

## RESTRUCTURING OF EMPLOYMENT PATTERNS UNDER THE NEW ECONOMIC POLICY

JUN ONOZAWA

### INTRODUCTION

**T**HE New Economic Policy (NEP) launched in 1971 to attain the two major objectives of eradicating poverty and restructuring society ended in 1990 as scheduled, and in 1991 was taken over by the National Development Policy (NDP).<sup>1</sup>

During the last twenty years of its implementation, NEP exerted various influences not only on the Malaysia's economic structure, but also all the other facets of this multi-ethnic society. Concerning the restructuring of Malaysian society, which was one of its major policy goals, NEP intended to overcome economic imbalance among ethnic groups so as to enhance the economic position of Bumiputera<sup>2</sup> vis-à-vis other ethnic groups, particularly the Chinese community. In this respect, NEP pursued (1) correction of income imbalances existing between Bumiputera and the other ethnic groups, (2) restructuring of the employment pattern, (3) restructuring of the inter-ethnic ownership of share capital in limited companies, and (4) the creation of a Bumiputera commercial and industrial community.

Employment restructuring included efforts to encourage the Malay population, which had been traditionally engaged in agriculture and other low-productivity activities, to move into commercial, industrial, and other modern sectors so as to raise the income level of Bumiputera and eventually eliminate economic imbalances among different ethnic groups. This article will focus on this employment restructuring process. First the employment restructuring policy itself will be examined and then the actual changes that occurred in the employment structure in the 1970s and 1980s be described. It will conclude with an analysis of the general social impact made by this policy.

### I. MALAYSIA'S EMPLOYMENT RESTRUCTURING POLICY

The purpose of Malaysia's employment restructuring policy was to "ensure that employment in the various sectors of the economy and employment by occupational levels will reflect the racial composition of the country," according to

<sup>1</sup> The basic policy for the implementation of the Second Outline Perspective Plan, 1991-2000 (OPP2) presented to the parliament on June 17, 1991.

<sup>2</sup> For the definition of Bumiputera, see footnote 1 of Horii's first article.

Outline Perspective Plan (1970–90), which was part of the *Mid-Term Review of the Second Malaysia Plan, 1971–1975* [5, p. 62]. In other words, this policy aimed to rectify the traditional distribution pattern of employment, characterized by the concentration of Malays in the agriculture and other primary sectors and in simple and unskilled occupations, with non-Malays, particularly Chinese, almost completely dominating commercial and industrial activities. The policy proposed that the Malays, who represent half of the population, proportionately participate in the commercial and industrial sectors.

Why was this employment restructuring necessary? Let us go back to the pre-NEP situation. The economic backwardness of the Malays obviously resulted from low income and low wages. Malays were generally confined to the low-productivity and low-wage sectors. Table I indicates value added per worker by industry and ethnic shares of employment in different industries in the pre-NEP period. This table, which was compiled on the basis of the 1967–68 household expenditure survey, shows that Malays were concentrated in low-income sectors with a wide income gap vis-à-vis non-Malay groups.

Also, even in the same industry, Malays tended to be given simple, unskilled or semi-skilled jobs, while the Chinese occupied more than half of the managerial and professional positions [14, Tables 4.17, 4.19]. This unevenness in the distribution of jobs added to inter-ethnic income disparity.

In addition, since most Malays lived in rural areas they had few opportunities to participate in urban-type economic activities. This also served to keep their income level low. In 1957, the year of Malaya's independence, 89 per cent of the Malay population lived in rural areas while Chinese made up 62.5 per cent of the urban population followed by 21.0 per cent Malays, and 12.8 per cent Indians [1]. Since the British colonial period, those educated in English in urban areas have had better job opportunities. Since rural life had little to do with English education, Malays were disadvantaged in this sense also. The above-mentioned factors determining employment patterns all originated in the British colonial period. But even after independence this employment pattern survived until NEP was introduced following the May 13th incident in 1969.

How then was the employment-restructuring policy implemented under NEP? First, it took the form of government intervention in labor markets with a view to increasing the Bumiputera employment share to about 50 per cent in manufacturing and other sectors so as to reflect the ethnic composition of the population. Thus, (a) under the Industrial Co-ordination Act ordered in 1975 the issue of manufacturing licenses was made conditional on the applicant firms' compliance with the Bumiputera employment quota, (b) the Ministry of Trade and Industry made Bumiputera employment a condition in providing any approval for such projects as production capacity expansion plans, and (c) the willingness of foreign companies in Malaysia to promote Bumiputera to managerial or professional posts was used as a criterion in granting or rejecting their requests for working permits for their expatriate staff. Such administrative requirements, however, were not intended to replace existing non-Bumiputera staff with Bumiputera, but were based upon an ever expanding economic process offering increasing opportunities for additional

TABLE I  
VALUE ADDED PER WORKER AND ETHNIC GROUP EMPLOYMENT BY INDUSTRY,  
PENINSULAR MALAYSIA, 1967

	Value Added per Worker (Ringgit)	Distribution of Employed in Each Industry				
		Malays (%)	Chinese (%)	Indians (%)	Total Including Other Ethnic Groups	
					(%)	(1,000 persons)
Electricity, water and sanitary services	9,765	42.9*	22.9	32.4	100	17
Mining and quarrying	7,613	21.4*	67.2	10.3	100	69
Banking, insurance and real estates	5,533	36.5*	49.6	12.7	100	24
Construction	3,564	26.2*	62.5	9.9	100	95
Services	3,428	47.0*	35.9	15.0	100	481
Wholesale and retails trade	3,104	24.4*	65.9	9.1	100	371
Manufacturing	3,171	28.3*	64.0	6.9	100	261
Transport, storage and communications	2,396	37.7*	40.1	20.9	100	108
Agriculture, forestry and fishing	1,457	74.4	22.3	0.9	100	633
Agricultural products requiring substantial processing	1,327	52.3	27.4	19.6	100	797
Total	2,461	49.8	36.4	12.6	100	2,855
Malay dominated industries	1,659	63.6	23.7	11.2	100	1,620
Non-Malay dominated industries	3,513	27.9	58.6	12.4	100	1,235

Source: Lim Lin Lean, *Some Aspects of Income Differentials in West Malaysia* (Kuala Lumpur: Faculty of Economics and Administration, University of Malaya, 1971), p. 60, Table IV.1.

\* indicates industries where the share of Malay workers is smaller than the Malay share in the national labor force (which is 49.8 per cent).

Bumiputera employment. Nevertheless, some non-Bumiputera groups became disgruntled arguing the measures taken were a constraint on their employment opportunities. This Bumiputera employment policy was bound to work more or less smoothly if the economy continued to expand and keep the employment growth rate above the labor force growth rate, but would become difficult to implement if economic activity should slacken.

Another focus of the employment-restructuring policy pertained to the government's effort to provide better education opportunities to Bumiputeras as a means of improving their employment situation. In the early 1970s, the government increased the Bumiputera enrollment quota at universities to 70 per cent. In 1981,

TABLE II  
CHANGES IN MALAYSIAN INDUSTRIAL STRUCTURE, 1970-90

(%)

	Structure of Output Share to GDP		Share in Employment	
	1970	1990	1970	1990
Agriculture and forestry	29.0	18.7	53.5	27.8
Mining and quarrying	13.7	9.7	2.6	0.6
Manufacturing	13.9	27.0	8.7	19.5
Construction	3.8	3.5	2.7	6.4
Services	36.2	42.3	32.5	45.7
Import duties less imputed bank charges	3.4	-1.2		
Total	100.0	100.0	100.0	100.0

Source: [8].

the government introduced the "Look East Policy," under which education and training programs for Bumiputeras were strengthened.

The third point in the employment restructuring policy was to stimulate a transformation in the Bumiputera employment pattern by modernizing rural areas. Early in the 1970s, the Malaysian government hammered out a new policy to distribute industries to rural areas, and along with this policy established industrial estates and free trade zones in various states in an attempt to decentralize manufacturing industries from Kuala Lumpur and its vicinity. This was an attempt to encourage and accelerate the employment restructuring processes.

## II. CHANGES IN THE STRUCTURE OF BUMIPUTERA EMPLOYMENT

Changes in the employment structure of Malaysia have been partly influenced by fluctuations in the macro economy. The Malaysian economy experienced high growth in the 1970s (7.8 per cent in GDP on an annual average), low growth in the first half of the 1980s (5.8 per cent), and again high growth during the second half of that decade. The gainfully employed population increased from 3,400,000 in 1970 to 4,820,000 in 1980, and further to 6,620,000 in 1990. During the twenty NEP years, the Malaysian GDP grew at an annual average rate of 6.7 per cent in real terms, while total employment increased by 3.4 per cent per annum, a rate only slightly higher than the comparable growth rate of 3.3 per cent for the labor force [8]. This means that the employment restructuring policy could count on the newly generated net increment in employment for Bumiputera employment. Particularly in the high growth decade of the 1970s, the employed population expanded annually by 4.1 per cent, a rate higher than the labor force increase rate of 3.9 per cent. This had also a great impact on the industrial structure as a whole.

TABLE III  
CHANGE OVER TIME IN EMPLOYMENT STRUCTURE BY INDUSTRY AND ETHNIC GROUP,  
PENINSULAR MALAYSIA

	(%)		
	1970	1980	1990
Primary industry			
Bumiputera	67.6	68.2	71.2
Non-Bumiputera	32.4	31.8	28.8
Total	100.0	100.0	100.0
Secondary industry			
Bumiputera	30.8	39.7	48.0
Non-Bumiputera	69.2	60.3	52.0
Total	100.0	100.0	100.0
Tertiary industry			
Bumiputera	37.9	48.6	51.0
Non-Bumiputera	62.1	51.4	49.0
Total	100.0	100.0	100.0
Total (1,000 persons)	2,794	4,023	5,634

Sources: [8]; Malaysia, *Mid-Term Review of the Fourth Malaysia Plan 1981-85* (Kuala Lumpur, 1984).

Consequently, the Malaysian output-employment structure has undergone major changes over the 1970-90 period (Table II). While the weight of the agricultural sector in both output and employment rapidly diminished during the two decades, the importance of the secondary and tertiary sectors, mainly the manufacturing and service sectors, increased. Employment shifted toward nonagricultural sectors with high productivity.

In the first decade of NEP, or the 1970s, 370,000 out of the 1,420,000 newly employed were absorbed into the manufacturing sector. The manufacturing sector thus emerged as the largest labor absorbing sector (contributing 25.9 per cent of the employment increase), followed by the commercial sector, government services, and agriculture in that order. During the 1980s, the commercial sector became the largest new labor force absorber outstripping the manufacturing sector. This shows that in these decades Bumiputera steadily moved into the commercial and manufacturing sectors. It should be noted here that in Malaysia the manufacturing sector contributed most effectively as a labor force absorber compared with other ASEAN countries where the service sector played that role. In 1970-80, the manufacturing sector boasted a high employment elasticity of 0.61, indicating a pattern that resembled the Republic of Korea and other Asian NIEs [15, Chapter IV]. Let us now examine how the employment restructuring policy worked in encouraging Bumiputera movement between sectors and job levels.

#### A. *Inter-sector Movement of the Bumiputera Labor Force*

During the twenty years following the introduction of NEP, the employment structure changed more drastically for Bumiputera than any other ethnic group.

TABLE IV  
EMPLOYMENT BY SECTOR AND ETHNIC GROUP

	(1,000 persons)						
	1970 <sup>a</sup>	1980 <sup>b</sup>	1990 <sup>b</sup>	1970 <sup>a</sup> (%)		1990 <sup>b</sup> (%)	
				Bumiputera	Chinese	Bumiputera	Chinese
Agriculture, forestry, livestock, and fishing	1,359	1,911	1,838	67.8	21.5	76.4	16.1
Mining and quarrying	55	80	39	23.4	67.3	48.8	38.9
Manufacturing	252	755	1,290	29.0	65.5	50.3	36.9
Construction	60	270	427	21.2	71.7	43.0	49.9
Electricity, gas, and water	20	31	46	50.0	20.0	69.8	12.9
Transport, storage, and communication	98	210	285	42.9	39.8	54.1	32.4
Wholesale and retail trade, hotels, and restaurants	275	676	1,239	23.3	65.5	38.2	54.1
Finance, insurance, real estate, and business services	618	78	231	48.2	37.2	41.1	47.4
Government services		658	850			65.9	25.3
Other services		147	375			66.9	24.5
Total	2,736	4,817	6,621	52.4	36.2	57.8	32.9

Sources: [8] [9].

<sup>a</sup> Peninsular Malaysia only.

<sup>b</sup> Whole Malaysia.

The share of Bumiputera newly taking up agricultural jobs plummeted from 66.2 per cent in 1970 to 19 per cent in 1990, while newly hired Bumiputera in the secondary and tertiary sectors grew from 12.1 per cent to 30.5 per cent and 21.7 per cent to 40.5 per cent, respectively [8]. These figures provide proof that the employment-restructuring policy was largely successful in moving Bumiputera from the traditional agricultural sector to the more modern sectors.

As is shown by Table III, the Bumiputera share in the secondary industries (manufacturing, mining, construction, transportation, and communication) steadily approached that of non-Bumiputera groups during 1970-90. In the tertiary industry, the Bumiputera share exceeded non-Bumiputera in 1990. This was due in part to the absorption of many Bumiputera into government services and also to the fact that licenses for bus and taxi services were issued preferentially to Bumiputera.

Table IV gives a breakdown of Bumiputera employment by industry sector. It should be noted from this table that during the NEP period Bumiputera employees drastically increased in the manufacturing sector, the sector spearheading Malaysia's drive for industrialization. The Bumiputera work force in the manufacturing sector trebled from 73,000 persons in 1970 to 226,000 in 1980. In that decade

TABLE V  
NUMBER OF EMPLOYEES IN MAJOR MANUFACTURING INDUSTRIES BY ETHNIC GROUP  
IN PENINSULAR MALAYSIA, 1980

(1,000 persons)

Manufacturing Industries	Bumiputera	Chinese	Total of All Ethnic Groups
Electrical machinery apparatus	44 (36)	18 (10)	73 (54)
Textiles	23 (15)	9 (5)	37 (23)
Wearing apparel except footwear	10 (8)	44 (36)	56 (44)
Subtotal	77 (59)	71 (51)	166 (121)
Food	29 (10)	25 (8)	64 (21)
Wood and cork products, except furniture	30 (7)	25 (4)	61 (13)
Rubber products	14 (5)	11 (5)	31 (12)
Fabricated metal products	7 (2)	15 (2)	25 (5)
Machinery, except electrical	2 (—)	8 (1)	11 (1)
Grand total	235 (107)	251 (95)	552 (228)

Source: [9, pp. 609–610].

Note: Figures in parentheses represent female workers.

more Malays than Chinese were newly hired in this sector. This reflects the fact that during the 1970s Malaysia's export industries developed fast centering on such labor-intensive industries as electronics parts, textiles, and woodworking, and that Bumiputera workers were rapidly absorbed by these sectors. According to the 1980 census, 33 per cent of total Bumiputera employees in manufacturing were in the major export industries, namely, electrical machinery, textiles, and apparel. Bumiputera workers accounted for 60 per cent of the electrical machinery and 62 per cent of the textile workers. (Chinese workers represented 79 per cent of the apparel workers, however.) Also noteworthy is the fact that, as Table V shows, 72 per cent of the total 166,000 workers in the above-mentioned three major export industries were women. In other words, the increase in the Bumiputera manufacturing labor force in the 1970s was largely through the employment of generally low-paid Malay female workers in labor intensive industries.

The labor absorbing capacity of the manufacturing industry receded during the first half of the 1980s as the economy became generally stagnant, but in the recovery phase after 1987 the Bumiputera labor force again began to be absorbed into manufacturing. In the 1980–90 period, 340,000 out of the 535,000 newly generated manufacturing jobs, or 64 per cent, were occupied by Bumiputera workers (compared with 95,000 Chinese workers). Consequently, the composition of the manufacturing work force was reversed: while Chinese used to have an overwhelming share in the manufacturing work force, by 1990 Bumiputera workers came to account for 50.3 per cent, while the Chinese share stood at 36.9 per cent. The employment structure of the manufacturing sector thus completely changed during the two decades of NEP employment restructuring policy implementation.

Though employment opportunities for the Bumiputera were greatly expanded, the Bumiputera share are still low in specific industry sectors. In the commercial

TABLE VI  
BUMIPUTERA AND CHINESE EMPLOYMENT SHARES, 1970-90

(%)

Occupation	Peninsular Malaysia				Whole Malaysia			
	Bumiputera		Chinese		Bumiputera		Chinese	
	1970	1980	1970	1980	1980	1990	1980	1990
Professional and technical	47.1	53.7	39.5	32.6	53.7	60.3	33.8	30.8
Administrative and managerial	24.1	28.7	62.9	62.5	28.6	33.3	63.6	58.7
Clerical	35.4	52.4	45.9	36.6	52.3	54.9	37.9	36.7
Sales	26.7	32.1	61.7	60.1	31.1	36.0	62.0	56.5
Services	44.3	54.8	39.6	33.7	55.4	61.5	33.4	27.0
Agricultural	72.0	69.5	17.3	18.1	73.4	76.4	16.9	15.8
Production	34.2	43.7	55.9	44.6	45.5	48.5	43.9	40.4
Total	51.8	53.0	36.6	35.3	56.6	57.8	33.5	32.9

Sources: [8] [9].

Note: Each of the figures indicates the shares of Bumiputera and Chinese employees based on a figure of 100 for the total of employees in each occupational category.

sector, for instance, the Bumiputera represent only 30 per cent of the employees, the overwhelming majority still being Chinese. Moreover, even if the Bumiputera share should reach 50 per cent or more, that would not necessarily correct economic disparities, if Bumiputera work force continues to be concentrated in low-paid job categories.

#### B. *Bumiputera Employment and Occupational Levels*

The ethnic employment pattern by occupational levels existing at the outset of the NEP was characterized by an unproportionately large representation of Chinese in all the categories of occupations excepting agriculture and services. How has this pattern been transformed during the twenty years of NEP?

It should first be pointed out that during the first ten years of NEP the Bumiputera employment share rose enough almost to reflect the ethnic composition of the total population of all occupational groups except administrative and managerial staff and sales personnel (Table VI). A particularly steep rise was registered in the Bumiputera share with regard to workers assigned to production jobs (about half of the total newly generated Bumiputera jobs were taken up by this category). Following the production category were clerical and service personnel. Consequently, by 1980 Bumiputera production workers and clerical personnel came to outnumber their Chinese counterparts. This was due to the increase in the active employment of Bumiputera by the manufacturing sector as earlier mentioned. This trend carried over into the 1980s, as more Bumiputera were absorbed into manufacturing production, services, and professional occupations. However it must be remembered that in these areas the absolute number of Chinese



also increased. As the economy expanded, therefore, the Bumiputera succeeded in increasing their share, while the Chinese share declined only in relative terms. The Bumiputera work force in this process made inroads into those low- and medium-income job categories which Chinese had dominated. In such job categories, the Bumiputera and Chinese have now come to work side by side.

It should also be said, however, that NEP employment restructuring succeeded in increasing the Bumiputera work force in relatively low-wage job categories such as production and service and clerical personnel. The Bumiputera are yet to massively walk into medium- and high-income white-collar jobs (professional, technical, administrative, and managerial occupations as well as high-income clerical and sales jobs). Concerning administrative and managerial jobs, the Chinese still account for 58.7 per cent compared with 33.3 per cent for the Bumiputera in 1990. In the area of sales, the corresponding shares came to 56.5 per cent and 36.0 per cent, respectively. The Bumiputera are still far behind the Chinese in these job areas. The same can be said of professional and technical occupations. The Bumiputera shares ranged between 20 and 30 per cent among accountants, physicians, and lawyers. Foreign enterprises, a major force in the industrialization of Malaysia, now badly need Bumiputera top managers, middle managers, and engineers.

The employment restructuring policy as we have seen has certainly encouraged the movement of the Bumiputera labor force into new sectors. Compared with other restructuring policies, such as ownership restructuring making 30 per cent Bumiputera equity share mandatory, the employment restructuring policy did not seriously affect the employment situation of non-Bumiputera groups. It may be safe to say that the restructuring itself was met with understanding by the general public. Also, because of the rapid expansion of the Malaysian economy during the 1970-80 period, employment restructuring was able to proceed without depriving non-Bumiputera workers of their job opportunities in the traditional sectors. It also became clear, however, that the government's strong administrative intervention, if effective in restructuring employment patterns in terms of quantity, was alone unable to promote Bumiputera workers to high income sectors or the higher prestige occupations in the professional and administrative categories. This is possible only by long-term efforts to foster and develop human resources.

### III. THE IMPACT OF EMPLOYMENT RESTRUCTURING

The employment restructuring policy of NEP not only expanded job opportunities for the Bumiputera, but also exerted various influences on such social affairs as the modernization of rural areas, the urbanization process, and the national labor market.

#### A. *Changes in Rural Employment*

The employment restructuring policy had the effect of inviting a massive exodus of Malays from their traditional villages (*kampung*). This migration stemmed from an explicit policy goal of NEP that more Bumiputera should engage in commercial

and industrial activities. The Bumiputera labor force thus moved not only inter-industrially but also geographically.

Let us examine migration patterns during 1970–80 using the 1980 census figures.<sup>3</sup> During that decade, approximately 2,600,000 migrated domestically, and two-thirds were Bumiputera. Forty-five per cent of those who moved moved from rural to rural areas. Next were groups who moved from urban to urban areas and urban to rural areas. The smallest group, or 16 per cent, moved from rural to urban areas. This migration pattern is clearly different from that of any other developing country.

One of the reasons why Bumiputera's rural-to-rural migration represented the largest pattern of population movement is that under NEP the Federal Land Development Agency (FELDA) and other government agencies carried out large-scale land development and resettlement programs causing a large number of Malays to move into resettlement areas. By April 1985 FELDA carried out 367 land reclamation projects creating a total of 650,000 hectares of estates, where 94,000 households settled [4, p. 252]. Thus, a new category of large oil palm and rubber plantations emerged. Ninety-six per cent of the settlers in the FELDA estates are Malays. During the primary commodities boom in the 1970s, the resettled Malay household income level was far higher than that of *padi* (rice) farmers and rubber smallholders. This attracted many Malay peasants to the newly opened estates.

Another reason for the rural-to-rural population movement was the creation of industrial estates in rural areas surrounding the cities. Under the government's policy to disperse industries to rural areas, 101 industrial estates and 9 free trade zones were established all over the country where labor-intensive industries such as electronic components makers were introduced. The Malay working population thus began to move to the rural areas surrounding these industrial complexes to commute to the factories.<sup>4</sup>

Migration from *kampung* thus became visible in the 1970s, and began to cause a labor shortage in traditional rural areas of Peninsular Malaysia. Suffering most seriously were rubber and oil palm estates and *padi* areas. Rubber and oil palm estates failed to obtain enough labor power because they offered lower wages than the other growth sectors and demanded harder work. *Padi* farmers began to quit rice growing since their income level was relatively low. Under NEP they sought to quit their *kampung* in quest of better-paying jobs. The amount of abandoned *padi* lands thus began to increase at the end of the 1970s, reducing Malaysia's rice self-sufficiency rate to around 60 per cent. This set of circumstances is now forcing the government to change its agricultural policy.

These phenomena obviously show that Malaysia's rural society has been trans-

<sup>3</sup> Population movement does not immediately mean labor force movement, but since population movement for economic reasons carried heavy weight in the 1980 census, we can probably assume that population movement followed the same pattern as labor force movement.

<sup>4</sup> Urban center neighborhoods are often categorized as rural, causing the rural-to-rural movement to be slightly exaggerated.

formed under NEP. In fact, the share of non-agricultural households in rural areas rose from 19.2 per cent in 1970 to 39.1 per cent in 1983 [6, p. 134], and the percentage of family workers in the rural population declined from 24 per cent in 1970 to 15 per cent in 1980. Conversely, the percentage of employed workers in the total rural population jumped from 38 per cent to 48 per cent in the same period [9, p. 127]. Now close to half of the rural population is employed in nonagricultural sectors. The modernization of the employment structure is steadily progressing in rural Malaysia.

### B. *Urbanization of Malay Society*

Though rural-to-rural migration is the dominant tendency, the move to the city has been certainly under way in Malaysia since the 1970s. The urbanization of the Malay people is particularly rapid in Peninsular Malaysia. As was earlier mentioned, this indicates a policy success in getting Malays to participate in the more modern, urban economy.

The rate of urbanization (the percentage of urban population in the total population) in Peninsular Malaysia grew from 28.8 per cent in 1970 to 37.5 per cent in 1980 and further to 41.1 per cent in 1985 [7, p. 127]. This increase was due to greater job opportunities offered by the secondary and tertiary industries in the midst of rapid economic growth during the 1970s, the influx of Malays into urban areas to avail themselves of NEP-created job and education opportunities, and also to the expansion of urban jurisdictions which increased the nominal urban population.

Traditionally, the Chinese and Indian communities represented more than 70 per cent of the populations of major Malaysian cities as opposed to only about 30 per cent Malays. The pattern began to change, however, as the result of NEP. The share of Malays in urban population on Peninsular Malaysia grew from 17.1 per cent in 1970 to 37.4 per cent in 1980 and then to 41.3 per cent in 1985 [7, p. 127]. During the first fifteen years of NEP, the Malaysian urban population grew by an annual average of 6 per cent or more. Consequently, the Fifth Malaysia Plan estimated that if the Malay urban population increased at the same rate, the share of Malays would reach 45.6 per cent in 1990, exceeding for the first time the Chinese share of 43.7 per cent [7, p. 127].

The major reason behind this advance of Malays into urban areas is economic: NEP caused the Malay labor force to engage in inter-sector movement, which involved their geographical movement as well. Another noneconomic reason was that the Islamic movement, which had been based in the conservative rural Malay communities, shifted its emphasis toward urban intellectuals and youth. This shift made urban life more acceptable to Malays, blurring out the long-held negative image of "Chinatown."

Urbanization in Malaysia is free from the pattern characterizing other Southeast Asian countries: that of poverty in rural areas serving as a "push" factor causing peasants to migrate to cities where they usually join the urban informal sector. Malaysia does have the problem of urban squatters, but lacks huge urban slums in major cities. This is because the NEP employment restructuring policy guaran-

teed jobs to the population, migration occurred on a step-by-step basis centering on the expansion of local towns. For these reasons, together with the significance of rural-to-rural migration pattern, population concentration in metropolitan centers has been largely avoided.

### C. *Changes in Labor Markets*

The third impact of employment restructuring was on labor markets in the form of the expansion of the wage labor market. Industrial upgrading generally causes family workers and self-employed to decrease and wage labor to increase. This tendency emerged in Malaysia in the 1970s accompanying rapid industrialization and consequent enlargement of its labor markets. In terms of employment status, the share of employees in the gainfully employed population rose from 49 per cent in 1970 to 61 per cent in 1980 [11, p. 37], then to 65 per cent in 1986 [10, p. 123]. During this period, the bulk of the Malay work force was rapidly turned into wage labor. Chinese and Indian workers were already predominately wage laborers in the 1970s though the share of hired labor among them also increased (from 60.2 per cent to 64.1 per cent for Chinese, and 80.4 per cent to 83.8 per cent for Indians). For Malays, the employees' share was only 35.8 per cent in 1970, but in 1980 the figure had risen to 55.3 per cent [11, p. 37], then to 60.6 per cent in 1986 [10, p. 123]. This steep rise reflected the fact that a large number of Malay farmers and their unpaid-family workers moved out of *kampungs* into the wage labor market.

What then has been the impact of the growing Malay wage labor force on the multi-ethnic Malaysian labor markets? First, the number of Chinese employees also increased during the first ten years of NEP, but at a rate far lower than their Malay counterparts. The ethnic composition of employees in Peninsular Malaysia thus changed: in 1970 Chinese, Malays, and Indians represented 43.3 per cent, 39.0 per cent, and 16.7 per cent respectively of the total employees, but by 1980 Malays had captured a 48.3 per cent share, outrunning the Chinese share of 36.5 per cent, and by 1986 the share was 50.5 per cent and 34.9 per cent respectively. Concerning employers, however, 66.9 per cent were still Chinese and only 26.4 per cent Malays even in 1986 [10, p. 123].

The increase in Malay wage laborers has transformed the pattern of stratification in the labor market. Ozay Mehmet has understandably argued that as the result of NEP the Bumiputera stepped into the low-wage production labor market, caused by an upward movement of Chinese workers formerly in that market to lower middle class jobs as service and sales personnel and clerical workers. In other words, Chinese workers formerly at the bottom of the labor market moved into white-collar jobs and the production, transport, and other blue-collar jobs involving low labor intensity are now being filled by relatively unskilled Malay workers [12, pp. 980-81]. Malays fresh from rural villages are thus taking up low-status blue-collar jobs, Indians are more and more concentrated on plantations, and Chinese are getting mainly white-collar jobs with private companies. Similarly, Hing Ai Yun holds that "Malay workers joining wage labor are starting at the very bottom of the organizational hierarchy. In contrast, the earlier proletarianised

TABLE VII  
EMPLOYMENT SHARE FLUCTUATION COEFFICIENTS  
BY OCCUPATION AND ETHNIC GROUP

	Bumiputera		Chinese	
	1970-80	1980-90	1970-80	1980-90
Professional and technical	6.6	6.6	-6.9	-3.0
Administrative and managerial	4.6	4.7	-0.4	-4.9
Clerical	17.0	2.6	-9.3	-1.0
Sales	5.4	4.9	-1.6	-5.5
Services	10.5	6.1	-5.9	-6.4
Agricultural	-2.5	3.0	0.8	-1.1
Production	9.5	3.0	-11.3	-3.5
Total	1.2	1.2	-1.3	-0.6

Sources: [8] [9].

Note: Differential between shares at two points in time; calculated from Table VI.

Chinese workers have moved up the ladder to the service and white collar positions" [3, p. 164]. In the same vein, Fatimah Halim, known for her study of female workers, argues that "the Chinese as a group tended to command a high wage rate. Their place at the lower rungs of the employment hierarchy has been taken over by the emergent Malay working class from the rural areas" [2, p. 134]. Under these circumstances, Hin Ai Yun observes, "this apparent congruence of race with organizational hierarchy has seriously hindered the development of class solidarity" [3, p. 164]. Ozay Mehmet talks about "inter-sectoral poverty transfer" resulting from NEP-type industrialization. According to him, NEP-type industrialization generated labor-intensive industries such as electronics parts and garment industries, causing an influx of unskilled labor including female workers from the countryside. This has had the effect of expanding the low-paid strata of workers and may lead to the further spread of poverty [13, pp. 90-91].

The above arguments are worthy of note because they point to problems generated by the employment restructuring process. But the argument they put forward—that the emerging Malay labor force entering into low-wage labor market led to occupational upward movement by Chinese—seems to be based upon the preoccupation that social stratification or the mobility of the labor force among ethnic groups in the occupational and organizational hierarchy under NEP was still within the framework of the identification of ethnic group with economic function. If, as argued, the proletarianization of Malays necessarily brings about an upward movement or status rise for Chinese, ironically NEP then might have worked in favor of non-Malays over Malays. But facts refute this. As was already related in connection with employment by occupational levels, occupational upgrading has been observed for both Malays and Chinese, and has been more conspicuous for Malays than for non-Malays.

The Malays and Chinese have moved in diametrically opposed directions with respect to occupational advance. During 1970-80, the share of Malay employees

increased in all occupations, while their Chinese counterparts suffered a setback exactly corresponding to the Malay advance (Table VII). Consequently, the Chinese share drastically dwindled among production workers, and the Malay share correspondingly enlarged. In 1980 the Malay and Chinese shares became ethnically balanced. In 1990 Malay production workers (890,000) outnumbered their Chinese counterparts (740,000). Though the relationship was reversed, this does not necessarily mean that the Malays have replaced the Chinese, since the total number of employees has increased. Also, as regards white-collar jobs, Malay clerical personnel in 1980 outnumbered their Chinese counterparts, while the numerical superiority of Malays was further strengthened among service and professional personnel. Malays are still lagging behind in the sales, administrative, and managerial categories, but there too, their shares are expanding. As can be seen from these figures, it is not accurate to say that only Chinese are moving up the occupational ladder. It would rather be correct to say that the overwhelming numerical superiority of the Chinese in the wage labor force has been diluted as the Malays joined them en masse. At the low- and medium-income levels the work force composition seems to be approaching a balanced mix of Chinese and Malays, thus making it more multi-ethnic compared to the situation before NEP.

Such a change in the labor market has certainly influenced the conditions of social stratification in Malaysia. As was earlier mentioned, during 1970-80 about half of the newly employed Malay working force became production workers, most of them employed as low-status factory workers in labor-intensive export industries. The remaining half were assigned to middle class jobs of one sort or another. In 1980-90, only a quarter of the newly generated Malay work force became production workers, the remaining three quarters being more or less evenly distributed among service, professional, and clerical jobs. It can be said that the second half of the NEP era has certainly witnessed an expanding Malay middle class engaged in white-collar occupations.

## CONCLUSIONS

The following facts become clear from the preceding observations. First, the inter-sectoral movement of the gainfully employed Bumiputera population increased during the two NEP decades, many workers moving from agriculture to the manufacturing and service sectors. In the manufacturing sector, in particular, the Bumiputera came to significantly outnumber the Chinese by 1990. Second, with regard to occupational shares, the Bumiputera captured its population-proportionate share in all job categories except the administrative and managerial, and sales categories. However, the advance of the Bumiputera has not been rapid enough in the latter two categories as well as high-income professional and technical areas. Therefore, more time will be needed for Bumiputera as a whole to attain high income paying jobs. Third, the urbanization of the Bumiputera population accelerated during the 1970s. The urban Bumiputera population is believed to have exceeded the urban Chinese population by 1990. Malaysian urbanization has succeeded in the sense that it is not accompanied by a sprawling informal

sector. This is largely to the credit of NEP. At the same time NEP brought about a transformation in the employment structure in rural areas.

The success more or less of NEP's employment restructuring policy was due in part to the rapid economic growth Malaysia experienced throughout the 1970s and during the second half of the 1980s. In the 1970s employment increased by 4 per cent per annum, facilitating the government's initiative to restructure employment. Unlike the move to increase shares of Bumiputera equity capital, employment restructuring was able to attain a basic public acceptance. These two factors worked favorably for the implementation of the employment restructuring policy.

But this outcome of the restructuring policy has had some problems as well. The structural changes have been too rapid. In addition, macro economic changes hit Malaysia in the 1980s. As a result, it became increasingly difficult for university graduates to find jobs while labor shortage plagued sectors (plantation and construction in particular), which began to depend increasingly on illegal migrant workers from Indonesia. The government in 1983 announced a policy to increase population, while reducing the targets for rice self-sufficiency. These steps confused economic management. In the meantime, the employment restructuring program faced a structural problem in the need to shift emphasis from the quantity of Bumiputera wage workers to quality. New measures became necessary to help the Bumiputera catch up with other ethnic groups in the high-income job areas such as administration and management as well as professional and technical.

Finally, employment restructuring is expected to exert influence, through labor markets, upon the social composition of multi-ethnic Malaysian society as a whole. There have emerged a handful of Bumiputera groups having easy access to government-provided incentives and other privileges. Stratification within the Bumiputera itself has certainly progressed. But more importantly, the Bumiputera work force has made a massive advance into the lower and middle classes during the past twenty years and have begun to live and work intermingled with the Chinese. Thus, the employment pattern at many occupational levels and sectors as well as urban life have become more multi-ethnic in character. It is thus likely that in the future horizontal coalitions will be formed beyond ethnic lines in Malaysian society. Conversely, conflicts of interests within the Bumiputera community as well as within the Chinese community may become aggravated. A new situation is likely to arise where ethnic factors are intertwined with class factors in very complex ways.

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