# A STUDY OF THE PATTERN OF EMPLOYMENT AND WAGES IN SMALL INDUSTRY IN MALAYSIA

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SMALL industry occupies an important place in the economy of Peninsular Malaysia.[1] *The Census of Manufacturing Industries, Peninsular Malaysia, 1973* shows that 32.4 per cent of manufacturing establishments belongs to this sector (Table I). The small industry sector employs 22.8 per cent of the total number of paid employees in manufacturing. It is even more important in the provision of part-time employment, providing 35.4 per cent of total part-time employment. This paper seeks to throw more light on the pattern of employment and wages in Malaysian small industry using data from a survey of small industry which the author completed recently [3]. The study covered 399 manufacturing establishments spread out over 19 different industries in Peninsular Malaysia. Nineteen seventy-three was used as the reference year. The selected industries were stratified by six paid full-time employment size groups ranging from zero to fifty and more paid full-time employees. For the purpose of this study the manufacturing industry in Peninsular Malaysia is classified into three sectors by paid full-time employment size groups:

(a) Petty industry which covers establishments employing four workers and less;
(b) Small industry which covers establishments employing five to forty-nine workers; and
(c) Large industry which covers establishments employing fifty and more workers.[2]

Table II shows the sample industries by number of establishments within the selected size groups.

In presenting the data from the survey, Section I deals with the category of workers employed in small industry while Section II discusses the sex of the workers. The racial composition of the workers is treated in Section III. Section IV surveys the training facilities provided by small industry while Section V looks at the structure of payment to workers; and Section VI, income distribution. The conclusion is contained in Section VII.

## I. CATEGORY OF WORKERS

According to the *Census of Manufacturing Industries, 1973,* manufacturing industries in Peninsular Malaysia employed a total of 278,961 workers (Table I).

[1] The term "Peninsular Malaysia" refers to all the states in Malaysia except Sabah and Sarawak. The term replaces the earlier official designation "West Malaysia."

[2] Although this study is mainly concerned with small industry, coverage has been extended to petty and large industries to facilitate a comparative analysis. For further details of the survey, see [3].

Of this number, 75,597 or 27.1 per cent were employed by establishments with less than fifty workers. In the survey we found that the 399 establishments in our sample employed a total of 12,615 workers. Of this number 5,068 or 40.2 per cent were employed in establishments employing less than fifty workers. The largest establishment in the sample in terms of employment was a fabricated structural shapes establishment employing 659 full-time workers. The smallest establishment did not employ any worker. All the work was done by the proprietor. There were four such establishments in the sample. One of these was a blacksmithing establishment which used to employ two full-time workers seven or eight years ago but had since given up because of declining sales.

In the survey, workers are divided into the following categories:

(a) Unpaid workers;
(b) Paid employees—full-time; and
(c) Paid employees—part-time.

All paid employees are then subdivided into:

(i) Management (professional and nonprofessional), technical, and supervisory staff;
(ii) Clerical and related occupations and general workers;
(iii) Directly employed factory workers—skilled and unskilled;
(iv) Factory workers employed through contractors; and
(v) Home workers, that is those who earn payments by engaging in the manufacture or processing of brought-in materials in their home or in a place

TABLE I

NUMBER OF PAID FULL-TIME EMPLOYEES BY PAID FULL-TIME EMPLOYMENT SIZE GROUP IN MANUFACTURING ESTABLISHMENTS IN PENINSULAR MALAYSIA, 1973

| Paid Full-Time Employment | No. of Establishments | % of Total | No. of Paid Employees at December 31 | | | | Total Employment | % of Total |
|---|---|---|---|---|---|---|---|---|
| | | | Full-Time | % of Total | Part-Time | % of Total | | |
| None | 3,148 | | — | | 2,582 | | 2,582 | |
| 1–4 | 3,270 | | 7,486 | | 2,021 | | 9,507 | |
| Subtotal 0–4 | 6,418 | 58.0 | 7,486 | 2.8 | 4,603 | 42.7 | 12,089 | 4.3 |
| 5–9 | 1,352 | | 8,920 | | 905 | | 9,825 | |
| 10–19 | 1,079 | | 14,807 | | 1,157 | | 15,964 | |
| 20–29 | 565 | | 13,663 | | 988 | | 14,651 | |
| 30–49 | 590 | | 22,302 | | 766 | | 23,068 | |
| Subtotal 5–49 | 3,586 | 32.4 | 59,692 | 22.3 | 3,816 | 35.4 | 63,508 | 22.8 |
| 50–99 | 503 | | 34,851 | | 485 | | 35,336 | |
| 100–199 | 288 | | 38,809 | | 1,287 | | 40,096 | |
| 200–499 | 190 | | 57,660 | | 191 | | 57,851 | |
| 500 and over | 76 | | 69,690 | | 391 | | 70,081 | |
| Subtotal 50 & over | 1,057 | 9.6 | 201,010 | 74.9 | 2,354 | 21.9 | 203,364 | 72.9 |
| Total for all groups | 11,061 | 100.0 | 268,188 | 100.0 | 10,773 | 100.0 | 278,961 | 100.0 |

Source: [17].

TABLE II

SELECTED SAMPLE UNITS BY INDUSTRY AND EMPLOYMENT SIZE GROUP

| Industry | | Strata by Full-Time Employment Size Group/No. of Establishments | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 0–4 | 5–9 | 10–19 | 20–29 | 30–49 | 50 & Over | Total |
| (3062) | Bakeries | 4 | 8 | 7 | 1 | 3 | 1 | 24 |
| (3600) | Furniture | 17 | 9 | 5 | 3 | 2 | 2 | 38 |
| (3900) | Leather | 4 | 1 | 2 | — | 2 | 3 | 12 |
| (4022) | Retreading | 4 | 4 | 3 | 2 | 1 | 1 | 15 |
| (4421) | Iron foundries | 6 | 5 | 6 | 1 | 2 | 1 | 21 |
| (4581) | Blacksmithing | 15 | 5 | 4 | 2 | 1 | 1 | 28 |
| (4623) | Ind. machinery | 9 | 14 | 16 | 5 | 5 | 9 | 58 |
| (4831) | M.V. bodies | 6 | 1 | 1 | 1 | 1 | 2 | 12 |
| (1331) | Coconut oil mills | 3 | 5 | 3 | 2 | — | 1 | 14 |
| (3021) | Ice cream | 12 | 4 | — | — | 1 | 1 | 18 |
| (3140) | Soft drinks | 5 | 4 | 4 | 2 | 1 | 3 | 19 |
| (3315) | Batik making | 3 | 3 | 2 | 1 | — | 3 | 12 |
| (3432) | Clothing | 6 | 4 | 3 | — | 2 | 6 | 21 |
| (3511) | Sawmills | 2 | 1 | 8 | 10 | 3 | 16 | 40 |
| (4192) | Medicine | 6 | 1 | 2 | 1 | 2 | 1 | 13 |
| (4510) | Structural shapes | 1 | 2 | 2 | 2 | — | 3 | 10 |
| (4530) | Wire | 4 | — | — | 2 | 3 | 3 | 9 |
| (4561) | Tin cans | 1 | — | 3 | 1 | 2 | 3 | 10 |
| (4940) | Plastic | 3 | 3 | 4 | 4 | 7 | 4 | 25 |
| Total | | 111 | 74 | 75 | 40 | 35 | 64 | 399 |

Note: Figures in parentheses refer to the Federation of Malaya Industrial Classification Numbers.

TABLE III

CATEGORY OF WORKER EMPLOYED BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Unpaid Worker | Paid Worker | | | Total |
|---|---|---|---|---|---|
| | | Full-Time | Part-Time | Total | |
| 0–4 | 264<br>(44.8) | 178<br>(30.2) | 147<br>(25.0) | 325<br>(55.2) | 589<br>(100.0) |
| 5–9 | 176<br>(24.0) | 511<br>(69.7) | 46<br>(6.2) | 557<br>(76.0) | 733<br>(100.0) |
| 10–19 | 143<br>(11.9) | 1,017<br>(84.8) | 39<br>(3.2) | 1,056<br>(88.1) | 1,199<br>(100.0) |
| 20–29 | 67<br>(6.1) | 973<br>(89.1) | 52<br>(4.7) | 1,025<br>(93.9) | 1,092<br>(100.0) |
| 30–49 | 52<br>(3.5) | 1,381<br>(94.9) | 22<br>(1.5) | 1,403<br>(96.4) | 1,455<br>(100.0) |
| 50 and over | 84<br>(1.1) | 7,299<br>(96.7) | 164<br>(2.1) | 7,463<br>(98.9) | 7,547<br>(100.0) |
| Total | 786<br>( 6.2) | 11,359<br>(90.0) | 470<br>(3.7) | 11,829<br>(93.8) | 12,615<br>(100.0) |

Note: Figures in parentheses refer to percentages.

of their selection, working by themselves or with their relatives. They do not work inside the establishment.

Table III shows the category of workers by employment size. Unpaid workers comprise only 6.2 per cent of the 12,615 workers employed in the sample. There are 11,359 or 90.0 per cent of full-time paid workers. The number of paid part-time workers is negligible (470 workers or 3.7 per cent of the total labor force).

Nearly 90 per cent of the unpaid workers work in small and petty establishments while 64.3 per cent of the paid full-time workers are found in the large establishments (Table III). Paid part-time workers also predominate in the small and petty establishments. The petty establishments have the largest proportion of unpaid and paid part-time workers. The proportion of these two categories of workers tends to diminish as employment size increases. Small establishments on the whole employ a total of 19,573 workers. Of this total, 3.1 per cent are unpaid workers, 2.5 per cent part-time paid workers, and 94.4 per cent full-time paid workers. Thus the labor force in small industry is made up mainly of full-time paid workers.

Unpaid workers are usually family workers and these are mainly found in the small and petty establishments. In one such establishment manufacturing soft drinks, the wife helps in cleaning and filling the bottles while the son helps in bookkeeping and clerical duties. The proprietor does not employ any paid worker. As Table III shows, 44.8 per cent of the labor force in petty establishments is made up of unpaid workers. The proportion is much smaller in small establishments and almost negligible in large ones.

Another important component of the labor force in petty establishments is paid part-time workers. These workers may be part-time agricultural or construction workers. A petty furniture establishment in the sample employes *padi* farmers as part-time workers. These farmers usually do not have anything to do after the harvest and often take up other employment before the planting season begins. The largest proportion of part-time workers is found in those industries where demand is seasonal such as batik-making, ice cream, and furniture.

Table IV shows the category of paid full-time workers by employment size group. Large establishments employ a relatively large proportion of managerial and clerical staff while small and petty establishments employ a relatively large proportion of home workers.[3] The ratio of non-operatives to operatives in large establishments is 0.20 compared to an average of 0.16 in small and petty establishments (Table V). The difference is smaller when we take the ratio of management, technical, and supervisory staff to operatives. The ratios for large and small (including petty establishments) are 0.06 and 0.05 respectively (Table VI). It would thus appear that although small and petty establishments employ very few non-operatives the proportion in relation to the number of operatives employed is not very different from that in large establishments. Many of the

[3] In his study of manpower in large manufacturing firms in Singapore, David Clark found out that nearly 4.0 per cent of workers in such firms may be identified as managerial, executive, or administrative workers. See [4, p. 38].

TABLE IV

CATEGORY OF PAID FULL-TIME WORKER BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Managerial | Clerical | Factory Worker | | Contract Workers | Home Worker | Total |
|---|---|---|---|---|---|---|---|
| | | | Skilled | Unskilled | | | |
| 0–4 | 8 | 4 | 103 | 62 | — | 1 | 178 |
| | (4.5) | (2.2) | (58.0) | (34.4) | | (0.8) | (100.0) |
| 5–9 | 18 | 15 | 254 | 205 | 7 | 12 | 511 |
| | (3.5) | (2.9) | (49.7) | (40.1) | (1.3) | (2.3) | (100.0) |
| 10–19 | 48 | 82 | 496 | 310 | 54 | 27 | 1,017 |
| | (4.7) | (8.0) | (48.7) | (30.4) | (5.3) | (2.6) | (100.0) |
| 20–29 | 53 | 118 | 385 | 288 | 129 | — | 973 |
| | (5.4) | (12.1) | (39.5) | (29.5) | (13.2) | | (100.0) |
| 30–49 | 75 | 142 | 586 | 479 | 28 | 71 | 1,381 |
| | (5.4) | (10.2) | (42.4) | (34.6) | (2.0) | (5.1) | (100.0) |
| 50 and over | 360 | 835 | 2,462 | 2,393 | 1,239 | 10 | 7,299 |
| | (4.9) | (11.4) | (33.7) | (32.7) | (16.9) | (0.1) | (100.0) |
| Total | 562 | 1,196 | 4,286 | 3,737 | 1,457 | 121 | 11,359 |
| | (4.9) | (10.5) | (37.7) | (32.9) | (12.8) | (1.1) | (100.0) |

Note: Figures in parentheses refer to percentages.

TABLE V

RATIO OF NON-OPERATIVE TO OPERATIVE BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Ratio of Non-Operative to Operative |
|---|---|
| 0–4 | 0.07 |
| 5–9 | 0.07 |
| 10–19 | 0.15 |
| 20–29 | 0.21 |
| 30–49 | 0.19 |
| 50 and over | 0.20 |
| Average | 0.15 |

TABLE VI

RATIO OF MANAGERIAL, TECHNICAL, AND SUPERVISORY STAFF TO OPERATIVE BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Ratio of Managerial, Technical, and Supervisory Staff to Operative |
|---|---|
| 0–4 | 0.05 |
| 5–9 | 0.04 |
| 10–19 | 0.05 |
| 20–29 | 0.06 |
| 30–49 | 0.06 |
| 50 and over | 0.06 |
| Average | 0.06 |

small and petty establishments however operate under a simple organizational structure consisting of a manager-owner, one or two foremen, and workers. Direct supervision of workers by manager is practiced in a number of the smaller establishments.

Skilled factory workers appear to outnumber unskilled workers in all employment size groups (Table IV). The proportion of skilled to unskilled workers appears to be slightly higher in the small and petty establishments compared to the large one (Table VII). However, when we consider the ratio of unskilled workers to value added we find that small establishments employ more unskilled workers per unit of output (Table VIII). Thus small industry makes better use of the relatively more abundant labor resources.

All establishments except those in the smallest size group employ contract workers (Table IV). In fact they are particularly numerous in the large establishments where they comprise 20.2 per cent of the total number of operatives. Contract workers are significant in the following categories of industries: sawmills, fabrication of structural shapes, iron foundries, and manufacture of motor vehicle bodies. More than 10 per cent of the labor force in these industries are employed on contract. In sawmills, 42.3 per cent of the workers are employed through contractors. Since contract workers do not enjoy any fringe benefit and rarely go on strike, there is a tendency for many establishments in the above

TABLE VII

RATIO OF SKILLED TO UNSKILLED FACTORY WORKER BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Ratio of Skilled to Unskilled Factory Worker |
|---|---|
| 0–4 | 1.68 |
| 5–9 | 1.24 |
| 10–19 | 1.60 |
| 20–29 | 1.33 |
| 30–49 | 1.22 |
| 50 and over | 1.02 |
| Average | 1.35 |

TABLE VIII

RATIO OF UNSKILLED FACTORY WORKER TO VALUE ADDED

| Paid Full-Time Employment Size Group | Ratio of Unskilled Factory Worker to Value Added |
|---|---|
| 0–4 | 0.04 |
| 5–9 | 0.08 |
| 10–19 | 0.06 |
| 20–29 | 0.05 |
| 30–49 | 0.08 |
| 50 and over | 0.04 |
| Average | 0.06 |

industries to employ such workers. Recently, a majority of the 600 workers including contract laborers of the Wing Wing Sawmill and Plywood factory in Ipoh went on strike over the contract system of employment. According to Mr. Phang Yoon Chau, treasurer of the Sawmill and Timber Industry Workers Union, 60 per cent of the 350 workers are members of the union while the rest are contract workers [22, p. 5]. Mr. Phang claimed that the management wanted to put all his members on the contract system thus depriving them of their fringe benefits.

Home workers are employed mainly in the small establishments. In the sample, 90.9 per cent of these workers are found in such establishments (Table IV). As the name indicates these workers do not work in the factory but in their own homes. The entrepreneur distributes materials to workers in their homes, prescribes the work to be done, and pays for work performed—usually on a piece-rate basis. For instance, in the batik-making industry, the entrepreneur provides the batik-makers with the white cloth. He tells them what designs to print on the cloth. He then returns a few days or weeks later, collects his material and pays accordingly. Many of the home workers in the batik-making industry are fishermen or rice planters who depend upon this activity to supplement their income. Home workers in the sample are mainly found in the clothing, batik-making, and leather industries. These are industries where it is possible for production to be carried out in the workers' own homes. Since these workers work at home, their working hours are very flexible. This is especially so in the batik industry where workers in some of the establishments are given contracts. The workers can work longer or shorter hours provided they finish the work by a certain date. On the average such workers work about eight hours a day.

Home work has certain definite advantages for the employer. It enables him to save on overhead expenses for building and plant. It also enable him to meet fluctuations in demand without causing apparent unemployment or accumulating excessive stocks. The workers also benefit under this system. It helps to supplement an inadequate income and provides work to those who are underemployed. On the other hand, there may be certain abuses connected with the system. Home workers receive slightly lower wages than other category of workers (Table XIII) and of course no fringe benefit whatsoever.[4]

## II. DISTRIBUTION BY SEX

A study of the sex distribution of all workers in our sample shows that 76.9 per cent of the workers are males (Table IX). The proportion of male to female worker in each employment size group does not differ significantly. The petty and small establishments however do tend to employ a slightly larger proportion of male to female workers. One would have thought that the reverse would apply since female workers are generally paid less than male workers. However male workers can be called upon to perform a wider range of duties, particularly

[4] Staley and Morse discuss more fully the role of home work in modern economies. See [24, Chap. 4].

TABLE IX

SEX OF WORKER BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Male Worker | % | Female Worker | % | Total | % |
|---|---|---|---|---|---|---|
| 0–4 | 473 | 80.3 | 116 | 19.7 | 589 | 100.0 |
| 5–9 | 627 | 85.0 | 106 | 14.4 | 733 | 100.0 |
| 10–19 | 1,002 | 83.6 | 197 | 16.4 | 1,199 | 100.0 |
| 20–29 | 860 | 78.7 | 232 | 21.2 | 1,092 | 100.0 |
| 30–49 | 939 | 64.5 | 516 | 35.4 | 1,455 | 100.0 |
| 50 and over | 5,799 | 76.9 | 1,748 | 23.1 | 7,547 | 100.0 |
| Total | 9,700 | 76.9 | 2,915 | 23.1 | 12,615 | 100.0 |

those where strength is required. At the same time many of the industries in the sample, particularly those concerning fabricated structural shapes, industrial machinery and parts, blacksmithing, and motor vehicle bodies are traditionally dominated by males. Indeed, an inter-industry analysis shows that the proportion of male to female workers is higher in every industry except the following: clothing, medicine, and tin. Clothing industry has the lowest proportion of male to female workers. On the other hand, fabricated structural shapes industry has the highest proportion of male to female workers.

## III. ETHNIC GROUP COMPOSITION

Table X shows the ethnic distribution of workers by employment size group. Out of a total of 12,615 workers, 8,773 or 69.5 per cent of the workers are Chinese; 3,074 or 24.3 per cent are Malays and 750 or 6.0 per cent are Indians. Only 18 workers of other ethnic groups (mainly Pakistani, Ceylonese, and Eurasian) are employed. According to the socioeconomic survey 62.1 per cent of all persons engaged in manufacturing in 1968 were Chinese, 32.2 per cent were Malay, while the remainder was made up of Indian and other ethnic groups [20, p. 93]. A more recent manpower survey of the private sector showed that of a total of 147,070 production workers in Malaysia, 52.9 per cent were Chinese, 33.6 per cent Malays, 12.4 per cent Indians, and 0.3 per cent others.[5] Thus all evidence suggests that there is a large proportion of Chinese workers in manufacturing compared to workers of other ethnic groups. Table XI shows the distribution of population in Peninsular Malaysia by ethnic group. A comparison of Table X and Table XI reveals that the percentage of Malay workers in the sample is rather low compared to the percentage of Malays in the population. This imbalance is a source of concern to the government in view of its

[5] Manpower survey conducted by the Economic Planning Unit in the Prime Minister's Department in 1974. Data from the survey was quoted by the minister of trade and industry in a speech at the National Productivity Centre. See [23].

TABLE X

ETHNIC GROUP OF WORKER BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Malay | Chinese | Indian | Other | Total |
|---|---|---|---|---|---|
| 0–4 | 125 (21.2) | 454 (77.0) | 10 (1.7) | — | 589 (100.0) |
| 5–9 | 125 (17.0) | 578 (78.8) | 30 (4.0) | — | 733 (100.0) |
| 10–19 | 186 (15.5) | 995 (82.9) | 18 (1.5) | — | 1,199 (100.0) |
| 20–29 | 230 (21.0) | 835 (76.4) | 26 (2.3) | 1 (0.1) | 1,092 (100.0) |
| 30–49 | 244 (16.7) | 1,117 (76.7) | 92 (6.3) | 2 (0.1) | 1,455 (100.0) |
| 50 and over | 2,164 (28.6) | 4,794 (63.5) | 574 (7.6) | 15 (0.1) | 7,547 (100.0) |
| Total | 3,074 (24.3) | 8,773 (69.5) | 750 (6.0) | 18 (0.1) | 12,615 (100.0) |

Note: Figures in parentheses refer to percentages.

TABLE XI

DISTRIBUTION OF POPULATION BY ETHNIC GROUP IN PENINSULAR MALAYSIA, 1970

| Ethnic Group | (1,000) | % |
|---|---|---|
| Malay | 4,841 | 52.7 |
| Chinese | 3,286 | 35.8 |
| Indian | 981 | 10.7 |
| Other | 73 | 0.8 |
| Total | 9,181 | 100.0 |

Source: [21].

objective of securing a distribution in industrial employment which will reflect the ethnic composition of the population.[6]

About 70 per cent of the Malay workers are found in large establishments. The proportion of Malay workers does not appear to differ very much between different employment size groups, although the large establishments have a larger proportion of Malay worker. Workers of ethnic groups other than Malay, Chinese, and Indian are not found in any of the very small and petty establishments. Almost 80 per cent of these workers are found in the large establishments.

Industries employing a relatively large proportion of Malay workers are batik-making, tin cans, wire, furniture, and soft drinks. In all other industries less

[6] See [19, p. 41]. The overall structure of employment in Malaysia reflects fairly well the ethnic composition of the country's population. However, severe imbalances exist in employment in the various sectors of the economy as well as within particular industries. According to the *Mid-term Review of the Second Malaysia Plan, 1971–1975*, there were only 29 per cent of Malays in manufacturing. See [18, p. 10].

than 30 per cent of the workers are Malays. The proportion of Indian workers employed is significant only in coconut oil mills and bakeries. In all other industries Indian workers comprise less than 10 per cent of the work force.

The above structure of distribution of workers by ethnic group may be explained in terms of the ownership of the establishments by ethnic group. Although no question on ownership by ethnic group is included in the questionnaire, it is reasonable to estimate on the basis of the ethnic group of the chief executive that at least 90 per cent of the establishments are owned by Chinese. In view of this, it is not surprising that the majority of workers are Chinese. Considering the Chinese pattern of social cohesion and control, it is not unusual why there should be so few non-Chinese workers. In fact, it is even unusual for an "outside" Chinese worker to work for a Chinese employer, especially in very small establishments, where only members of the family or relatives are employed.[7] In larger ones, members of the same dialect group will be hired and then, other Chinese. A Chinese feels that it is his responsibility to hire his own kind and to trust such workers more. Kinship preference can be explained by the influence of Confucian philosophy and the extended family concept. Community and ethnic preferences may be explained in terms of food and language problems. Chinese dialects are quite different from one another. A Chinese who does not use the dialect of another will have problem in communication. In addition, the various dialect groups also have dietary differences. Since it is quite common for Chinese employers, especially in the small establishments, to provide meals for their workers the problem will be readily apparent. Needless to say the problem is even worse in the case of non-Chinese workers.

## IV. TRAINING OF WORKERS

Earlier we noted that the establishments in our sample employed a total of 4,284 skilled full-time factory workers. In addition, probably a small proportion of contract, home, and part-time workers possess some measure of skill as well. It would be interesting to know how these workers obtained their skill and the extent to which training is provided to workers in those establishments in the sample.

In Malaysia, industrial training is provided by various institutions such as the Council of Trust for Indigenous People (MARA),[8] the Industrial Training Institute and Central Apprenticeship Board under the Ministry of Labour and Manpower, and the National Productivity Centre.

Table XII shows the number of establishments which provide some form of training for their workers. The total number of such establishments has been overstated because an establishment is counted more than once if it provides more than one form of training. If an establishment is counted only once even

[7] Goh Joon Hai has also observed that it is an uncommon occurrence for a small Chinese firm to employ persons totally unrelated. See [6, pp.84–95].

[8] The organization was initially known as the Rural and Industrial Development Authority (RIDA).

though it provides more than one form of training then the total number is 282. Less than 20 per cent of the establishments in Table XII provide any formal system of training for their workers. Even fewer workers are sent for "out-of-plant" training. Some of the "out-of-plant" training courses described are those conducted by the National Productivity Centre, the Central Apprenticeship Board, the Industrial Training Institute, and MARA.

The great majority of workers, however, acquire their skill from "on-the-job" in-plant training. This is particularly the case with the petty and small establishments. Many managers in such establishments are not convinced of the merits of formal training. Even if they are, they say that they do not have the time or the personnel to do the training. The general attitude is that they are short of staff and are unable to allow any worker to attend any formal training program. Moreover, they contend that if their workers receive good training then they may leave the establishment and join another one at a higher wage. Thus informal training is the rule in small establishments. New workers generally have to pick up the job as they go along, with such help, often rather casual, as foremen and old hands can give them.[9]

A number of the larger establishments interviewed have apprenticeship schemes where apprentices are taken in for three years (i.e., training period) and paid a sum of less than M$65.00 per month.[10] They are also provided with food and lodging. In the furniture industry, apprentices are able to work with wood after six months and become a skilled worker after three years.

Training pattern also varies between industries. As one would expect industries requiring a relatively higher degree of skill and technology, such as industrial machinery and parts, fabricated structural shapes, and plastic have more estab-

TABLE XII

NUMBER OF ESTABLISHMENTS PROVIDING TRAINING BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | On-the-Job In-Plant Training | % | Off-the-Job In-Plant Training | % | Out-of-Plant Training | % | Total No. of Establishments Providing Training* | % |
|---|---|---|---|---|---|---|---|---|
| 0–4 | 54 | 87.0 | 7 | 11.2 | 1 | 1.6 | 62 | 100.0 |
| 5–9 | 54 | 88.5 | 6 | 9.8 | 1 | 1.6 | 61 | 100.0 |
| 10–19 | 52 | 82.5 | 9 | 14·2 | 2 | 3.1 | 63 | 100.0 |
| 20–29 | 29 | 80.5 | 7 | 19.4 | — | — | 36 | 100.0 |
| 30–49 | 30 | 83.3 | 5 | 13.8 | 1 | 2.7 | 36 | 100.0 |
| 50 and over | 40 | 57.1 | 26 | 37.1 | 4 | 5.7 | 70 | 100.0 |
| Total | 259 | 78.9 | 60 | 18.2 | 9 | 2.7 | 328 | 100.0 |

* An establishment may provide more than one form of training.

[9] In the field of management training, according to the Hunt Report, companies in the larger size group are also doing more, both in absolute and in relative terms, than the smaller companies. See [8, para. 145].

[10] The sign (M$) refers to the Malaysian ringgit. One U.S. dollar is approximately equal to M$2.25.

lishments providing "out-of-plant" training than other industries. Industries where skill is important, such as wire and batik-making, provide a relatively large proportion of "off-the-job in-plant" training. On the other hand, such industries as bakeries and motor vehicle bodies, do not provide any formal training. The workers in these industries acquire their skill on the job, entering the industry as unskilled workers or apprentices and learning the trade as they go along.

The lack of training facilities and personnel in many of the establishments in the sample indicates that for a long time to come a significant proportion of skilled workers will have to acquire their skill outside the formal training system.

## V. PAYMENT TO WORKERS

Payment to workers are recorded under three categories:
(a) monthly average wage rate by category of workers;
(b) total payment in cash and in kind to all workers; and
(c) other payments in respect of provident fund and social security scheme and payment to directors for their attendance at Board of Directors' meetings.

Table XIII shows the monthly average wage rate by employment size. Workers in the managerial, technical, and supervisory group receive four times the wages paid to unskilled workers. The latter has the lowest average wage rate among the category of twice the average wage rate paid to unskilled workers. The average wage rate for contract and home workers is quite high, reflecting presumably the sizeable proportion of skilled workers in these two categories. As expected, home workers receive the lowest average wage rate among the seven categories of workers.

Lo Sum Yee, in his study of the manufacturing sector in West Malaysia, found that slightly more than 84 per cent of the factory workers have an average monthly income between M$83.00 and M$166.00 [12, p. 66]. In comparison, non-factory workers receive slightly more than twice the average of factory workers. Lo also stated that the trend of manufacturing wages in West Malaysia has been moving

TABLE XIII

MONTHLY AVERAGE WAGE RATE BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

(M$)

| Paid Full-Time Employment Size Group | Full-Time Employee | | | | Contract Worker | Home Worker | Part-Time Employee | Average |
|---|---|---|---|---|---|---|---|---|
| | Managerial | Clerical | Factory Worker | | | | | |
| | | | Skilled | Unskilled | | | | |
| 0–4 | 238.33 | 150.00 | 174.73 | 81.24 | — | 100.00 | 126.33 | 137.03 |
| 5–9 | 267.50 | 150.20 | 193.76 | 111.55 | 150.00 | 98.33 | 122.52 | 156.54 |
| 10–19 | 353.65 | 178.88 | 199.64 | 109.60 | 252.00 | 76.50 | 130.50 | 175.88 |
| 20–29 | 486.04 | 192.33 | 228.76 | 117.39 | 236.00 | — | 136.71 | 202.77 |
| 30–49 | 493.30 | 197.53 | 198.68 | 109.76 | 110.00 | 110.00 | 167.86 | 197.46 |
| 50 and over | 612.85 | 263.89 | 221.96 | 128.65 | 267.76 | 100.00 | 227.75 | 223.35 |
| Average | 546.45 | 241.42 | 214.15 | 120.96 | 260.80 | 100.54 | 164.90 | 194.96 |

progressively upwards over time. This may be seen in Table XIV which shows the monthly average wage rate per worker in the manufacturing sector calculated from the *Census of Manufacturing Industries, 1968,* and the latest *Survey of Manufacturing Industries.* According to the *Survey of Manufacturing Industries,* the average wage rate per worker was around M$176.00 in 1970. Since 1970, it is safe to assume that wages have gone up and that the level is now quite close to M$200.00 per month. This would compare favorably with wages of workers in the agricultural sector, which on the average, is only about this amount.[11]

Table XV gives a clearer picture of the wage differential by employment size. For most categories of workers the wage rate tends to be a positive function of establishment size.[12] The wage differential is greatest for managerial workers. Such workers in the smallest establishment are paid less than 40 per cent of their counterparts in the largest establishment. For other categories of workers

TABLE XIV

MONTHLY AVERAGE WAGE RATE PER WORKER IN THE MANUFACTURING SECTOR IN PENINSULAR MALAYSIA, 1968–73

| Year | Total Wages (M$ 1,000) | Total Number of Workers | Average Wage Rate per Worker (M$) |
|---|---|---|---|
| 1968 | 266,957 | 130,257 | 170.79 |
| 1973 | 587,058 | 278,961 | 210.44 |

Sources: Calculated from data in [16] [17].

TABLE XV

INDEX OF MONTHLY AVERAGE WAGE RATE BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Full-Time Employee | | | | Contract Worker | Part-Time Employee | Average |
|---|---|---|---|---|---|---|---|
| | Managerial | Clerical | Factory Worker | | | | |
| | | | Skilled | Unskilled | | | |
| 0–4 | 38.8 | 56.8 | 78.7 | 63.1 | — | 55.4 | 61.4 |
| 5–9 | 43.6 | 56.9 | 87.2 | 86.7 | 56.0 | 53.7 | 70.1 |
| 10–19 | 57.8 | 67.7 | 89.9 | 85.1 | 94.1 | 57.2 | 78.7 |
| 20–29 | 79.3 | 72.8 | 103.1 | 91.2 | 88.1 | 60.0 | 90.8 |
| 30–49 | 80.5 | 74.8 | 89.5 | 85.3 | 41.0 | 73.7 | 88.4 |
| 50 and over | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

[11] According to Professor Mokhzani, in the best rice production areas with assured irrigation, farmers can make M$250.00 per month on five acres of land. The very best areas which have irrigation for double-cropping area few and 67 per cent of the farms are below five acres. Quoted in [5]. See also [11, Chap. 2].

[12] A number of other studies on small industry also indicate that the wage rate is a positive function of firm size. See, for instance, [1, p. 28] [7, p. 40] [26, p. 46].

and for all categories of workers as a whole, however, the wage differential by size of establishment is not very wide. This is particularly the case between small and large establishments. The differential is smallest for skilled workers. This appears to agree with the conclusion in a recent study which suggests that size of establishments appears to be of little significance in explaining wage differential [25]. Wage differential may be explained by differences in the quality of the work force. Thus, when we compare the differential for a more homogeneous group such as skilled labor, we find that the differential is very much less significant. It is, however, significant that the differential is wider for a less homogeneous group such as workers in the managerial, technical, and supervisory group. Another possible reason for the differential may be due to trade union pressure. More than half of the establishments with union workers are in the large-scale category while none of the petty establishment had any union worker. Wage differential by employment size within a particular category of workers may be explained by differences in the productivity of labor.

There is no statutory minimum wage rate applicable to the manufacturing and processing industries in Malaysia. Minimum wage rates are applicable only to the retail, hotel, catering, and cinema trades, and to certain port workers [15]. Wages are paid on hourly, daily, monthly, or piece-rate. Office workers and workers at technical and supervisory levels are usually monthly-rated while factory workers are usually daily-rated.

Since there is no statutory minimum wage rate in manufacturing industries it is not surprising to find that 47 or 11.8 per cent of the 399 establishments are paying some of their workers M$60.00 or even less per month.[13] Table XVI shows the number of establishments and number of workers receiving M$60.00 or less per month by employment size group. More than three-quarter of such establishments are in the less than twenty full-time employment size group. A total of 538 or 4.7 per cent of the total number of full-time workers receive

TABLE XVI

NUMBER OF ESTABLISHMENTS PAYING AND NUMBER OF FULL-TIME WORKERS RECEIVING M$ 60.00 OR LESS PER MONTH BY EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | No. of Establishments Paying M$60.00 or Less per Month | % (of Establishments in the Sample) | No. of Workers Receiving M$60.00 or Less per Month | % (of Full-Time Workers Employed) |
|---|---|---|---|---|
| 0–4 | 12 | 10.8 | 18 | 10.3 |
| 5–9 | 12 | 16.2 | 54 | 10.5 |
| 10–19 | 13 | 17.3 | 54 | 5.3 |
| 20–29 | 1 | 2.5 | 8 | 0.8 |
| 30–49 | 3 | 8.5 | 30 | 2.1 |
| 50 and over | 6 | 9.3 | 374 | 5.1 |
| Total | 47 | 11.7 | 538 | 4.7 |

[13] Recently a local newspaper reported that many factory workers in Johore were getting less than M$2.00 a day. See [13].

M$60.00 or less per month. As expected a relatively large proportion of workers in small and petty establishments belong to this category. The type and sex of full-time workers who receive M$60.00 or less per month is shown in Table XVII. Out of the 538 workers, 360 or 66.9 per cent of the total are unskilled factory workers. In terms of the proportion of workers employed, however, there are proportionately more home workers receiving M$60.00 or less per month than any other category of workers. The number of male workers receiving M$60.00 or less is 414 or 76.9 per cent of the workers. In terms of proportion, however, the number of male workers receiving M$60.00 or less as a proportion of the number of male workers employed is the same as that of female workers.

Apart from workers in the managerial, technical, and supervisory group, only four establishments paid their workers more than M$400 per month. The maximum wage paid (again apart from supervisory group) is M$573.00 per month for clerical workers by a large establishment in the soft drinks industry. The maximum wage for skilled factory workers is M$450.00 per month paid by a large establishment in the sawmill industry. None of the small establishment pay their clerical or production workers more than M$400.00 per month.

Apart from wages, employers and workers in Malaysia are required to contribute to the Employees Provident Fund [14]. The contribution rate is about 5 per cent of the wages, payable by the employer; and 5 per cent by the worker deducted from his wages. This contributory provident fund scheme provides for payment of benefit to a worker when he has attained fifty-five years of age, or in the event of his total incapacity or his departure from the country for good, or to the worker's family in the event of his death.

In addition, employers also have to make provisions for payment of workmen's compensation (in certain areas by contributing to the statutory Employees Social

TABLE XVII

NUMBER OF FULL-TIME WORKERS RECEIVING M$ 60.00 OR LESS PER MONTH BY CATEGORY AND SEX OF WORKER

| | Number of Workers Receiving M$ 60.00 or Less per Month | % (of Workers Employed) |
|---|---|---|
| Category of workers: | | |
| Managerial | — | — |
| Clerical | 3 | 0.2 |
| Factory (skilled) | 154 | 3.5 |
| Factory (unskilled) | 360 | 9.6 |
| Contract | 3 | 0.2 |
| Home | 18 | 14.8 |
| Total | 538 | 4.7 |
| Sex of worker: | | |
| Male | 414 | 4.7 |
| Female | 124 | 4.7 |
| Total | 538 | 4.7 |

Security Scheme) maternity allowance to women, and for granting of statutory benefits such as holidays, and sick leave with pay. Many employers also provide other fringe benefits, varying from case to case. Incentive payments, such as for night work, are usually offered. Where a worker works at the request of any employer beyond the normal hours of work, such overtime work is paid at time-and-a-half.[14]

Table XVIII shows average monthly earnings by employment size group. Earnings are lower than those in the large ones. Payments made by establishments in the smallest size group are about 67 per cent of those in the largest size group.[15] The earnings differential is slightly lower than the wage differential because petty and small establishments pay their workers more in kind than large establishments. Many of the petty and small establishments offer their workers free board and lodging. In the smaller establishments, free accommodation usually refers to the use of space in the workshop at night when it is not in operation.[16]

The most likely reason for the differential in earnings by employment size group is the difference in wage rates. As we have already noted, workers in small establishments receive a lower wage rate compared to those in large establishments. This is probably due to differences in the quality of labor. For example, as we have already noted, small establishments employ a greater proportion of part-time workers. In addition, the managerial, technical, and supervisory workers in large establishments probably embody more human capital than their counterparts in large establishments. A second and perhaps less obvious reason is differences in the nature of work as between small and large

TABLE XVIII

AVERAGE MONTHLY EARNINGS BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

(M$)

| Paid Full-Time Employment Size Group | Payment in Cash per Worker | Payment in Kind per Worker | Total Payment per Worker |
|---|---|---|---|
| 0–4 | 121.17 | 26.84 | 148.01 |
| 5–9 | 157.80 | 16.31 | 174.11 |
| 10–19 | 165.74 | 15.02 | 180.76 |
| 20–29 | 181.91 | 7.36 | 189.27 |
| 30–49 | 151.63 | 9.97 | 161.60 |
| 50 and over | 215.02 | 5.88 | 220.90 |
| Average | 194.96 | 8.38 | 213.73 |

[14] During the survey we found that a few establishments, especially those in the smallest size group, were evading the provisions laid down in the social legislation. The most common violation was the evasion of payment to Employees Provident Fund. For a discussion of the various social legislations see [2].

[15] The conclusion that earnings are less in small establishments than in large is consistent with the data for other countries. See, for example, [10, pp. 243–48].

[16] For a more detailed discussion of the type of payment in kind usually received by Malaysian workers see [2, Chap. 8].

establishments. To take one example, large establishments tend to be more capital-intensive, so that shift work is more economical and also more customary. Earnings and wage rates reported for large establishments consequently include an element of shift premium which cannot be satisfactorily isolated but which probably affects the large establishments more than the small ones.

## VI. INCOME DISTRIBUTION

The income differentials in Malaysia are not much larger in comparison with other countries in the same stage of structural change as Malaysia.[17] However, income disparities are particularly significant in this country because of the coincidence of the various types of income differentials of Malaysian society between the Malay and non-Malay groups. In view of this, the government is making a concerted effort to close the inequality gaps [19, pp. 36–48]. For this reason it is important to examine the relative performance of different size establishments in terms of their impact on the overall income distribution of the country. We cannot observe this impact directly but using Berry's approach we can guess at it on the basis of proxies and indicators [1]. Although it is not a logical deduction, it is plausible to assume that large-scale industry, which tends to produce a relatively small number of high wage incomes and a relatively small number of quite high capital incomes, has the general equilibrium impact of raising the income of a relatively small number of high income people by a relatively large amount; correspondingly, it is plausible to conclude that, since small industry produces a large number of relatively low wage payments and a relatively low capital incomes, its general equilibrium impact consists of relatively small increases in income for a relatively large number of people. It is also highly probable that the incomes raised by small industry would, in its absence, be lower than those raised by large-scale industry [1]. Under these circumstances one may conclude that the income distribution impact of small industry is more favorable than that of large-scale industry. The several links in this chain of "plausibility" would each have to be analyzed empirically before firm conclusions could be drawn, but the level of doubt appears low.

Something can be deduced about the income distribution characteristics of different establishment sizes by observing the wage rates, the wage share, and (to the extent possible) the distribution of labor and capital income. Differences in average labor remuneration by establishment size have already been referred to. Small establishments pay their workers, on the average, about 40 per cent less than large establishments (Table XV). A more interesting statistics (vis-à-vis the income distribution question) is the white collar share of total wages and salaries paid, shown in Table XIX. The term "white collar" includes managerial, clerical, and (unavoidably) general workers. The figure of Table XIX shows that the white collar share is greater in large establishments compared to small ones. An even more significant positive relationship to size appears when we examine

[17] The extent of income differentials in Peninsular Malaysia is discussed in [11].

TABLE XIX

WHITE COLLAR SHARE IN TOTAL WAGES AND SALARIES PAID BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | White Collar Share in Total Wages and Salaries Paid (%) |
|---|---|
| 0–4 | 0.5 |
| 5–9 | 0.7 |
| 10–19 | 1.5 |
| 20–29 | 2.2 |
| 30–49 | 2.5 |
| 50 and over | 2.3 |
| Average for all groups | 2.2 |

Note: White collar includes general workers.

a similar set of data from the *Census of Manufacturing Industries, 1968*.[18] The term "white collar" in the census data excludes general workers. Size of establishment has to be inferred from legal status since the data are not available by employment size. The majority of individual proprietorships and partnerships may be assumed to be small and petty establishments since the census data show that only 1.5 per cent of individual proprietorships and partnerships are large establishments [16, p. 69]. On the other hand, we may assume that the majority of public limited companies are large establishments since the census data also show that 67.5 per cent of such companies are large establishments [16, p. 70]. Bearing this in mind we note that the proportion of white collar share in total wages and salaries paid in 1968 is about four times larger in public limited companies than in individual proprietorships or partnerships (Table XX). Thus available evidence indicates that white collar share is greater in large establishments.

It is much more difficult to say anything about the proportion of wage and capital income by employment size. The most that we can do is to look at the share of wages and salaries in net value added. This is shown in Table XXI. On the average, for all small establishments as a whole, the share of wages and salaries in value added is 41.5 per cent compared to 34.0 per cent for large establishments. (The average share for petty establishments may be slightly larger than shown since wages have not been imputed for unpaid workers.) The same relationship emerges when we look at data collected by the census (Table XXI).

To sum up, the above available evidence seems to suggest that small industry has a favorable impact on the overall income distribution of the country. One may also anticipate that as industrialization gathers momentum, rising profits will become more equally distributed as small industry plays a more significant role in the economy, and as some workers graduate into entrepreneurial status, and as windfall profits of large establishments are diminished. This, according to an ILO reports, is not merely academic reasoning about something that "might

[18] Similar data from the 1973 census are not yet available.

TABLE XX

WHITE COLLAR SHARE IN TOTAL WAGES AND SALARIES PAID BY LEGAL STATUS, 1968

| Legal Status | White Collar Share in Total Wages and Salaries Paid (%) |
|---|---|
| Individual proprietorship | 12.1 |
| Partnership | 11.8 |
| Private limited company | 35.3 |
| Public limited company | 49.6 |
| Average for all groups | 31.1 |

Source: Calculated from data in [16, pp. 173–76]. Data from 1973 census not yet available.
Note: White collar does not include general workers.

TABLE XXI

SHARE OF WAGES AND SALARIES IN VALUE ADDED BY PAID FULL-TIME EMPLOYMENT SIZE GROUP

| Paid Full-Time Employment Size Group | Share of Wages and Salaries in Value Added (%) | |
|---|---|---|
| | Own Survey Data | Census Data* |
| 0–4 | 33.3 | 23.8 |
| 5–9 | 41.5 | 28.9 |
| 10–19 | 42.5 | 32.7 |
| 20–29 | 39.9 | 29.8 |
| 30–49 | 42.1 | 30.1 |
| 50 and over | 34.0 | 24.4 |
| Average for all groups | 35.8 | 25.4 |

* Calculated from data in [17].

happen," for recent experience in industrializing countries of the Far East indicates that it "can happen" [9, p. 368].

## VII. CONCLUSION

The above study shows that small industry in Malaysia plays an important role in employment creation. It is particularly important in providing part-time employment and thus helps to reduce the incidence of underemployment. The low cost of setting up a small manufacturing unit enables an enterprising entrepreneur not only to provide himself with a livelihood but also offer employment to others. The provision of more employment opportunities is an important factor in a labor-surplus country such as Malaysia. In addition, the pattern of wage payments also suggests that small industry has a favorable impact on the overall

income distribution in Malaysia. In view of this, the government should pay greater emphasis to the promotion of small industry in Malaysia.

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