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Abstract	This article describes the condition of manpower planning and labor markets in West Malaysia during the 1960s. Problems and conditions in employment markets; Implications of insulated markets for manpower and economic policies; Suggestions offered for future employment-creation policies.

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Manpower Planning and Labour Markets in Developing Countries: A Case Study of West Malaysia

*By Ozay Mehmet**

SUMMARY

In the past, aggregative studies and forecasts have dominated manpower planning in developing countries. Such exercises, however, tend to assume away or ignore a host of institutional factors that have far-reaching influences on the determination of wages and employment and on the efficiency of labour markets. Consequently, this paper argues that disaggregated manpower research, focussed on current problems and conditions in employment markets, would be far more useful to economic development policies than the sort of abstract macro-planning aimed at forecasts of long-term manpower requirements which has been highly fashionable during the last decade.

The theme of the paper is substantiated with reference to the organization and workings of labour markets in West Malaysia. It is found that institutional and economic factors peculiar to that country have resulted in three 'insulated' labour markets, one each for Malays, Chinese and Indians, with practically no mobility of labour across insulated markets, even in widely divergent supply-demand conditions. The final sections of the paper briefly examine the implications of insulated markets for manpower and economic policies.

A general review of literature on manpower planning in developing countries reveals an overwhelming preoccupation with macro-planning in contrast to disaggregated studies of labour markets.¹ Thus, forecasts of future manpower requirements are typically derived independently of the conditions in, and the workings of, labour markets; instead these requirements are derived from projected investment and output levels either on the basis of linear input-output relationships or surveys designed to determine future manpower needs of employers.²

Failure to incorporate labour market forces into manpower plans in effect amounts to an assumption that these forces will automatically lead to balanced supply and demand conditions in future labour markets. Such an unrealistic assumption casts serious doubts on the empirical usefulness of the conventional manpower approach, and may explain its inability to make any significant contribution to economic development even though for more than a decade now many countries have devoted much time and effort to manpower planning and forecasting.

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The purpose of this paper is to make a plea for empirical disaggregation in manpower planning and research in developing countries. More specifically it is argued that detailed, problem-solving studies focusing attention on current and past labour market conditions, particularly institutional obstacles to change, should be given higher priority by manpower planners than the aggregative approaches generally employed in the past. This contention will be substantiated with reference to West Malaysia.³ However, it is felt that it would be equally valid for other developing countries as well.⁴

The outline of the paper is as follows. Following an appraisal of the manpower and employment targets of the *First Malaysia Plan, 1965-70*, on the basis of the actual performance of the economy, the institutional organization of the West Malaysian labour market is examined to reveal a market fragmented on ethnic lines. In fact, this fragmentation is so pronounced that it is found useful to analyse its workings in terms of three insulated sub-markets—one for each ethnic group. Then the implications of these labour market rigidities for employment and manpower policies are discussed. Finally, some suggestions are offered for future employment-creation policies.

MANPOWER PLANNING AND JOB CREATION, 1965-70

The Economic Planning Unit of the Prime Minister's Office has spear-headed manpower as well as economic planning in Malaysia. One of the first major research projects undertaken by planners in connection with the preparation of the *First Malaysia Plan* was a large-scale manpower survey in 1964/65 [*Malaya, 1965*]. This was a mail survey, covering both the public and private sectors. It asked for quantitative information concerning manpower needs through to 1971 in the case of public bodies and to 1967 in the case of private establishments.

The findings of the 1965 manpower survey were utilized in preparing the manpower and educational sections of the *First Malaysia Plan*. The dominant theme of these sections was that the country was severely deficient in skilled and educated manpower and this 'has been and remains one of the most important limiting factors on the expansion of private investment and employment' [*Malaysia, 1965, p. 79*]. Accordingly, the Plan placed high priority on training, and vocational and technical education for the purpose of increasing the supply of qualified manpower to meet the production and employment targets of the Plan.

The employment target of the Plan was to create a total of 377 thousand additional jobs in West Malaysia to absorb the entire expected increase in the labour force from an estimated 2,678 thousand in 1965 to 3,055 thousand by 1970. With no expected increase in the absolute number of jobless, the planners hoped to reduce the unemployment rate from 6.0 per cent in 1965 to 5.2 per cent in 1970.⁵

The assumed growth of employment in the Plan period was based on a labour-intensive strategy that emphasized land development and settlement in the agricultural sector. Significant expansion of service sector employment was also assumed. But only moderate growth of jobs in the manufacturing, construction, utilities and transportation sectors was anticipated. Table 1 summarizes the employment goals of the Plan.

A thorough appraisal of the employment targets of the *First Malaysia*

TABLE 1
EMPLOYMENT TARGETS OF THE FIRST MALAYSIA PLAN 1965-70
(Figures in 000)

Sector	Employment in	
	1965 (est.)	1970 (target)
Agriculture	1,388	1,553
Manufacturing	173	209
Mining	61	61
Construction, Utilities and Transport	210	252
Police Administration and Defence	257	312
Trade and Services	429	508
TOTAL	2,518	2,895

Source: Government of Malaysia: *First Malaysia Plan, 1965-70*, Table 5-1.

Plan is not possible due to lack of data. The official *Mid-Term Review of the First Malaysia Plan*, published early in 1969, is conspicuously silent on the employment and manpower aspects of the Plan. At present the only source of reasonably up-to-date labour market information in the country is the *Socio-Economic Sample Survey of Households 1967/68* carried out by the Department of Statistics. While it is not free of data problems, this report provides employment statistics for 1962 and 1967 which enable an assessment of the job creation performance of the West Malaysian economy in recent years. Such an assessment would, in turn, enable a reasonably realistic appraisal of the employment targets of the Plan.

According to the *Socio-Economic Sample Survey of Households 1967/68*, a total of 224 thousand new jobs were created in West Malaysia during 1962-67 or just under 45 thousand per year on average.⁶ If this rate of annual job creation were projected to 1970 (not an unreasonable assumption) it would appear that the over-all employment goal of the Plan would fall short by 40 per cent with a serious rise in unemployment, contrary to the initial expectations of the planners. In fact, a substantial increase in unemployment since 1965 is now apparent in West Malaysia and was certainly an important factor in the race-riots of 1969.

There are several reasons for the failure of the economy to perform according to the expectations of the planners. In the first place, the rate of land development and settlement anticipated by the planning agency has been frustrated by the restrictive land alienation policies of Malaysian states which, by constitution, have control over land matters. For cultural and political reasons, some states tend to restrict land ownership and settlement on new land schemes to Malays only. Secondly, there has been a significant decline in employment on estates and plantations stemming partly from the introduction of labour-saving production techniques on rubber estates, and partly from the fragmentation of larger estates. This has hit the Indians in particular since they have historically been dominant in the plantation sector. Finally, although there has been significant expansion of manufacturing employment, it is recognized [*Malaysia, 1969, p. 16*] that this is a relatively small and capital-intensive sector of the economy hardly capable of making a significant contribution to offset rising unemployment. In 1967, it accounted for only 8.6 per cent of total employment.

While the reasons cited above are valid so far as they go, it is the contention of this paper that the unemployment problem is fundamentally related to the insitutional organization and operation of labour markets in West Malaysia. This contention is substantiated in the next part of the paper.

THE INSULATED LABOUR MARKETS OF WEST MALAYSIA

For historical and cultural reasons, employment in West Malaysia is distributed on ethnic lines. The result is a pronounced ethnic fragmentation of the labour market with serious implications for manpower utilization and economic policy.

Statistical information concerning the ethnic composition of the Malaysian economically active population is available from the latest census of population conducted in 1957 as analysed in detail by Ma and Poh-Seng [1960]. Although this source is over ten years old now, the pattern it revealed is still substantially valid and therefore used here.

Of the three main ethnic groups in the country⁷, Malays are heavily concentrated in the primary sector: in fact approximately three out of four economically active Malays are engaged in primary activities, particularly in peasant agriculture such as rice production and fishing. A high proportion of the remainder are in government and community service thanks primarily to the political preference enjoyed by Malays in those industries. Only a mere 5 per cent of economically active Malays are engaged in secondary activities (Table 2).

TABLE 2
ECONOMICALLY ACTIVE POPULATION OF WEST MALAYSIA, 1957,
BY ETHNIC GROUPS AND PRINCIPAL ECONOMIC SECTORS

Sector	Malays		Chinese		Indians	
	No. employed	%	No. employed	%	No. employed	%
Primary	759,631	76.1	350,377	46.7	181,323	59.5
Secondary	48,433	4.8	130,116	17.4	22,398	7.3
Tertiary	190,366	19.1	269,157	35.9	101,110	33.2
TOTAL	998,430	100.0	749,650	100.0	304,831	100.0

Source: Ronald Ma and You Poh-Seng, 'The Economic Characteristics of the Population of the Federation of Malaya, 1957', *The Malaysian Economic Review*, V (October 1960); 27, 29 and 31.

The Chinese position is in sharp contrast to that of the Malays. Although the Chinese economically active population is relatively evenly distributed between the primary, secondary and tertiary sectors (Table 2), they occupy a dominant position in the private sector accounting for over two-thirds of total employment in mining and quarrying, manufacturing, commerce and personal service, and almost half of that in construction and building, and transportation, storage and communication industries (Table 3). On the other hand, their share of employment in government and community services and peasant agriculture is disproportionately low.

Indians are concentrated in the primary sector where they make up virtually the entire resident work-force of large estates and plantations. Indians are also heavily represented in the tertiary industries, particularly

in public utilities, transportation, storage and communication and personal services (Table 3).

TABLE 3
ETHNIC COMPOSITION OF EMPLOYMENT IN WEST MALAYSIA, 1957
BY SECTOR AND INDUSTRY

(per cent of total employment in industries specified)

<i>Sector</i>	<i>Malays</i>	<i>Chinese</i>	<i>Indians</i>
PRIMARY			
'Peasant' agriculture	81.4	17.9	0.7
'Modern' agriculture	43.3	31.3	25.4
Mining and quarrying	17.5	70.7	11.8
SECONDARY			
Manufacturing	19.8	72.7	7.5
Construction and building	32.8	48.8	18.4
TERTIARY			
Electricity, gas and water	34.9	27.1	38.0
Commerce	16.7	66.2	17.1
Transport, storage and communication	37.3	40.4	22.3
Government and community service	61.6	23.1	15.3
Personal and other service	17.2	63.7	19.1

Source: Ronald Ma and You Poh-Seng, 'The Economic Characteristics of the Population of the Federation of Malaya, 1957', *The Malaysian Economic Review*, V (October 1960); 27, 29 and 31.

Ethnic fragmentation of the labour market in West Malaysia is so strong that even in those industries where employment is shared, in varying degrees, by all ethnic groups, each group is typically concentrated in particular occupations or industrial activities within the broad industrial sector. To cite one example, in plantation agriculture Malays are small-holders and those working as wage-earners on estates specialize in weeding and general labouring occupations. Chinese are concentrated in small-holding and Chinese estate workers are exclusively non-resident tappers. Indians make up the resident work-force. The Chinese and Malay small-holdings are operated strictly as family concerns through the utilization of unpaid family workers. As a general rule, in industries where all three ethnic groups participate as workers or producers, in varying proportions, each group specializes in distinct occupations or activities virtually in complete economic and social isolation from each other⁸.

It is obvious from the preceding paragraphs that ethnic fragmentation of employment in West Malaysia reflects the co-existence of three insulated labour markets:⁹ one for each ethnic group. There is virtually no mobility or interchange of labour between these ethnic labour markets. Wages and employment are determined within each ethnic labour market quite independently of the other markets. Thus, employment opportunities open to any particular job seeker are generally limited to those available in the ethnic employment market serving his community. On the other hand, there are important inter-ethnic differences in the preferences of job seekers, reinforced by ethnic attitudes and institutions. These inter-ethnic job preferences are manifested partly in the degree of availability for work (generally low in the case of Malays, and high in the case of Chinese) and partly in terms of choice of occupation, employer or location of employment. Thus, the

orientation of the Malay wishing to pursue a non-agricultural career is toward public service, thanks primarily to the preferential treatment given to Malays in government jobs and scholarships. This is in sharp contrast to the career preferences of Chinese, and to a lesser extent of Indians, who favour private business in urban centres.¹⁰

In insulated labour markets it is possible to have widely different conditions. For instance, relatively low unemployment in one ethnic market may co-exist with heavy unemployment in others without generating any appreciable interchange of labour. Similarly, occupational wage differentials may persist between insulated markets; in fact, inter-ethnic occupational differentials are generally accepted as one reflection of the social and economic differences between the ethnic groups.¹¹

While supply and demand forces operate within each insulated market, they are always subject to a set of institutional and customary rules. On the demand side, recruitment of labour is done by non-competitive arrangements whereby the employer fills vacancies either from his own family members, his relatives, friends or business affiliates. Nepotism in the filling of vacancies, selection of apprentices or trainees is extensively practised on family and kinship lines; in fact it is a practice generally recognized by all ethnic groups.¹²

Non-competitive recruitment is established to the extent that each ethnic labour market is actually further sub-divided into small segments on clannish or extended family lines.¹³ Thus it is a fairly common observation in several industries, particularly construction, mining, domestic and personal services, that certain occupations or lines of economic activity are the exclusive preserves of certain Chinese clans [*Maday et al.*, 1965, pp. 504-07]; entry into these occupations is open only to members of these clans, whose joint bilateral monopoly in the jobs markets effectively precludes possible competitors from entering the market. In these clans money wages and other conditions of work are determined strictly by custom. For example, if demand for the type of service sold by these clans fell by half, wage-rates would stay practically unchanged, with the level of employment declining accordingly; unemployed clan members would either obtain alternative jobs within the extended family, or in the unlikely event of no openings being available, be supported through the mutual assistance system of the family.

Non-competitive recruitment of labour by employers of skilled occupations frequently occurs indirectly when a retiring employee trains his son or a close relative on the job, for no pay and at no direct cost to the employer, simply to prepare him to take over at the time of retirement.

A most important vehicle of non-competitive hiring is labour contracting.¹⁴ An age-old institution, labour contracting occurs extensively in several industries such as the estates and plantations, construction, mining and manufacturing (Table 4). Labour contractors, in effect, perform the function of an employment agency or personnel department. Some labour contractors specialize in the supply of certain occupations; others provide teams or gangs of inter-related workers. Sometimes labour contractors act simply as agents for their clients in return for a stipulated commission calculated on the value of output produced by the workers supplied. Often, however, labour contractors work on their own account, entering into contracts to supply their client prescribed quantities of labour for an agreed sum of money, and hiring workers and paying wages directly. In

TABLE 4
THE EXTENT OF LABOUR CONTRACTING IN SELECTED INDUSTRIES

(1) <i>Industry</i>	(2) <i>Total Employees</i>	(3) <i>No. employed through contractors</i>	(4) <i>(3) as % of (2)</i>
Manufacturing (a)	53,989	11,406	21.1
Rubber estates (b)	165,954	41,902	25.2
Construction (c)	51,056	31,643	62.0
Tin mining (d)			
Under European ownership	17,375	1,181	6.8
Under Asian ownership	37,286	10,290	27.6

(a) Includes only full-time factory workers as at December 31, 1966.

(b) Includes only estate workers as at December 31, 1967.

(c) As at December 31, 1966.

(d) As at December 31, 1966.

Sources: (a) and (b): *Handbook of Labour Statistics, West Malaysia, 1967*, Ministry of Labour, Kuala Lumpur.

(c) *Survey of Construction Industries, West Malaysia, 1966*, Department of Statistics, Kuala Lumpur.

(d) *Census of Mining Industries in West Malaysia, 1966*, Department of Statistics, Kuala Lumpur.

all cases, labour contracting is organized on strictly racial and clannish lines. There is a very strong emphasis on personal relationship between the contractor and each member of his team as well as between members of the team. Within the team there are customary rules regarding seniority, wages and conditions of work. Unity of the group is maintained through strict discipline and obedience to traditional rules of behaviour. Hence the central role of personal and kinship relations.

There are serious institutional rigidities and imbalances on the supply side as well. One important form of supply imbalance is the clear-cut dichotomy between unskilled and skilled labour. The government labour exchanges, which almost exclusively serve the unskilled and semi-skilled categories of job seekers (mostly Malay and Indian) have exceedingly low penetration and placement rates. Placing is easier for middle-aged job seekers than for young persons on account of a high premium put by employers on experience; yet unemployment is virtually a youth problem with approximately one out of five persons in the age-group 15-24 being jobless, while there is little unemployment in the older age-groups [*Malaysia, 1968a*].¹⁵ Youth unemployment is primarily urban-centered but reflects a significant pattern of migration of surplus population from rural communities to towns and cities in search of jobs. This migration is particularly true for the Malays, who traditionally have lived in *Kampongs* (rural communities) but recently have started to migrate to urban centres partly because of low productivity of traditional farming activities and partly because of expanded educational opportunities. It is also true for Indians, now increasingly being displaced on estates and plantations.

Demand for skilled manpower has increased lately, especially following the emergence of foreign enterprises in Petaling Jaya, Batu Tiga and Butterworth due to the government's pioneer industries incentives programme. Traditionally, skilled manpower has been a monopoly of the Chinese and fresh supply has been provided either through immigration, trade guilds or within the extended family system. A national apprentice-

ship scheme was introduced in 1957, but it has been ineffective, with fewer than 500 tradesmen trained since its inception. More recently, some firms have undertaken private training to meet their skilled manpower needs.

Imbalances in both the supply and demand sides of labour markets of the kind discussed above are reflected not only in the wage structure in terms of a wide and persistent differential between unskilled and skilled workers, but also in the existence of a number of traditional wage systems. A traditional system is the *Pok Chow* method¹⁶ used in Chinese-operated tin-mines and saw-mills. Under this system, a group of workers are formed into work-gangs, usually consisting of six or seven persons each performing a specialized function, under the supervision of a *kepala* (i.e. manager) who in fact forms the gang and obtains from the owner a certain percentage of business proceeds less expenses for work done. Out of this sum, the *kepala* received a certain share; then the cook's wages and the food bill are paid. The remainder is then divided among the team on the basis of seniority and hours of work.

In several industries, particularly on estates and plantations, employees are usually provided with housing and a diversity of fringe benefits ranging from free haircuts and cigarettes to statutory benefits including holidays with pay, maternity allowances for female employees, etc. Money wages are therefore less than real earnings.

In relatively large-scale enterprises, mostly foreign-owned and operated, wages and other working conditions are determined on the basis of collective bargaining with labour unions. However, unions are organized primarily on ethnic lines. For example, the largest union, National Union of Plantation Workers, is predominantly composed of, and led by, Indians. While this is partly due to the fact that Indians account for a substantial percentage of estate workers, it is at the same time a reflection of a strong Indian role and influence in the history of the trade union movement in Malaysia. The Chinese workers have traditionally organized themselves in mutual benefit societies performing the usual trade union functions on strictly ethnic or clannish lines. The Malays, historically dominant in peasant agriculture, have had virtually no participation in trade union activity.¹⁷

While the above is by no means an exhaustive account of the characteristics and organization of labour markets in West Malaysia, it demonstrates the vital role and influence of custom and time-honoured practices in a highly structured setting. It is now necessary to discuss the consequences of these labour market rigidities for the employment and manpower policies of the Malaysian government.

EFFECTIVENESS OF MANPOWER POLICY IN INSULATED LABOUR MARKETS

Ethnic fragmentation of the employment market in West Malaysia not only generates an unequal distribution of jobs (and hence income) between the ethnic groups of the country, but also causes wasteful and inefficient utilization of her total human resources, thereby preventing a more rapid rate of economic growth. Specifically, manpower policies tend to be much less effective than they would be in a unified national labour market which matched jobs and men on the basis of merit and efficiency rather than ethnic background and patronage. Several examples can be cited.

Take vocational training policies. Suppose the Malaysian government undertakes a training scheme to increase the supply of qualified Malays in technical fields (e.g. the Mara Institute of Technology at Petaling Jaya). The scheme would achieve only limited success if, for instance, the Chinese employers were unwilling to hire such graduates, preferring instead non-competitive recruitment from their own extended family sources. Since Chinese firms dominate the private sector of the Malaysian economy, failure to place Malay technicians in Chinese firms would seriously undermine the effectiveness of government-sponsored vocational training schemes.

Likewise, consider the public employment service. If Chinese firms refused to utilize labour exchanges in Malaysia in filling vacancies, then these exchanges could not perform more than marginal roles.

Manpower information and research projects, too, can at best make nominal contribution to employment and economic planning. This is because in a labour market fragmented on ethnic lines, surveys and information-gathering studies are likely to meet limited co-operation from many private employers wishing to be left alone to function according to their own traditional methods. Thus, a manpower survey designed to project future occupational requirements may not only have a low response rate, but also accumulate misleading information.

Faced with these obstacles and rigidities, economic and manpower planning and policy in a country like Malaysia has to be based on very careful and detailed studies, for aggregative studies are virtually certain to miss out vital pieces of information.

STRATEGY OF FUTURE EMPLOYMENT POLICIES

While rigidities of insulated labour markets pose serious obstacles in the way of full-employment policies of Malaysia, they are by no means insurmountable. Indeed, long-term prospects for achieving a unified Malaysian labour market, working efficiently and capable of achieving full employment, must be regarded as impressive. Put briefly, this is because Malaysia is in a relatively fortunate position among the less-developed nations in being well endowed with ample reserves of land suitable for settlement and plantation development oriented towards Malaysia's existing export markets. Such a land development policy (already a major government policy, as was previously mentioned) can be implemented either on a labour-intensive or capital-intensive basis. While production for export would tend to justify the use of labour-saving heavy-duty machines in the development of new plantations, the case for a more labour-intensive strategy is no less powerful in view of Malaysia's growing unemployment problem. If settlement on new land schemes are offered to Chinese and Indian as well as to Malay citizens, the labour-intensive strategy can promote a full and more equal distribution of employment among the races of Malaysia.

A necessary implication of the type of development strategy suggested above is that the major objective of manpower policies in West Malaysia should be employment creation rather than redistribution of existing jobs.¹⁸ Indeed, creation of new job openings is essential to absorb the rapid growth of the labour force. For example, educational statistics indicate that the number of school-leavers annually entering labour markets will

TABLE 5
PROJECTED GROWTH OF PRIMARY AND SECONDARY SCHOOL
POPULATION IN WEST MALAYSIA, 1968-1974

(Figures in 000)

<i>School year</i>	<i>Enrolments</i>	<i>School-leavers (a)</i>	<i>Entrants into the labour market (b)</i>
1968/69	1,849	194	126
1969/70	1,924	216	140
1970/71	1,978	225	147
1971/72	2,026	223	152
1972/73	2,064	239	155
1973/74	2,075	245	160
% increase: 1968/69 to 1973/74	12.2	23.2	27.0

(a) The numbers of school-leavers were derived from figures of enrolments by means of the following formula:

$$L_t = C_t - C't'$$

where the number of leavers, L , in any year, t , from any class C , is equal to the number of pupils enrolled in C at t minus the number of pupils enrolled in the next higher class, C' one year later t' .

(b) Assuming that only 65 per cent of school-leavers will enter the jobs markets.

Source: *Educational Statistics of Malaysia 1938-1967*, Ministry of Education, Kuala Lumpur, 1968.

increase by 27 per cent during 1968/69 to 1973/74 (Table 5). Clearly, manpower planning and policies must be vitally concerned with this problem and aim at exploring ways of accelerating the rate of employment-creation in the country. In this regard, certain definite possibilities exist which merit serious study.

In the first place, it would be safe to assume, given the small size of the manufacturing sector, that the chief source of new jobs must be sought elsewhere in the economy. There are, to be sure, two principal sources of employment potential in West Malaysia. The first, and the major source, is land development and settlement. Although the *First Malaysia Plan* assigned a high priority on land development, as was discussed before, its achievement fell far short of its targets. For example, under the Plan a total of 400,000-450,000 acres of land in West Malaysia were to be developed and 21,250 families settled. However, during 1966-68, only 57,677 acres were actually developed and only 3,135 families settled; that is to say, the actual annual rate of development up to the end of 1968 averaged less than one-third of the planned rate.

The slow rate of land development in the past should not frustrate future plans. But while learning from previous experience in order to plan for a more vigorous approach, it is of paramount importance to appreciate fully the role of land development as a means of massive job creation. Such an understanding was absent in the philosophy underlying the *First Malaysia Plan*, because the threat of unemployment was underestimated since both the unemployment rate in 1965 and the growth of labour force during the Plan period were underestimated.¹⁹ Consequently, land development and settlement should be expected to create sufficient number of jobs to absorb the growing labour force of the nation. To this end, the policies of Malaysian states concerning land tenure should be liberalized

so as to allow Chinese and Indian as well as Malay citizens to become settlers. Furthermore, in view of rising youth unemployment in the country, the policy of the Federal Land Development Authority²⁰ of barring persons under 21 years of age from settling on new schemes should be discontinued and youth, especially in rural areas, actively encouraged, through rural training and other assistance, to settle on land.

The other principal source of employment creation in West Malaysia is in labour-intensive public development projects, particularly those located in labour-surplus areas. Government authorities, such as the Malaysian Public Works Department, have in the past been too eager to prefer capital-intensive methods over labour-intensive ones for a diversity of reasons, including speedy completion of a project, reluctance to mobilize, supervise and administer a large number of workers and, most importantly, a failure to utilize benefit-cost techniques for evaluating the appropriateness of alternative methods.

In the past, the use of capital-intensive techniques in development projects could perhaps be justified as there was no serious unemployment. In view of high and rising unemployment, however, the utilization of imported bulldozers, excavators and other mechanical devices should be curtailed in those public projects for which labour-intensive alternative methods are available. The experience of other developing countries [Costa, 1966; Gilbert, 1964] suggest that several public work projects such as the construction of small flood control or drainage facilities, rural roads, schools, houses and community centres as well as land cleaning schemes could provide considerable job opportunities to relieve local or regional unemployment and under-employment.

The Malaysian government's participation in the economy is large, particularly in the fields of transportation and communications facilities, and social infra-structure such as low-cost housing, education and public welfare. In addition, the government is very active in rural and community development. Therefore, adoption and implementation of labour-intensive methods in public development programmes can be expected to result in a substantial expansion of employment opportunities for the Malays, Chinese and Indians of Malaysia.

NOTES

1. By manpower planning in this paper is meant quantitative studies attempting to derive occupational and/or educational requirements for economic development. In the light of these 'derived' requirements, changes in labour market and educational policies are recommended, which subsequently may be incorporated in 5- or 10-year development plans, in order to co-ordinate the education and training sector with future manpower needs of the economy. There is a vast literature on manpower planning. A selected bibliography is given in Mehmet [1965].

For macro-planning, see the recent and comprehensive survey of manpower and employment planning in 15 developing countries in two articles by Hsieh [1968a and b].

2. Methods of manpower forecasting are discussed by Parnes [1962], and Mehmet [1965].

3. The Federation of Malaysia, established in 1963, consists of 'East Malaysia' (made up of Sarawak and Sabah) and 'West Malaysia' which formerly was Malaya. In this paper the official and modern terminology has been used.

4. For a recent criticism of macro-planning in Asian countries, see Myrdal [1968].

5. The figures are from Malaysia [1965, Table 5-1].

6. These figures, covering 15-65 age-group, differ from published survey figures, due

to the fact that survey figures for 1962 cover 15-70 age-group, whereas 1967 figures cover 15-65 age-group. For the sake of comparability, 1962 survey data have been adjusted by excluding persons in 65-60 age-group. Admittedly, the result is an estimate but it is nevertheless more accurate than the published survey data which significantly understate the size of unemployment growth during 1962-67.

7. Malays account for 50 per cent of the population of West Malaysia, Chinese for 37 per cent, Indians for 11 per cent and Europeans and others for the remainder. These figures, based on end-year estimates as at 1967, are calculated from Malaysia [1968].

8. For further details reference may be made to the article by Ma and Poh-Seng [1960], and to Chong-You [1967, pp. 206-9]. A historical analysis of the ethnic composition of the labour force is given by Ness [1967, pp. 28-31 and 69-87].

9. The concept of 'insulated' or 'structured' labour market was originally formulated by empirical labour economists in the U.S.A. who challenged the relevance of the marginal productivity theory of wages. See Kerr [1954] and Fisher [1959].

10. Further information on inter-ethnic job preferences is given by Maday *et al.* [1965, pp. 118-29].

11. On plantations, for instance, wages paid to Chinese labourers historically have ranged well above Indian and Malay labourer's wages. For a discussion of reasons and supporting statistical data see Parmer [1960, pp. 166-70 and Table 8, p. 277].

12. For specific examples and further information on nepotism and kinship among Malays see Djamour [1959, pp. 49-51].

13. The extended family system, a common characteristic of several developing countries in Asia and Africa, is discussed by Bauer and Yamey [1957, pp. 19-22].

It may be noted that there is no formal clan or lineage organization among Malays, except those residing in the state of Negri Sembilan and some parts of the states of Malacca, Selangor and Johore. This is because Malays have no family surnames and equal importance is attached to kin on both the father's and mother's side. This fact, however, does not preclude the existence of informal kinship groups for a diversity of economic and social purposes such as for pooling labour and resources (particularly prevalent among fishing and agricultural communities), for common-ownership of property or for mutual financial assistance. Detailed information on Malay as well as Chinese and Indian social organization is given by Maday *et al.* [1965, pp. 114-29].

14. Labour contracting in tin mining is described by Siew [1953, pp. 19-20]. For a historical account of labour contracting in the plantation industry, reference may be made to Parmer [1960, Ch. II].

15. Employment and unemployment data relate to the age-group 15 to 65 years of age.

16. For a highly informative analysis of this as well as other traditional wage systems used in the tin mining industry, see Siew [1953].

17. For an interesting study of the trade union movement in Malaysia, see Raza [1969].

18. Following race riots in May 1969, the government implemented a work-permit scheme designed to restrict employment in Malaysia only to registered citizens. Unofficial estimates indicate that over 100,000 workers mostly of Indian origin could be affected. More recently, however, work-permit regulations were relaxed to extend the duration of permits previously marked as 'non-renewable'. For a detailed account of the causes and consequences of race riots of May 1969, see Mehmet [1971].

19. The First Malaysia Plan [Malaysia, 1965] assumed a 2.7 per cent growth of the labour force and a 6.0 per cent unemployment rate in 1965. According to the Mid-Term Review [Malaysia, 1969], the correct figures should have been 3.0 per cent and 6.3 per cent respectively.

20. A discussion of the F.L.D.A. programme is given by Ness [1967, pp. 176-86].

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