (Kuala Lumpur: *Percetakan Nasional Malaysia Berhad*, 2001), p. 497.

Note: <sup>1</sup> Excludes allocation under IRPA

Table III.3

## PUBLIC HEALTH FACILITY AND COVERAGE, 1995 AND 2000

Category	Number		Facility Population and Coverage (0/0)	
	1995	2000 <sup>1</sup>	1995	2000 <sup>1</sup>
Health Facilities				
Rural Health Facilities				
Community Clinics <sup>3</sup>	1,987	1,992	1: 4,717	1: 4,758
Health Clinics	721	725	1: 12,998	1: 13,194
Mobile Units <sup>4</sup>	284	194		
Urban Health Facilities				
Maternal & Child Health Clinics	102	107	1: 22,909	
Health Clinics	51	54		1: 25,853
Patient Care Services				
Hospitals	118	119	1: 846	
Acute Beds <sup>5</sup>	24,454	24,780	1: 8,891	1: 495
Dental Units <sup>6</sup>	2,327	2,597		1: 8,540
Beneficiaries ('000)				
Outpatient Visits <sup>7</sup>	24,290	27,039		
Inpatients <sup>7</sup>	1,448	1,543	85.8	
Rural Water Supply	7,397	8,398 <sup>2</sup>	94.9	93.5 <sup>2</sup>
Sanitary Latrines (Rural)	8,132	8,761 <sup>2</sup>	63.4	99.0 <sup>2</sup>
School Dental Clinics	2,808	4,029	19.0	83.1
Supplementary Feeding	510	528		18.4
Immunization (Under one year)			100.0	
BCG	554	479	93.7	100.0
Diphtheria, Pertussis and Tetanus (3 <sup>rd</sup> dose)	501	499		94.1
Hepatitis B (3 <sup>rd</sup> dose)	485	483	90.7	
Measles	458	457	85.5	91.1
Polio (3 <sup>rd</sup> dose)	500	495	93.5	86.2
				93.4

Source: Government of Malaysia, Eighth Malaysia Plan, 2001-2002 (Kuala Lumpur: Percetakan Nasional Malaysia Berhad, 2001), p. 485.

Notes: <sup>1</sup> Figures for 1999

<sup>2</sup> Figures for 2000

<sup>3</sup> Includes *klinik desa* and midwife clinics which were upgraded into community clinics.

<sup>4</sup> Refers to Dispensary Services, Village Health Teams, Flying Doctor Services and Dental Services.

<sup>5</sup> Refers to hospital beds under the Ministry of Health and does not include chronic beds.

<sup>6</sup> Refers to dental chairs in Government Clinics.

<sup>7</sup> Refers to attendances in public health facilities.

Table III.4

**SELECTED INDICATORS OF HEALTH STATUS, 1957, 1990 AND 2000**

<i>Indicator</i>	<i>1957</i>	<i>1990</i>	<i>2000</i>
Life Expectancy At Birth (in years)			
Male	56	69	69.9
Female	58	74	74.9
Infant Mortality Rate (Per 1,000)	76	13	7.9
Maternal Mortality Rate (Per 1,000)	280	20	0.2

The provision of health services in Malaysia is the responsibility of the Federal Government, as stipulated in the Federal Constitution. The range of services provided has been comprehensive, accessible and affordable and has thus succeeded in improving the health status of Malaysians. The cost of health and medical care provided in Government facilities is heavily subsidized by the Government, while care for the rural population and the poor care is essentially free. The contribution of the private sector in medical care has been a factor in the improvement but this is more true in the urban centres where most private hospitals and clinics are located.

**B. EDUCATION****a. Introduction**

In Malaysia, education is similar to health in that it is the function of the Federal Government. The states only have jurisdiction over Islamic education. Tremendous strides have been made in increasing accessibility to education and meeting the manpower needs of the economy.

**b. Education policy and programmes**

Malaysia has placed great emphasis on education and training in the implementation of socio-economic policies. Education is regarded as an effective tool to enable Malaysians, irrespective of race and status in life, to gain equitably from the benefits of development and enjoy a better quality of life.

The thrust of Malaysian education policy has been on expanding the capacity, increasing accessibility, and strengthening the delivery system as well as improving the quality of education. The goals of Malaysian education policy are well established, having been in place for many decades. They are clearly linked to the nation's core national policies, the NEP, NDP and NVP and are four-fold, viz.,

- to provide education opportunities for all Malaysians;
- to supply the human resources required for the nation's growth;
- to produce individuals who have (religious) faith, high character, knowledgeable, skillful, and are at peace; and
- to produce a nation of Malaysians who are loyal and united.

Malaysia's literacy rate of 93 per cent is one of the highest in the world. This reflects the enormous importance given to the pursuit of knowledge and education. The Government provides eleven years of free schooling. Although schooling is not compulsory, over 99 per cent of all six-year olds are enrolled in schools and more than 92 per cent of all students move on to upper secondary level.

In line with the goals of education, programmes of pre-school, primary, secondary and tertiary education as well as teacher training have been and continue to be implemented by the Government, mainly through the Ministry of Education. Other ministries also provide education, but to a more limited and specialized extent. These include the Ministry of Entrepreneur Development through its statutory authority, the Council of Trust for the Indigenous People<sup>5</sup> which runs fully-residential junior science colleges mainly for *Bumiputera* students, the Ministry of Rural Development which organizes pre-school classes for rural children through its Community Development Department, and the Ministry of National Unity and Social Development which organizes pre-school classes for urban children through its Department of National Unity.

The *pre-school education programme* caters for children in the five-to-six years cohort group. Kindergartens have been set up throughout the country by both Government and non-government agencies and the private sector. In a move to ensure better quality, the Guidelines on Pre-school Curriculum was established. These Guidelines determine the standard curriculum, facilities and teacher training requirements for all pre-school centres. Within these Guidelines, kindergartens must provide a secure and stimulating environment that will prepare children for their first year in school. In addition, the incorporation of pre-school education into the ambit of the Education Act has streamlined and strengthened the provision of pre-school education.

The *primary school education programme* begins at seven years of age, and may be completed within five to seven years. Sensitive to the multi-ethnic nature of its population, Malaysia has set up two categories of schools: the national and the national-type schools. Under this programme, the emphasis is on acquiring strong reading and writing skills as well as building a solid foundation in mathematics and basic sciences. To improve accessibility to primary education and provide a more conducive learning environment, the Government has and will continue to build new schools. Educational support programmes in the form of financial assistance, textbooks-on-loan and hostel facilities have also been implemented for children from lower-income households and other underprivileged children. These served to reduce the expenses associated with going to school and contributed towards increasing the number of students completing their education. Efforts to improve the performance of rural schools vis-à-vis their urban counterparts have also been undertaken through the improvement and upgrading of facilities and emplacement of better-trained teachers in rural schools. Rural schools with an enrolment of below 150 students were merged so as to facilitate the provision of better facilities. Residential facilities continue to be built in many rural schools to improve accessibility and provide students with a more conducive learning environment. Through these initiatives, the participation rate at the primary school stands at 97 per cent and has reached universal level.

The *secondary education programme* offers a comprehensive education programme. The curriculum includes a wide range of subjects from the arts and sciences as well as vocational and technical subjects that provide a practical bias and a hand-on approach to learning. Following the

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<sup>5</sup> Government of Malaysia, Seventh Malaysia Plan, 1996 – 2000 (Kuala Lumpur: *Percetakan Nasional Malaysia Berhad*, 1996), p. 321.

Lower Secondary Assessment examination at year three, students move into more specialized fields of study at the upper secondary level, based on choice and aptitude. At this level, several technical and vocational schools have been set up to provide technically biased academic education and pre-employment skills. Theoretical knowledge and practical application is integrated in the learning process at this level with the aim of increasing understanding of science and technical subjects. Through these efforts, the participation rate at the secondary level is approximately 85 per cent.

The Government also ensures that children with special needs have access to education. As far as possible, the particular needs of the visually and hearing impaired and those with learning difficulties are addressed within the mainstream school system. In this regard, 283 schools in the country have been equipped with both teaching staff and facilities to help integrate these children within the general school system. Those needing more intensive care and attention attend 31 special schools.

The *tertiary education programme* focuses on providing education at the degree, diploma and certificate levels. Education at these levels are provided through the establishment of new institutions of higher learning (universities and polytechnics) and distance-learning courses. At the same time, existing universities are being upgraded and expanded to provide more places. A feature of the tertiary education programme is the strong emphasis given to science and technology-based courses, such as medicine, dentistry, engineering, architecture and ICT. To ensure that students have access to tertiary education, financial assistance is being provided to various groups of students and undergraduates, including those from low-income households, through the National Higher Education Fund. To further improve the quality of tertiary education in public sector institutions, private sector representatives have been included in the governing bodies of these institutions.

Realizing that the education system must cater for low achievers who are academically less inclined, skills training has been given priority whereby facilities are provided for training from the basic to advanced levels. Skills training institutions set up by the Government act as an important training provider to meet the demand for trained manpower by the industrial sector. To keep abreast with technology advancement, advanced skill training centers have been established. To improve accessibility, especially for the poor, the Government, through the Skills Development Fund, also provides financial assistance to school leavers who are enrolled in these skills training centres.

The *teacher training programme* is yet another important component of the overall education programme. A major feature is the continuous review of the training programmes and the inclusion of new courses. These are in areas such as counselling, interpersonal skills, environmental education, and computer and multimedia utilization in the teaching of mathematics, science, Malay and English.

### c. The role of private educational institutions <sup>6</sup>

Private providers of education were already actively involved in the education sector even during the days of colonial rule in the then Malaya, Sabah and Sarawak. The providers were mainly Christian missionary establishments of various denominations, Chinese educationists in collaboration with Chinese businessmen, and Indian community leaders. After independence, their role gradually diminished as the national education system established itself. The mission and vernacular schools became part of the national system. However, in more recent times, private providers of education have reemerged and play a useful role in complementing Government programmes.

The involvement of the private sector in the field of education is at all levels of education, from pre-school to tertiary. At the tertiary level, these are local private universities as well as branch campuses of foreign universities. The Private Higher Educational Institutions Act, 1996 and guidelines prepared by MOE were enforced to ensure the healthy growth of private tertiary education in Malaysia.

### d. Federal development expenditure for education

During 1996 – 2000, the federal development expenditure on education by the federal government was about RM 17.5 billion. (Table III.5) This was almost 56 per cent of the development expenditure of the social sector and 17.7 per cent of total development expenditure. In effect, expenditure on education was the highest in the whole social sector. Of the RM 17.5 billion spent on education, the largest single item was for secondary education i.e. more than RM 5.3 billion (30.3 per cent) followed by tertiary education i.e. about RM 5.0 billion (28.6 per cent). For the 2001-2005 period, the development allocation for education has been increased to 18.7 billion.

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<sup>6</sup> Please see for details, F.H.K. Wong, "History, Structure, Administration and Objectives", in F.H.K. Wong, (ed), *Readings in Malaysian Education* (Kuala Lumpur: *Penerbit Universiti Malaya*), 1977, pp. 1 – 27 and Government of Malaysia, Eighth Malaysia Plan. op.sit.

Table III.5

**DEVELOPMENT ALLOCATION FOR EDUCATION AND TRAINING,  
1996-2005**  
(RM million)

<i>Programme</i>	<i>7MP</i>		<i>8MP</i>
	<i>Allocation</i>	<i>Expenditure</i>	<i>Allocation</i>
<b>Education</b>	<b>17,948.5</b>	<b>17,542.2</b>	<b>18,660.0</b>
Pre-school	123.6	107.5	147.4
Primary Education	2,632.0	2,631.8	2,750.0
Secondary Education			
Government & Government-aided	5,330.1	5,317.5	4,862.6
School	3,860.0	3,853.7	3,262.6
MARA Junior Science Colleges	710.0	707.2	700.0
Technical & Vocational Schools	760.1	756.6	900.0
Tertiary Education	5,362.8	5,005.1	8,900.0
Teacher Education	350.0	332.5	300.0
Other Educational Support Programmes	4,150.0	4,147.8	1,700.0
<b>Training</b>	<b>2,237.3</b>	<b>2,181.9</b>	<b>4,000.0</b>
Industrial Training	1,876.0	1,827.0	3,760.0
Commercial Training	71.3	71.2	100.0
Management Training	290.0	283.7	140.0
<b>Total</b>	<b>20,185.8</b>	<b>19,724.1</b>	<b>22,660.0</b>

Source: Government of Malaysia, Eighth Malaysia Plan, 2001-2002 (Kuala Lumpur: *Percetakan Nasional Malaysia Berhad*, 2001), p. 128.

e. Conclusion

In Malaysia, the process of creating a national education system took place gradually. In order to achieve the goal of universal primary education, primary education was and continues to be conducted in several languages to address the needs of every ethnic group. In addition, education was and continues to be free in primary schools. Secondary education is conducted in the national language to meet national objectives. There are clear indications of the increasing enrolment in all levels of education. The Malaysian experience points to the importance of a clear political will and political sensitivity to guide the process of delivering a national system of education to a multi-ethnic population.



Table III.6

**STUDENT ENROLMENT<sup>1</sup> LOCAL PUBLIC INSTITUTIONS, 1995-2005**

<i>Level of Education</i>	<i>1995</i>	<i>%</i>	<i>2000</i>	<i>%</i>	<i>2005</i>	<i>%</i>	<i>Increase</i>	<i>(%)</i>
							<i>7MP</i>	<i>8MP</i>
<b>Pre-school</b>	<b>253,675</b>	<b>5.1</b>	<b>399,980</b>	<b>7.0</b>	<b>549,000</b>	<b>8.4</b>	<b>57.7</b>	<b>37.3</b>
<b>Primary</b>	<b>2,799,359</b>	<b>56.6</b>	<b>2,945,906</b>	<b>51.7</b>	<b>3,035,018</b>	<b>46.3</b>	<b>5.2</b>	<b>3.0</b>
<b>Lower Secondary</b>	<b>1,124,910</b>	<b>22.8</b>	<b>1,245,523</b>	<b>21.8</b>	<b>1,364,153</b>	<b>20.8</b>	<b>10.7</b>	<b>9.5</b>
Government & Government-aided Schools	1,122,180		1,239,563		1,348,084			
MARA Junior Science Colleges	2,730		5,960		16,069			
<b>Upper Secondary</b>	<b>502,964</b>	<b>10.2</b>	<b>697,223</b>	<b>12.2</b>	<b>921,271</b>	<b>14.0</b>	<b>38.5</b>	<b>32.3</b>
Government & Government-aided Schools	459,850		626,353		804,922			
MARA Junior Science Colleges	6,320		11,370		16,594			
Vocational & Technical Schools	36,794		59,500		99,755			
<b>Post-secondary</b>	<b>80,080</b>	<b>1.6</b>	<b>76,755</b>	<b>1.4</b>	<b>134,134</b>	<b>2.0</b>	<b>-4.2</b>	<b>74.8</b>
Government & Government-aided Schools	64,610		48,035		83,174			
Pre-diploma & Pre-university Courses	15,470		28,720		50,960			
<b>Teacher Education</b>	<b>35,410</b>	<b>0.7</b>	<b>14,460</b>	<b>0.3</b>	<b>31,310</b>	<b>0.4</b>	<b>-59.2</b>	<b>116.5</b>
<b>(Non-graduates)</b>								
<b>Certificate</b>	<b>13,556</b>	<b>0.3</b>	<b>28,154</b>	<b>0.5</b>	<b>88,848</b>	<b>1.4</b>	<b>107.9</b>	<b>99.8</b>
<b>Diploma</b>	<b>46,480</b>	<b>0.9</b>	<b>92,304</b>	<b>1.6</b>	<b>148,025</b>	<b>2.3</b>	<b>98.9</b>	<b>19.1</b>
<b>Degree<sup>2</sup></b>	<b>87,891</b>	<b>1.8</b>	<b>201,271</b>	<b>3.5</b>	<b>289,806</b>	<b>4.4</b>	<b>129.0</b>	<b>44.0</b>
<b>Total</b>	<b>4,944,325</b>	<b>100.0</b>	<b>5,701,576</b>	<b>100.0</b>	<b>6,561,565</b>	<b>100.0</b>	<b>15.3</b>	<b>13.9</b>

Source: Government of Malaysia. Eighth Malaysia Plan, 2001-2002 (Kuala Lumpur: Percetakan Nasional Malaysia Berhad, 2001), p. 99.

Notes: <sup>1</sup> Enrolment refers to total student population in that particular year at the particular level of Education.

<sup>2</sup> Includes enrolment in first degree and post-graduate levels in public universities and Kolej Tunku Abdul Rahman.

## C. EMPLOYMENT

### a. Introduction

Malaysia has managed to maintain high or full employment since the 1970s. The major contributory factors were the employment and income-earning opportunities generated by the continuous rapid expansion of the economy in the last three decades, which was interrupted by only two years of negative growth.<sup>7</sup> In fact, in certain sectors of the economy, the demand for labour was so great that there were shortages. To deal with the whole employment situation, there were public programmes in place to promote employment and reduce unemployment. At the same time, programmes to overcome labour shortages were also put in place.

### b. Employment policy and programmes

Malaysia's employment or labour market policy has always been part of the major strategies of core national policies, the NEP, NDP and the NVP. The creation of new jobs at a rapid and continuous rate was an important ingredient in efforts to reduce poverty and to restructure society.

The employment policy continues to focus on maintaining the full employment status of the labour market. It is also aimed at increasing labour productivity and wages as well as meeting the labour or manpower demands of an economy that has been expanding rapidly and undergoing a variety of structural changes within and between sectors.<sup>8</sup> With the onset of the financial crisis in 1997 and the subsequent increase in unemployment, the policy added a new focus, i.e. returning the newly unemployed to productive employment.<sup>9</sup>

To achieve the objective of maintaining full employment, the Government implemented programmes and strategies that focused on both the demand and supply sides of the employment market. Strategies to reduce the demand for labour, in particular unskilled and semi-skilled labour, were a function of the tight labour market situation in Malaysia beginning from the early 1990s. One of the strategies adopted was to encourage new investments in capital or technology-intensive industries rather than labour-intensive ones. Related to this, incentives were also provided to small- and medium-scale industries to assist in their modernization and upgrading. Malaysian investors and entrepreneurs were also encouraged to locate their operations abroad, particularly in neighbouring countries to take advantage of the availability of more abundant and cheaper labour. A second strategy that was pursued involved measures to increase productivity. These included on-the-job training, increasing motivation and linking productivity to wages.

On the supply side, a major strategy was to have a public education system that produced school-leavers and graduates who are capable of meeting the employment needs of the economy<sup>10</sup>. In

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<sup>7</sup> Once in 1986 in the wake of the global recession caused by the rise in petroleum prices and once in 1998 following the attack on the Malaysian ringgit and other regional currencies.

<sup>8</sup> Please refer to Government of Malaysia, Malaysia: National Report, World Summit for Social Development, Copenhagen, 1995: Poverty Eradication, Expansion of Productive Employment and Social Integration in Malaysia, 1971-1994 (Kuala Lumpur: *Percetakan Nasional Malaysia Berhad*, 1995) p. 24.

<sup>9</sup> Government of Malaysia, National Economic Recovery Plan: Agenda For Action (Kuala Lumpur: *Percetakan Nasional Malaysia Berhad*, 1998), pp. 115-117.

<sup>10</sup> Please see the Section on Education for details.

addition, there was in place a comprehensive programme of industrial training provided by the Ministry of Human Resources, Ministry of Entrepreneur Development and Ministry of Youth and Sports, each with its own target group(s), and accredited private industrial training providers. This programme was strengthened by the financial support and expertise of several industrialized countries, viz., Britain, France, Germany, Japan, and Spain. It was also linked to a system of determining competency standards of occupational skills that are acceptable to the industry.

To further ensure an adequate supply of trained manpower, a programme for upgrading the skills of employed workers and for retraining workers that were retrenched was introduced. A Human Resource Development Fund, managed by the Ministry of Human Resource, was established to ensure the sustainability of this programme. Firms are required to contribute a small percentage of their earnings towards the Fund, which would eventually be utilized for training.

Another feature of the strategies to ensure an adequate supply of labour is the wages policy. Wages or salaries in the public sector are determined by the Government's ability to pay. Although basic salaries are generally lower than those in the private sector, civil servants enjoy many special perks, including security of tenure. Wages in the private sector are determined through mutual agreement between the employer and employee, which are formalized through collective agreements. Workers' rights are ensured through various laws and disputes are resolved through arbitration and the Industrial Court.

Strategies to deal with the huge inflow of workers from neighbouring countries have also been put in place. Laws and regulations were introduced and enforced to regulate and facilitate their legal and orderly entry. The sectors and industries in which they could be employed have been identified. For the undocumented or illegal foreign workers, amnesties were offered to them to surrender and be repatriated to their home countries.

Apart from the strategies to manage the demand and supply of labour, there is also a mechanism to disseminate information about job vacancies. This mechanism was further improved and upgraded with the establishment of a more comprehensive and computerized version of the service called the Electronic Labour Exchange.

To tackle the aftermath of the financial crisis of 1997, special steps were introduced to cope with the occurrence of unemployment.<sup>11</sup> These included, encouraging self-employment through organized petty-trading, farming and small businesses; encouraging employers and industries to delay retrenchments and instead resort to pay-cuts, shorter working hours or shifts, and part-time employment; and improving labour mobility.

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<sup>11</sup> As it turned out, the fear was unfounded because the unemployment rate only increased from 2.5 per cent in 1996 to about 3.2 per cent in 1998 and 3.4 per cent in 1999. See Government of Malaysia, *Eight Malaysia Plan, 2001-2005*, op. cit. pp.37, 38.

### c. Federal development expenditure for employment

The Federal Government expenditure for training was almost RM 2.2 billion for the 1996-2000 period. (Table III.5) Of this amount, about RM 1.8 billion was for industrial training. This represented about 82.0 per cent of total training expenditure and almost 17.4 per cent of the total social sector development expenditure.

### d. Conclusion

As a result of implementing the various employment programmes and strategies, the economy managed to maintain its full employment status. This was achieved despite the retrenchments and loss of jobs during the 1998 economic downturn. Clearly, the employment policy has succeeded in achieving its target of maintaining full employment in the economy. This has been achieved primarily through making the necessary changes and modifications in the field of education and training to ensure that the needs and requirements of the economy are met, as well as being able to respond quickly and effectively to the changing economic environment.

## D. SOCIAL PROTECTION <sup>12</sup>

### a. Introduction

Social protection in Malaysia has been provided mainly by Government agencies. The few private initiatives have generally been smaller in size. The current coverage of total social protection is broad, in terms of target groups and benefits, although there exists a degree of overlap among certain schemes and funds.

### b. Policy and programmes

The social protection policy has been directed at improving the well being of the population through the implementation of various programmes. These include the provision of welfare assistance, the implementation of poverty alleviation programmes and basic amenities that include housing, water and sanitation and measures which are aimed at increasing incomes through the provision of training and credit facilities.<sup>13</sup>

In this section, however, social protection refers to public universal benefits and employment-related measures which protect the population against the standard social security contingencies.<sup>14</sup> At least 10 programmes have been implemented, some since colonial times. These are the Employees Social Security Scheme; Employees Provident Fund; Workmen's Compensation Scheme; sickness, maternity and termination of employment benefits; public sector pension scheme; Armed Forces

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<sup>12</sup> This section is derived from ILO, Malaysia: Report to the Government on the development of social protection policy and strategy (Geneva: ILO, 1996) pp. 11-27.

<sup>13</sup> Ibid., p.11.

<sup>14</sup> Ibid. *Standard social security contingencies* refer to economic and social distress caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death.

Provident Fund; social welfare benefits; occupational pension scheme; private insurance; and health care.

The *Employees Social Security Scheme* was set up by The Employees Social Security Act, 1969, and administered by the Social Security Organization (SOCSO). All employees whose wages are below RM2000 per month when first employed are required by the Act to participate in the Scheme. They continue to be covered even when their wages exceeds RM2000 but are deemed to earn RM2000. Voluntary participation is allowed for those earning more than RM2000 on starting employment, with the agreement of their employers. Excluded from the Scheme's coverage are domestic servants, tributers, spouse(s) of the employer, members of the armed forces, police officers, persons detained in a prison or detention centre and, in effect, all public sector employees. Since April 1993, immigrant workers are also excluded. Employees who have attained the compulsory age of retirement or are receiving an invalidity pension but continue to be employed, are also excluded from coverage for invalidity benefits but continue to be covered for employment injury.

As indicated above, the Scheme insures employees against employment injury and invalidity accruing from such injury. Contributions of the former is 1.25 per cent of the average assumed wage of the wage class<sup>15</sup> of the employee and are entirely at the employer's charge. The contribution for invalidity benefits is one per cent of the employee's wage and is shared equally by the insured employee and his employer.

Employment injury benefits are paid for industrial injuries, occupational diseases and also include commuting accidents. The benefits provided are for medical care, temporary disablement, permanent disablement, rehabilitation, dependents' (in the event of employee's death) and funeral expenses. The invalidity benefits are in the form of pensions for the invalid employee, invalidity grants, rehabilitation expenses, funeral expenses and survivors' pensions. These benefits are subjected to periodic reviews, including actuarial reviews, to ensure that the real value of benefits are maintained and that the scheme is working in an effective and efficient manner.

The *Employees Provident Fund* was introduced in 1951 through the Employees Provident Fund Act of the same year. It was the first national provident fund of its kind in the world. It was set up as a body corporate and an agency of the Federal Government and is currently part of the Ministry of Finance.

The objective of the Fund is to provide financial security to its members, especially after retirement, through a savings scheme that requires contributions from employees and employers. In terms of coverage, the scheme requires all employees to be members. Employees are those who are employed under a contract of service or apprenticeship. However, the following are not covered, viz., nomadic aborigines, domestic servants (except those employed by registered societies, businesses or corporations or by designated employers, or who elect to joint), out-workers (except those employed by designated employers), detainees, legal immigrant workers (unless they elect to join and are not already covered by another provident or pension schemes) and any person who is a member of the Administration i.e., Ministers, Deputy Ministers, Parliamentary Secretaries, etc. Self-employed persons or pensionable employees may join voluntarily while public sector employees are also included during

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<sup>15</sup> The scheme has classified wages into 24 classes.

their probationary period. At the end of their probation, they may elect to continue contributing to the Fund in lieu of the Government pension scheme.

The contribution per employee, normally paid on a monthly basis, is 23 per cent of the employee's wage. Eleven per cent of the contribution is paid for by the employee and 12 per cent by the employer. Self-employed persons and pensionable employees who volunteer to be members can choose the amount of contribution, but it must be at least RM20 per month.

The individual contributor can withdraw part of his contribution, before reaching the age of 55, for purposes of home ownership and meeting the medical costs of a catastrophic disease afflicting the contributor.<sup>16</sup> The total balance in a contributor's account can be withdrawn on death or incapacitation or emigration or attaining the age of 55. In addition, there are also provisions for lump-sum benefits in the event of death and incapacitation.

The *Workmen's Compensation Scheme*, established under the Workmen's Compensation Act, 1952, is under the purview of the MHR. It is another social insurance scheme with many similarities to the Social Security Scheme in terms of its objectives and benefits. However, its target groups are manual workers and non-manuals earning less than RM500 per month. Since 1993, these also include legal immigrant workers. Excluded are casual workers not connected with the employer's trade, domestic servants, outworkers, tributers, family workers and those excluded by order of the Minister of Human Resource. Excluded, too, are workers covered by SOCSO, the armed forces and police personnel and other public servants who are entitled to service benefits in the event of employment injury.

The employer is liable for payment of benefits under this scheme. For this purpose, the Act requires the employer to take out insurance with an approved insurance firm. The scheme provides for four types of benefits, viz., medical, temporary disablement, permanent disablement and death arising out of an employment injury.

Another set of protection is provided under the Employment Act, 1955 in the form of *sickness, maternity and termination of employment benefits*. The Act is enforced by the MHR and covers, in the firstly, all employees working under a contract of service, earning less than RM 1,250 per month and secondly, manual workers and their supervisors, operators of mechanically propelled vehicles and those engaged on a vessel (except officers), irrespective of their wages.

The Employment Act stipulates that sick leave is to be provided at full pay with the number of days per year ranging from 12 to 22 days depending on the worker's length of service with the employer. The number of days increases to 60 days per year if hospitalization is required.

Maternity leave is to be provided at full pay subject to a minimum of RM6 per day, while the period of leave is 60 days per confinement. Termination of employment benefits are also to be provided by employers with the benefits being more for employees with longer services. In addition, there are also voluntary separation schemes for mutually agreed terms of termination of employees by employer and employees.

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<sup>16</sup> For a recent short period, the contributor could also withdraw part of his contributions to purchase a personal computer. This provision was withdrawn in 2002.

To provide for the welfare of retired public sector employees and their dependents and survivors there is the *public sector pension scheme*. The current scheme is governed by a set of six pieces of legislation, viz., the Pensions Act, 1980; Judges Remuneration Act, 1971; Members of Parliament Remuneration, 1980; Service Commissions Ordinance, 1957; and Regular Force (Pension, Gratuities and other Grants) Regulations, 1982. The Public Services Department administers this scheme. The scheme covers, as indicated by the pension legislation, pension able members of the public services, statutory bodies and local authorities; judges; members of parliament and the administration; political secretaries; members of services commissions; and the armed forces, excluding those who have opted to join the Employees Provident Fund.

The pension scheme is non-contributory for individual employees. Pension and gratuity payments are fully borne by the Federal Government. In anticipation of escalating expenditure on pension payments, the Pension Trust Fund was established in 1991 with the intention of having it take over the Government's pension liability. The Federal Government statutory bodies and local authorities contribute five and 17.5 per cent respectively, of the basic salaries of their pensionable employees to the Fund.

The benefits of the schemes are pensions and gratuity payments. Pensions are of two types. The service pension is paid to the retired upon retirement and continues until death, while the gratuity is a one-off payment also paid at the time of retirement. Upon the death of the retiree, the pension payments are transferred to his / her widow / widower and children. This derivative pension is reduced by about one-third 12.5 years after the first payment. The derivative pension is also paid in the event a public servant on the pensionable scheme dies while still in office. Dependents will receive this pension only if they are residing in Malaysia. Payments will cease when the widow / widower remarries or the child attains the age of 21 or marries or ceases studying in an institution of higher learning, unless the child is mentally retarded or incapacitated physically and permanently. Another pension-type is the disability pension. It is payable in the event a member of the public service on the pensionable scheme sustains an injury in the course of performing his or her official duty or contracts a disease to which he or she is exposed by the nature of his or her duty. The payment is, however, subjected to the condition that no award or benefit has been or will be made under the Workmen's Compensation Act to the affected public servant. Relatedly, there is the dependent's pension which is payable if the aforementioned injury or disease leads to death within seven years. Lastly, there is the alimentary allowance that is granted to the dependents of a pensioner who is adjudged a bankrupt or convicted to jail or death.

The second major benefits are in the form of a service gratuity payment, which is a one-time payment to the public servant on his or her retirement. There is also a derivative gratuity which is payable to dependents on the death of the pensionable public servant while in service.

Another social protection mechanism in Malaysia is the *Armed Forces Fund* that was set up in 1972 under the Armed Forces Fund Board Act, 1972. This is a compulsory and contributory scheme of the "other ranks" of the armed forces while the officer corp is allowed to participate voluntarily. It is aimed at protecting the welfare of contributors and their dependents on their retirement, discharge from services, attainment of age 50 and death.<sup>17</sup> Members from other ranks contribute 10 per cent of their basic salary while the Government's contribution is 15 per cent. Officers contribute between RM25 and RM 200 per month. Contributions grow through annual dividends and bonuses. Benefits take two forms i.e. firstly, a refund of the accumulated balance of each contributor's account, for non-

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<sup>17</sup> Please see official website of the Fund at <http://www.ltat.org.my/biltat.html> for more details.

pensionable other ranks and officers, and secondly, for pensionable other ranks, a refund of the accumulated balance of each contributor's account minus the amount contributed by the Government is provided. There are, in addition, supplementary disability or death benefits and a facility that allows compulsory contributors to withdraw a portion of the accumulated balance to purchase a house or piece of land subject to conditions.

*Social welfare assistance* is another component of the social protection package provided by the Ministry of National Unity and Social Development. These are targeted at disadvantaged groups, including the poor and are means-tested and consist of allowances for the disabled, aged, families in need, and children in need. In addition, for the physically disabled, assistance to acquire artificial limbs and other appliances is also provided.

Complementing this package is the assistance provided under the poverty eradication programme<sup>18</sup>, *zakat* system, welfare NGOs, private corporations and individual philanthropists. Of particular significance is the assistance provided under the *zakat system*, which is one of the pillars of Islam and the Islamic system of re-distributing wealth from the rich to the poor. Managed by the religious councils of the states, the collected tithes are provided to the poor and the destitute.

Social protection is also provided by *occupational pension schemes* created by major employers. They are mostly organized as trust funds and managed by trustees although a number are administered by banks and insurance companies. The benefits are modest and typically take the form of a lump sum payment on retirement.

*Private insurance* is another form of social protection, with an increasing number of Malaysians turning to various insurance schemes for added protection, particularly life insurance and endowment assurance policies. The provisions under the Insurance Act, 1961, govern insurance in Malaysia and the industry comes under the supervision of the Central Bank of Malaysia.

*Health care* is the tenth component of Malaysia's social protection package. A major portion of health services is provided by the Ministry of Health, which is highly subsidized by the Government. For inpatient care, three classes of fees exist. For services at the third class level, the fees are minimal and often waived for the very poor. This is to ensure that no one is denied access to health care.

### c. Conclusion

It is pertinent to note that there are many social protection schemes, some of which have been in existence since the 1950s. It is also very noteworthy that they have succeeded in being solvent and financially viable despite having to face two serious, *albeit* short, economic recessions in the 1980s and 1990s. However, in a recent study undertaken with the assistance of the International Labour Organization, some shortcomings in the functioning of these schemes have been identified, especially with regard to the EPF and SOCSO schemes. It has pointed out that the institutional framework is fragmented and that there is some form of duplication in the administration of these two schemes. This is mainly due to the fact that programmes have tended to be developed at the institutional level by each of the schemes. The report thus concluded that there is insufficient coordination in the overall management of social security. In addition, it has been noted that although the coverage of the existing social protection schemes is fairly large, coverage of the self-employed has not been included. The

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<sup>18</sup> Please see Section E below.



Government has accepted these findings and steps are being undertaken to further improve the implementation of social security schemes.

The Government through its ministries and agencies largely provides social protection in Malaysia. The system is well established and captures not only employees or workers but also their dependents. Even temporary legal foreign workers are provided employment-related protection and in the case of medical care, all foreign workers, including illegal ones, are not denied access. However, in view of the number of schemes involved in providing the protection, the problem of coordination and standardization has been seen to emerge.

## E. POVERTY REDUCTION

### a. Introduction

Poverty reduction has been a serious and strategic concern in Malaysia's national development since 1970 when it was first accepted as one of the twin strategies of the NEP. Efforts to reduce poverty have been, from the beginning led by the Federal Government and this continues to be so at the present time. However, in more recent times, state governments, NGOs, and business entities have also played an important role. The results have been rewarding, particularly to the poor. At the end of the 1990s, the incidence of poverty has been successfully reduced to single digit percentages from a situation in 1970 when about half the households in the country lived below the poverty line.

### b. Policy and programmes

Malaysian policy on poverty in 1970 was directed at eradicating poverty in the long-term and in reducing it in the short and medium-terms. In 1989, the primary focus was shifted from reducing poverty to reducing hardcore or extreme poverty. The present policy is aimed at virtually reducing it by 2005.

The major strategies or programmes had four aspects. Firstly, the promotion of rapid economic growth to create employment and business opportunities specially targeted to poor households. Secondly, providing greater access to better education and training facilities to members of poor households so that they can gain employment in better paying jobs or operate their own micro or small businesses. Thirdly, providing increased access to social amenities and facilities to poor households so that their welfare and quality of life is upgraded. These include better housing, access to piped or potable water, electricity, sanitation, health and medical services, schools, rural hostels, roads and transportation services. Fourthly, providing assistance in cash and kind to members of poor households who are incapable of earning an income through work because of old age or some form of physical disability.

Preceding the initial determination and selection of the four strategies in 1970, there was the formulation of the concepts of poverty and relative poverty as well as their measurements. Subsequently in 1989, there was the formulation and measurement of the concept of hardcore poverty (Appendix 5)

These four aspects continue to be stressed. Steps were taken to promote economic growth including reviving it during the 1998 recession. In addition, programmes continue to be implemented to increase incomes and productivity of poor households through the continuing modernization and commercialization of the agriculture smallholder sub-sector; consolidation and rehabilitation of fragmented and small-sized agriculture land; replanting of rubber and oil palm plantations; and

expansion of rural-based industries. In addition there were programmes for the urban poor, which focused on the provision of better housing and improved living conditions.

To strengthen and complement the poverty reduction strategies, the Development Programme for the Hardcore Poor was introduced in 1989 when it was realized that further reductions in the incidence of poverty would be more difficult and require special programmes targeted at the hardcore poor. Emphasis was and continues to be given to income-generating projects including petty trading, cottage industries, livestock rearing, aquaculture, and commercial production of food crops. The Programme also provides training and improved housing and other basic amenities. In addition, there were components of the Programme that provided cash handouts. Firstly, an additional four-year grace period was given to hardcore poor participants of the *Bumiputera* Equity Trust Scheme to enable them to repay the loans they had been given to participate in the Scheme. Allowing the delayed repayment meant that they received the full annual dividends instead of just receiving a smaller amount after the loan repayment installments had been deducted. Secondly, cash assistance was provided by the Government's biggest land development agencies to selected hardcore poor households, who were headed by disabled persons or persons aged 60 years or more.

The NGOs, in particular, the *Amanah Ikhtiar Malaysia*, a local version of Bangladesh's Grameen Bank's micro-credit scheme, also contributed significantly to the hardcore poverty reduction efforts. To a lesser extent, state-government foundations and agencies also contributed to redressing the problem in their respective states as did the private sector by providing assistance in cash and kind as well as in the form of training and employment opportunities.

To reduce the effects of the 1998 recession on the hardcore poor, increased funds were made available to start-up micro-credit schemes for petty traders and hawkers in urban areas while for the rural areas, additional funds were made available for expanding and improving pre-schools, schools, medical facilities, potable water and electricity supplies. Various measures were also taken to reduce the effects of inflation by increasing the production of vegetables and encouraging the buying of Malaysian-made goods.

A special programme for the *Orang Asli*, the aboriginal people of Malaysia, whose households had an incidence of poverty of almost 51.0 per cent, was also introduced. Steps taken to assist them out of poverty included getting them involved in income-generating activities, such as participating in land development schemes, vegetable farming, livestock-rearing, retail business and cottage industries. They are also participants in the National Equity Trust Scheme for the hardcore poor.

#### c. Federal government expenditure for poverty reduction

The budget allocation for the Development Programme for the Hardcore Poor for the 1996-2000 period totalled RM300 million. This does not include the budget for the broader poverty reduction efforts that are included in the budgets of ministries that are also implementing poverty reduction programmes.

#### d. Conclusion

As a result of the implementation of poverty reduction programmes, the incidence of poverty fell from 8.7 to 7.5 per cent between 1995 and 1999 while the incidence of hardcore poverty during the same period was reduced from 2.1 to 1.4 per cent. (Table III.8) The incidences of both urban and rural

households were reduced but in 1999 the incidence of poverty among rural households (12.4 per cent) continued to be much higher than that of urban households (3.4 per cent).

There is clear evidence that the poverty reduction programme in Malaysia has succeeded in drastically reducing the overall incidence of poverty. However, rural poverty still remains relatively high and the incidence of poverty among the *Orang Asli* is a major concern.

Table III.8

**INCIDENCE OF POVERTY AND NUMBER OF POOR HOUSEHOLDS  
1995, 1997 AND 1999**

		1995 <sup>1</sup>			1997 <sup>1</sup>			1999		
		Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural
Incidence of poverty	(%)	8.7	3.6	14.9	6.1	2.1	10.9	7.5	3.4	12.4
Number of Poor households	('000)	365.6	83.8	281.8	274.2	52.4	221.8	351.1	86.8	264.3
Incidence Of Hardcore Poverty <sup>2</sup>	(%)	2.1	0.9	3.6	1.4	0.4	2.5	1.4	0.5	2.4
Number of Hardcore-Poor households	('000)	88.4	20.1	68.3	62.4	10.6	51.8	64.1	13.5	50.6
<b>Total Households</b>	<b>('000)</b>	<b>4,212.3</b>	<b>2,315.8</b>	<b>1,896.5</b>	<b>4,488.1</b>	<b>2,449.8</b>	<b>2,038.3</b>	<b>4,681.5</b>	<b>2,548.0</b>	<b>2,133.5</b>

Source: Government of Malaysia, Eighth Malaysia Plan, 2001-2002 (Kuala Lumpur: *Percetakan Nasional Malaysia Berhad*, 2001) p. 57.

Notes: 1. Revised, based on the latest household population data.

2. Estimated using half the poverty line income.

## F. WOMEN

### a. Introduction

Malaysia has had a long experience in empowering women politically, economically and socially by allowing equal access to development programmes, including education, skills training, and health as well as ensuring the implementation of non-gender-discriminating regulations and practices.

### b. Policy and programmes

The National Policy for Women was formulated in 1989 with the objective of enhancing their role and ensuring their integration in the process of development. To operationalize the Policy, a Plan of Action for the Advancement of Women was formulated and is being used as the basis to formulate various programmes and projects.

The existing practice of providing equal access to educational and training opportunities for males and females was and is being continued. This was for all levels of education, including tertiary and post-graduate education, as well as for formal and informal training. Financial assistance for educational expenses, that excludes any form of gender bias, has been and will continue to be provided

to ensure that women have equal access to training programmes. In addition, special programmes, that include skills training and the provision of financial assistance to assist women to venture into the business world has been and will continue to be provided.

To improve the health status of women, two main approaches have been adopted. The first involves improving the general health of the family and this comprises maternal and child health, immunization, family planning, nutrition and early detection of serious diseases. The second involves conducting health education and awareness programmes for women to ensure that they remain healthy, including in old age.

Recognizing that feminization of poverty is a worldwide phenomenon, special attention is being given to poor households headed by women. This was done because the incidence of poverty among female-headed households was about 16.0 per cent in 1999, more than double the national incidence of 7.5 per cent. The main strategy being adopted is to provide the necessary assistance and incentives for them to go venture into micro-businesses.

To further improve the status and well being of women, steps have been and continue to be undertaken to review existing and formulate new legislation. This include amendments that have been made to the Employment Act, 1955, that enables more women to join the labour force through the introduction of flexible working hours. In addition, the provision of equal pay for full and part-time employment is aimed at encouraging housewives to join the labour force as part-time employees. Steps are also being taken to ensure greater uniformity in the judgements of syariah courts (which are state, not federal, institutions) on matters pertaining to Islamic family law.

To furthers ensure that the interests of women are safeguarded perhaps the most important step taken in recent times, was the creation of the Ministry of Women and Family Development in 2001. The existence of the Ministry will allow for greater coordination and integration in the implementation of programmes and strategies for women.

#### c. Federal development expenditure for programmes for women

Currently budgeting for programmes and projects are not gender disaggregated, although efforts are being made to introduce gender budgeting. However, it is clear that apart from the Ministry of Women and Family Development, a considerable portion of the budgets of the Ministries of Health, Education, Rural Development, Human Resource, and Youth and Sports has and continue to benefit women.

#### d. Conclusions

With the implementation of non-discriminatory policies and strategies, it is evident that Malaysian women have accomplished great achievements through the years. Nevertheless, there are further improvements to be made particularly in increasing the labour participation rate of women and enhancing their role in the corporate sector.

## G. YOUTHS<sup>19</sup>

### a. Introduction

National development in Malaysia has for a long time also incorporated the development of youths. A major portion of the efforts has been directed at giving the young an adequate and proper formal education and inculcating positive values in them in preparation for the job market and life in general. However, in Malaysia, parallel to and beyond the formal education system, additional steps have been and continue to be taken to further develop the full potential of youths thus enabling them to make more useful contributions to national development. In this area, as in many other areas, the Federal Government has chosen to play an active role.

### b. Policy and programmes

There is currently in force the Youth Development Policy, launched in 1997, to replace the National Youth Policy of 1985. The new policy retained the 1985 definition of youth as those aged 15-40 years but focused on the 18-25 years age group in its programmes.

The objective of youth development programmes is to mould and develop resilience among youths so that they can contribute positively towards nation building. Towards this end, six strategies have been adopted, viz., broaden the knowledge of youths; instill in them positive values and attitudes; increase their vocational and technical skills; facilitate and promote social interaction among them; promote the importance of a healthy lifestyle for them; and develop in youths the spirit of cooperation and partnership among government agencies, the private sector and NGOs.

In consonance with the objective and strategies of the youth policy, programmes on leadership training, skills training, entrepreneurial development, healthy lifestyle, sports, arts and culture, as well as a variety of other programmes have been made available to youths. The Government, mainly through the Ministry of Youth and Sports, implemented all the aforementioned programmes while youth organizations as well as other NGOs and the private sector complemented Government efforts.

Programmes implemented have also been directed towards dealing with problem youths. These included the rehabilitation of youths who have been involved in unhealthy activities such as substance abuse and criminal activities. Programmes were implemented in collaboration with the National Association for the Prevention of *Dadah* as well as the Malaysian Crime Prevention Foundation.

### c. Federal development expenditure for youth programmes

Federal Government development expenditure as provided for through the Ministry of Youth and Sports amounts to almost RM1.4 billion. This amount represents 1.4 per cent of the total development expenditure for the 1996-2000 period.

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<sup>19</sup> This section is largely derived from Chapter 21 Youth in Development, Government of Malaysia, Eight Malaysia Plan, *ibid.*, pp. 573 – 581.

#### d. Conclusion

There is clear evidence that the youth development programmers have succeeded in attracting millions of youths to participate. However, it is still to be determined if the programmes have achieved their formal objectives.

### IV. CHALLENGES AND RENEWAL

#### A. FACTORS AFFECTING THE SOCIAL POLICY PROCESS

##### a. Introduction

Malaysia's success in its social development efforts and social policy process can be attributed to three factors. They are firstly, the positive political environment; secondly, the administrative competence and technical expertise available for the process; and thirdly, non-domestic or global factors.

##### b. The political environment

The political environment, within which the social policy process has taken place, has been a conducive one in many ways. It had at least four positive features, namely, strong elected governments, governments committed to equitable growth, an open social policy formulation process and a preference for moderation and consensus in resolving political issues.

Firstly, strong elected Governments have been a constant feature in Malaysia. A major reason for this has been the huge majority that successive ruling parties have had in the House of Representatives. An added reason has been the fact that the ruling parties have been the same, i.e. the Alliance Party and then its successor, the National Front. The Alliance won 50 of the 52 contested seats in the first general election held before independence in 1955. Following that, in all subsequent general elections, the Alliance and then the National Front have won more than two-thirds of the seats in the House of Representative.<sup>20</sup>

These large majorities gave successive Governments not only the right but also the confidence to govern in ways that meet the needs of its supporters and the nation as a whole. There was also an added reason for the confidence: the coalitions that formed the successive Governments were made up of ethnic-based parties.<sup>21</sup> This meant that they had the support of the majority of Malaysia's multi-ethnic population.

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<sup>20</sup> This was a significant majority because it gave the ruling party the legal authority to amend the federal constitution if the need arose.

<sup>21</sup> Coalition governments in Malaysia differed from those commonly formed in other countries in that it has been a largely permanent coalition and in existence before elections. It has not been formed after elections to enable several parties to get a majority in the legislative assembly and form a government.

Malaysia has been fortunate to produce leaders who have accepted the wisdom of inter-ethnic cooperation in politics. The situation could have otherwise been different. It could have been a series of revolving door governments weakened by the lack of total national support and inter-ethnic conflicts and violence. This would have drained resources away from social and economic development.

Complementing their political strength, the second feature was the commitment of the Government towards equitable growth. This incorporated a strong and genuine commitment for the poor and for real and broad-based improvements to social services, public amenities and the quality of life of all Malaysians. The huge budget allocations and actual expenditure for education, health, other social services and rural development as well as the existence of special ministries for the development of education, health, women, youth, social welfare and rural areas are clear evidence of this commitment. The emplacement of the NEP, NDP and NVP as the paramount national development policy for successive time periods is yet another clear testimony on the joint emphasis given to social and economic development.

A third feature that contributed towards the social policy process has been the transparency and openness of the formulation of social development programmes and projects. Ordinary citizens, NGOs and interest groups are free to use three different channels of communication to express their views to decision-makers, i.e. political parties, public service and mass media. Consideration of views and opinions of opposition political parties have added further openness to the process and resulted in improved programmes being implemented. This process has been structured to allow for constructive criticisms and suggestions within the normal boundaries of the law.

The fourth feature that has made the process work has been the preference for moderation and consensus in resolving political issues, including those pertaining to social policies. Given the plural nature of the population, and as a result of the over-riding objective of national unity and social harmony, Malaysians have accepted the value of mutual tolerance and respect for each other. The majority has rejected extremist positions. The preferred mode in addressing contentious issues has been for the parties involved to reach a consensus and adopt a moderate stand.

The four features of the political environment have strengthened the social policy process. However, this process can be further improved and refined with greater public participation. Broader public participation has to be promoted not only among the educated, urban-based middle-class but also the less educated, rural-based lower class. Better techniques of garnering and understanding the needs, feelings and frustrations of all of them will have to be put in place. Better methods have to be instituted to disseminate data and information on the Government's social policies, programmes and projects such that they are easily and correctly understood. On the part of the public, there is a clear need to go beyond the present practice of merely voicing their complaints about social services. Suggestions on formulating better targeted programmes to improve the provision and quality of social services will be useful to policy makers and programme planners.

#### c. Administrative competence and technical expertise

The availability of administrative competence and technical expertise among social service providers and implementers has positively contributed to the success of the Malaysian social policy process. The operationalization of social policies formulated by decision-makers and planners into implementable programmes have contributed towards improving the coverage and quality of social



services provided. These efforts have resulted in the overall improvement of the quality of life of the people.

The administrative competence and technical expertise factor had six main features. They were the availability of clear implementation guidelines; well-trained public service; the availability of adequate financial resources; nominal fees; inclusion of the private sector in service delivery; and the capability to respond effectively in major emergencies.

The availability of clear guidelines in the form of the NEP, NDP and NVP, the long- and medium-term national development plans and annual budgets as well as specific legislation and policies on particular social areas of concern, all assisted service providers in the proper and effective performance of their work.

Another feature was the well-trained quality of service workers. In fact, the upper echelons of the ministries involved in providing social service and in implementing social development programmes were not only well-trained but typically also highly-qualified and very experienced in their areas of specialization.

A third feature was the availability of financial resources to implement social policies. The resources were partly sourced from multilateral organizations. However, the bulk came from domestic sources. Malaysia had the resources because of the continuously rapid growth it enjoyed. In this regard, because it depended less on foreign financing, it had greater freedom to undertake and implement social policies in its own way.

A fourth feature of the administrative competence and technical expertise factor was the charging of nominal or no fees for the provision of education, health and other social services. This was instrumental in making the services more affordable and accessible to all Malaysians including the poor and low-income group.

A fifth feature was the growth of private providers of education and health service and certain types of social protection, under license from the authorities. This reflected the rational willingness on the part of the authorities to make the shift from the traditional view that the provision of social services is a public service, and thus, a function of Government only. The growth of private providers was made possible by the presence of a favourable enabling environment that allowed for their development and existence as well as the demand by a segment of the population that was able to afford their services.

A sixth feature, a stringent measure of the real competence and expertise of the Government and public service, was their ability to successfully react and respond quickly to major changes/crisis. The Government was able to tackle the economic recession of 1998 by formulating its own package of reforms. Through the implementation of these reforms, the economy was successfully revived in 1999 with the absence of any form of social unrest.

#### d. The non-domestic or global factor

The non-domestic or global factor, arising out of circumstances beyond the direct control of Malaysia, has also affected the social policy process. This factor has two main features, namely, the large inflow of foreign workers and the unexpected deliberate attack on the Malaysian ringgit.

The large inflow of foreign workers, mainly from Indonesia, the Philippines and Bangladesh, in search of employment has helped to sustain the growth of the construction and agricultural sectors. Foreign live-in maids too have enabled Malaysian women to enter the job market in bigger numbers and contribute to economic growth. At the same time, however, the huge number of foreign workers who constituted almost 8.0 per cent of the 9.6 million labour force in 2000 created a strain on the capacity of social services, in particular on health facilities. In addition, the shortage of low-cost housing led to the establishment of illegal settlements. These unhealthy living conditions resulted in various social problems such as petty crimes and increased incidences of communicable diseases.

The other feature was the deliberate attack on the Malaysian ringgit by rogue speculators in 1997. This was totally unexpected and, given the free movement of the ringgit then, impossible to defend against immediately. The attack devalued the ringgit, which in turn caused stock prices to plunge and the real economy to grind to almost a complete stop. As a result, the unemployment rate and the incidence of poverty increased. Further, in the initial response to the crisis, the Government budget was reduced thereby, inter alia, limiting the scope of social services. This was, however, soon reversed and the original budget was not only reinstated, but in some cases, including those for health, education, poverty reduction and rural development, were increased. Malaysia thus, on its initiative, was able to overcome the economic disruption and place the economy back on track within two years.

## B. GLOBALIZATION AND SOCIAL POLICIES

Globalization has been promoted by its proponents as being able to bring about the greatest good to the greatest number of people. Together with trade liberalization, globalization is said to be capable of generating the growth of national economies and in the process, increasing productive employment, reducing poverty, eliminating hunger and, in general, improving the quality of life. The free flow of capital, expertise, manpower and other resources across national boundaries will bring the positive changes mentioned.

Malaysia has always been an active participant in the world economy. Its open economy has been driven to rapid growth by its exports. Foreign direct investment, imported technology, foreign management and technical expertise have been permanent features of the development of the manufacturing and other sectors of the economy. In spite of this, however, Malaysia views with caution the call for unfettered globalization and cross-border trade, in particular, if they are to be effected at a rate determined by the developed nations and huge multinationals.

The argument for globalization and trade liberalization, although coupled with arguments on the social benefits to be derived, in reality is blind to the actual detrimental social effects of certain facets of the free economy. In particular, the free and rapid movements of capital from one country to another, which is allowed under a free economy regime, in search of better returns, will have disastrous economic and social effects on the economy experiencing the outflow. It will cause, among others, unemployment and the incidence of poverty to increase and place undue strain on the government's social services and social welfare budgets. The experience of Indonesia, Thailand, South Korea, and Malaysia, amongst others, in the wake of the currency crisis of 1997 bears testimony to this reality.

In view of these shortcomings, Malaysia has, with many other developing nations, adopted the position that globalization and trade liberalization has to be introduced in phases. This is to enable itself the time to prepare and strengthen its economy and institutions for the competition of the open market.

In this regard, the primary aim is to ensure that Malaysia retains controls over its own economy and at the same time benefits fully from globalization and free trade. This is necessary to give Malaysia the freedom and independence to determine its own ways to achieve economic growth, social development and national unity.

## V. CONCLUSION

Malaysia has experienced over forty years of steady improvements in the quality of life of the people. The availability of sufficient and effective utilization of funds was matched by the commitment to provide social services. Investments in health and education, especially basic health and education, have shown to be critical for laying the foundation for broader, more comprehensive development later and have complementary effects on development.

In a multi-ethnic, multi-religious, multi-lingual and multi-cultural society like Malaysia, it is crucial for national unity to be the overriding objective and the goal of the national development agenda. Continued social and political stability is crucial for the realization of Malaysia's development objectives. Social policy formulation and social development is inseparable from the economic, political, cultural and ecological environment in which it takes place. The ultimate aim of development is to improve the quality of life of the people. While continuous rapid economic growth is crucial, it alone cannot guarantee social harmony. As such, social policy formulation cannot be pursued as a sectoral initiative, but instead has to be integrated into the overall development agenda.

The major conclusion that can be drawn from the social policy process in Malaysia is that Government-driven programmes to provide wide-ranging social services on a nationwide basis should be put in place, as they are effective in improving the quality of life of the people. However, the existence of certain pre-requisites is essential to ensure the success of this process. Positive achievements have been recorded, despite the various shortcomings and the unexpected external challenges to the process and the economy as a whole. In more recent time, attempts have been made to privatize certain aspects of the delivery of social services. While these may prove successful, it is crucial to ensure a proper balance among factors such as affordability, costs, quality and coverage, especially for the low-income group.

## THE NEW ECONOMIC POLICY <sup>22</sup>

The New Economic Policy (NEP) has as its over-riding objective the promotion of national unity through the two-pronged strategy of:

- (a) eradicating poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. This is to be achieved by programmes aimed at raising the productivity to higher productivity activities and the provision of a wide range of social services especially designed to raise the living standards of the low-income groups;
- (b) accelerating the process of restructuring Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function. Programmes for this purpose include the modernization of rural life, the rapid and balanced development of urban activities, the establishment of new growth centers and the creation of a Malay commercial and industrial community in all categories and at all levels of operation. The objective is to ensure that Malays and other indigenous people will become full partners in all aspects of the economic life of the nation.

The efforts to attain these objectives will, in turn, be undertaken in the context of rapid structural change and expansion of the economy so as to ensure that no particular group experiences any loss or feels any sense of deprivation in the process.

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<sup>22</sup> Adopted from Government of Malaysia, Mid-Term Review of the Second Malaysia Plan (Kuala Lumpur: Government Plan, 1973), p.1.

VISION 2020<sup>23</sup>

By the year 2020, Malaysia can be a united nation, with a confident Malaysian society, infused by strong moral and ethical values, living in society that is democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous, and in full possession of an economy that is competitive, dynamic, robust and resilient.

There can be not fully developed Malaysia until we have finally overcome the nine central strategic challenges that have confronted us from the moment of our birth as an independent nations. The first of these is the challenge of establishing a united Malaysian nation with a sense of common and shared destiny. This must be a nation at peace with itself, territorially and ethnically integrated, living in harmony and full and fair partnership, made up of one *Bangsa Malaysia* with political loyalty and dedication to the nation.

The second is the challenge of creating a psychologically liberated, secure, and developed Malaysian Society with faith and confidence in itself, justifiably proud of what it is, of what it has accomplished, robust enough to face all manner of adversity. This Malaysian Society must be distinguished by the pursuit of excellence, fully aware of all its potentials, psychologically subservient to none, and respected by the peoples of other nations.

The third challenge we have always faced is that of fostering and developing a mature democratic society, practicing a form of mature consensual, community-oriented Malaysian democracy that can be a model for many developing countries.

The fourth is the challenge of establishing a fully moral and ethical society, whose citizens are strong in religious and spiritual values and imbued with the highest of ethical standards.

The fifth challenge that we have always faced is the challenge of establishing a matured, liberal and tolerant society in which Malaysian of all colours and creeds are free to practice and process their customs, cultures and religious beliefs and yet feeling that they belong to one nation.

The sixth is the challenge of establishing a scientific and progressive society, a society that is innovative and forward-looking, and one that is not only a consumer of technology but also a contributor to the scientific and technological civilization of the future.

The seventh challenge is the challenge of establishing a fully caring society and a caring culture, a social system in which society will come before self, in which the welfare of the people will revolve not around the state or the individual but around a strong and resilient family system.

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<sup>23</sup> Ahmad Sarji Abdul Hamid (ed.), *Malaysia's Vision 2020* (Kuala Lumpur: Pelandok Publications, 1993) pp. 403-420.

The eighth is the challenge of ensuring an economically just society. This is a society in which there is a fair and equitable distribution of the wealth of the nation, in which there is full partnership in economic progress. Such a society cannot be in place so long as there is the identification of race with economic function, and the identification of economic backwardness with race.

The ninth challenge is the challenge of establishing a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient.

We have already come a long way towards the fulfillment of these objectives. The nine central objective listed need not be our order of priorities over the next three decades. Most obviously, the priorities of any moment in time must meet the specific circumstances of that moment in time.

“A full partnership in economic progress” cannot mean full partnership in poverty. It must mean a fair balance with regard to the participation and contribution of all our ethnic groups-including the Bumiputeras of Sabah and Sarawak-in the high-growth, modern sectors of our economy. It must mean a fair distribution with regard to the control, management and ownership of the modern economy.

In order to achieve this economically just society, we must escalate dramatically our programmes for national human resource development. There is a need to ensure the creation of an economically resilient and fully competitive Bumiputera community so as to be at par with the non-Bumiputera community. There is need for a mental revolution and a cultural transformation. Much of the work of pulling ourselves up by our bootstraps must be done ourselves. In working for the correction of the economic imbalances, there has to be the fullest emphasis on making the needed advances at speed and with the most productive results-at the lowest possible economic and societal cost.

THE NATIONAL DEVELOPMENT POLICY <sup>24</sup>

The Second Outline Perspective Plan (OPP2), covering the period 1991-2000, has been formulated based on a policy, which will be called the National Development Policy (NDP). The NDP will build upon the achievements during the OPP1 to accelerate the process of eradicating poverty and restructuring society so as to correct social and economic imbalances. It provides a broader framework for achieving these socio-economic objectives in the next ten years within the context of a rapidly expanding economy. In formulating the NDP, the Government has considered the views and proposals from various groups including the report of the National Economic Consultative Council on the post-1990 policy for the country.

National unity remains the ultimate goal of socio-economic development because a united society is fundamental to the promotion of social and political stability and sustained development. Development policies and strategies under the NDP take cognizance of the diversities of Malaysian-ethnic, linguistic, cultural and religious as well as regional-so that a harmonious, tolerant and dynamic society could be progressively created. Aside from socio-political and cultural considerations, continued social and political stability as well as the efficient management of the economy are crucial to the realization of its goals and objectives.

The NDP will set the pace to enable Malaysia to become a fully developed nation by the year 2020 not only economically but also in all other aspects. It has to be fully developed in terms of national unity and social cohesion, in terms of its economy, in terms of social justice, political stability, system of government, quality of life, social and spiritual values, national pride and confidence. The Government envisions that by the year 2020, Malaysia will be a united nation, with a confident Malaysian society that is democratic, liberal and tolerant, caring, economically of an economy that is competitive, dynamic, robust, resilient and socially just.

While the NDP maintains the basic strategies of the NEP, its new dimensions will be to: (a) shift the focus of the anti-poverty strategy towards eradication of hardcore poverty while at the same time reducing relative poverty; (b) focus on employment and the rapid development of an active Bumiputera Commercial and Industrial Community (BCIC) as a more effective strategy to increase the meaningful participation of Bumiputera in the modern sectors of the economy; (c) rely more on the private sector to be involved in the restructuring objective by creating greater opportunities for its growth; and (d) focus on human resource development as a fundamental requirement for achieving the objectives of growth and distribution.

The objective of the NDP during the period of the OPP2 is to attain a balanced development in order to establish a more united and just society. Building upon the on-going thrust of the NEP in eradicating poverty and restructuring society, the NDP will encompass the following critical aspects:

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<sup>24</sup> Government of Malaysia, Second Outline Perspective Plan, 1991-2000 (Kuala Lumpur: National Printing Department, 1991) pp. 3-6. The National Development Policy was initially termed as the New Development Policy.

- *striking on optimum balance between the goals of economic growth and equity;*
- *ensuring a balanced development of the major sectors of the economy so as to increase their mutual complementarities to optimize growth;*
- *reducing and ultimately eliminating the social and economic inequalities and imbalance in the country to promote a fair and more equitable sharing of the benefits of economic growth by all Malaysians;*
- *promoting and strengthening national integration by reducing the wide disparities in economic development between states and between the urban and rural areas in the country;*
- *developing a progressive society in which all citizens enjoy greater material welfare, while simultaneously imbued with positive social and spiritual values, and an increased sense of national pride and consciousness;*
- *promoting human resource development including creating a productive and disciplined labour force and developing the necessary skills to meet the challenges in industrial development through a culture of merit and excellence without jeopardizing the restructuring objectives;*
- *making science and technology an integral component of socio-economic planning and development, which entails building competence in strategic and knowledge-based technologies, and promoting a science and technology culture in the process of building a modern industrial economy; and*
- *ensuring that in the pursuit of economic development, adequate attention will be given to the protection of the environment and ecology so as to maintain the long-term sustainability of the country's development.*

The development strategy outlined above is premised on the following considerations. *First*, the principle of growth with equity is fundamental to ensure the realization of a fair and equitable distribution of national wealth. *Second*, a balanced societal development is conducive to the maintenance of social and political stability. *Third*, the nurturing and moulding of a Malaysian society with high moral values and ethics as well as positive attitudes are fundamental towards the creation of a responsible, resilient, progressive and caring society. *Fourth*, prudent management of natural resources and the ecology as well as the preservation of natural beauty and clean environment are important to ensure sustainable development for the present and future generations. The balanced development of the economy is essential to ensure stable growth, minimize social conflicts, promote racial harmony and enhance national unity.



NATIONAL VISION POLICY <sup>25</sup>

The NVP incorporates the critical thrusts of the previous development policies, namely the New Economic Policy and the National Development Policy with the overriding objective of national unity. Eradicating poverty irrespective of race, restructuring of society and balanced development will remain as key strategies. The NVP is also guided by the strategic challenges of Vision 2020, which laid out the directions for Malaysia to become a fully developed nation by 2020.

In essence, the NVP represents the consolidation of all past development efforts and is aimed at establishing a united, progressive and prosperous Bangsa Malaysia that lives in harmony and engages in full and fair partnership. To address the challenges faced by the nation in its quest to become a fully developed nation in its own mould, emphasis will also be given to the building of a resilient, competitive nation and an equitable society to ensure unity and social stability. In order to realize these objectives, the NVP will encompass the following critical thrusts:

- *building a resilient nation by fostering unity, inculcating the spirit of patriotism, nurturing political maturity, cultivating a more tolerant and caring society with positive values, and raising the quality of life as well as increasing economic resilience;*
- *promoting an equitable society by eradicating poverty and reducing imbalance among and within ethnic groups as well as regions;*
- *sustaining high economic growth by strengthening the sources of growth, the financial and corporate institutions as well as macroeconomic management;*
- *enhancing competitiveness to meet the challenges of globalization and liberalization;*
- *developing a knowledge – based economy as a strategic move to raise the value added of all economic sectors and optimizing the brain power of the nation;*
- *strengthening human resource development to produce a competent, productive and knowledgeable workforce; and*
- *pursuing environmentally sustainable development to reinforce long-term growth.*

Policies and strategies during the Eighth Plan period will focus towards achieving sustainable growth with resilience. The thrusts of the Eight Plan will be to shift the growth strategy from input-driven to one that is knowledge-driven in order to enhance potential output growth, accelerate structural transformation within the manufacturing and services sectors, revitalize the agriculture sector and strengthen socio-economic stability. The Plan will place a greater focus on private sector initiatives while the public sector will undertake a facilitating role through the provision of a conducive institutional framework and quality service. In order to enhance Malaysia's competitive edge, special emphasis will be given on increasing productivity and efficiency through human resource development, encouraging R&D activities as well as utilizing the latest technologies, particularly ICT.

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<sup>25</sup> Government of Malaysia, Eighth Malaysia Plan, 2001-2005 (Kuala Lumpur: Percetakan Nasional Malaysia Berhad, 2001) pp. 4-6.

The key strategies during the Plan period to address the challenges faced by the nation will be as follows:

- *pursuing sound macroeconomic management, and ensuring prudent fiscal and monetary policies as well as enhancing efforts to develop a knowledge-based economy;*
- *strengthening and streamlining distributional strategies and programmes to ensure balanced participation among and within ethnic and income groups as well as regions;*
- *enhancing productivity growth through improvement in workers' knowledge, skills and expertise as well as upgrading of R&D and science and technology (S&T);*
- *increasing competitiveness and economic resilient through accelerating the shift of the key economic sectors towards more efficient production processes and high value-added activities;*
- *expanding the usage of ICT within and across sectors to accelerate the growth process;*
- *strengthening the human resource base to ensure the availability of manpower with higher levels of knowledge, technical and thinking skills,*
- *adopting an integrated and holistic approach in addressing environmental and resource issues to attain sustainable development;*
- *enhancing further the quality of life through improving accessibility to social services as well as developing the aesthetic aspects of life; and*
- *intensifying efforts to nurture and inculcate positive values and attributes among Malaysians through the education system, social and religious organizations and the media.*

CONCEPT AND MEASUREMENTS OF POVERTY <sup>26</sup>

An important component or prerequisite of the fight against poverty is agreement on the definition and measurement of poverty. In Malaysia, the government has taken the lead in this task, after consultation with various experts and groups. In this regard, three concepts pertaining to poverty have been adopted by Malaysia to circumscribe and underpin its poverty eradication programmes, viz., absolute poverty hardcore poverty and relative poverty.

*Absolute poverty* has been defined as a condition in which the gross monthly income of a household is insufficient to purchase certain minimum necessities of life. These necessities include a minimum food basket to maintain household members in good nutritional health and other basic needs, viz., clothing and footwear, rent, fuel and power, transportation and communication, health-care, education and recreation.

To facilitate the measurement of this condition, a poverty line income (PLI) has been constructed and used based on the basic costs of the items mentioned above. Further, since the PLI is linked to the consumer price index (CPI), the PLI has been periodically revised in line with movements in the CPI. Furthermore, since the cost of living and household size over different parts of Malaysia are not the same, different PLIs and household sizes have been utilized for them. However, no differentiation has been made with regard to urban and rural PLIs and household size.

*Absolute hardcore poverty* has been defined as a condition in which the gross monthly income of a household is less than half of the PLI. This definition was introduced in 1988 to enable more accurate targeting of poverty redressal projects to the hardcore poor.

With regard to relative poverty, the conceptualization that has been used in Malaysia is linked to the notion of income inequality between groups. Thus, a group whose mean income is less than another has been defined as being in relative poverty. Under this definition, it is possible to define a group, for example rural dwellers, as being in relative poverty to another, urban dwellers, even though their mean income exceeds the PLI.

In Malaysia, relative poverty has been measured by using income disparity ratios of income groups (top 20 and bottom 40), ethnic groups and urban and rural dwellers. In addition, the Gini Coefficient and several other measures have also been used.

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<sup>26</sup> Government of Malaysia, Malaysia: National Report: World Summit for Social Development, Copenhagen, 1995 (Kuala Lumpur: Percetakan Nasional Malaysia Berhad, 1995) pp. 15-16.

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