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Analysts: Job market may not trail economic recovery

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SIGNS of economic recovery from the global slowdown are beginning to appear and translated into better economic figures.

Domestically, manufacturing output has expanded following higher local and export orders, more investments in new plants and machinery are seen and confidence returns to the property market which was previously subdued.

Car sales have risen while cash registers are ringing in sales in retail industry, which last year saw a disappointing growth of 1.7 per cent against 10.4 per cent in 2000.

The stock market is not disappointing either, with the benchmark Kuala Lumpur Stock Exchange Composite Index (KLCI) breaching the 800-psychological level, and expecting to reach 1,000 points by year-end.

Cheerful outlook is noticeable as consumers and business community alike are optimistic of a better time in the months ahead.

Nonetheless, the trying time for wage earners is not over yet.

Businesses may improve with companies which previously were in the red having returned to the black or are expected to move beyond the break-even point. But previous experiences showed that recovery in job market lags behind economic rebound.

Some economists predict that the unemployment level in the country may not trail closely to the economic recovery as job creation may not grow as fast as the growth in business.

After coming out from the bad time, companies may opt to operate with their existing workers to meet expansion in production rather than hiring new workers.

Recent survey by Malaysian Institute of Economic Research (MIER) found that despite improving sales order and higher production level for electrical and electronic products, about 50 per cent of employers in the sector have ruled out recruitment.

The consolidation of companies, involving manpower rationalisation as well as mergers and acquisitions in the financial services sector, has resulted in more workers being made jobless.

Statistics indicate that large retrenchments exercises are still ongoing, albeit at a slower pace and more sporadic. About 70 per cent of the lay-offs were in the manufacturing sector.

At the same time, it is the manufacturing sector which offers most job openings, especially for production-related jobs.

Analysts attributed it to the changes taking place in the country's industrial sector where labour-intensive industries wound up and relocated to countries with cheaper labour like China and Thailand.

A the same time, new companies have been set up, particularly the capital-intensive ones, to capitalise on the country's skilled workforce.

The Government, which had come out with fiscal packages last year to stimulate domestic economy, had not left out wage-earners who fall victims to the economic slowdown.

A total of RM300 million has been allocated by the Government under the stimulus package announced in September last year for the retraining of retrenched workers and new entrants to the labour market like unemployed graduates and school-leavers.

According to economic think-tank MIER, job market will improve a year after economic recovery had taken place.

However, the outlook of employment will be better if the economic recovery is stronger than expected.

Bank Negara Malaysia expects the economy to grow modestly this year by 3.5 per cent while estimates by research houses range between 4 and 5 per cent.

Asian Development Bank projects Malaysia's gross domestic product to grow at 4.2 per cent.

MIER expects the unemployment level to hover around 4 per cent this year but the official figure, at 3.6 per cent (2001: 3.7 per cent), is more optimistic.

However, the outlook of the employment market is far from gloom. According to Human Resources Minister Datuk Dr Fong Chan Onn, there are four new jobs created for every retrenched worker.

The ministry's statistics showed that 40,000 job openings have been reported by employers for the first quarter of this year while there were 11,000 job-seekers registered with Manpower Department during the same period.

The gap between job vacancies and job-seekers is quite prominent in the country's employment market.

It is timely for the ministries of Human Resource and Education to embark on concerted efforts to arrest the mismatch between the qualification and skills possessed by job-seekers and the skills needed by industries.

The Government has to work closely with the private sector to prepare a manpower planning which is flexible enough to meet the ever-changing technology.

It is undeniable that the quality and skill level of Malaysian workers has attracted foreign investors into the country and multinational corporations to relocate their regional head offices to Kuala Lumpur.

If previously Malaysia was seen as a source of cheap labour, now the country is noted for its skilled manpower, who are multi-lingual and receptive to new technology.

The corporatisation of the ministry's training arm, Human Resource Development Council, is one of the Government's efforts to improve manpower training.

The new entity, known as Pembangunan Sumber Manusia Bhd (PSMB), is empowered with greater autonomy in making decision regarding workers' training and taking enforcement actions against errant employers.

PSMB, in cooperation with employers, plays a vital role in enhancing the skills of local workforce.

Complementing PSMB's role is the Manpower Department which administers the government technical institutes throughout the country and advanced institutes like Centre for Instructor and Advanced Skills Training (Ciast) and Japan-Malaysia Training Institute.

Malaysia's good industrial harmony exists hand-in-hand with strong economic fundamentals, good corporate governance and political stability to woo investors into the country.

The importance of maintaining industrial harmony should not be underestimated as industrial unrest could affect a country's stability while continuous pickets and wild-cat strikes would lead to higher man-hour loss and consequently lower productivity.

This is where the departments of Industrial Relations and Labour come into play.

Their pro-active response in addressing employees' grouses as well as their conciliatory and mediating roles in industrial disputes has enabled Malaysia to maintain better industrial harmony.

Not forgetting the Social Security Organisation (Socso) has also been

active in providing social safety net for local workers and their dependants in the event of contingencies like occupational disease and accidents, commuting accidents, invalidity and death.

Socso, which surpassed RM1 billion annual collection from employers and employees last year, is always studying options to improve and extend the coverage of its benefits.

On top of study loans extended to dependants of Socso beneficiaries, the agency has also increased the payment rate of its pension schemes - which was done without increasing the existing monthly contribution from employers (1.75 per cent of workers' salary) and employees (0.5 per cent).

The country, however, is far from achieving the targeted zero accidents in workplace.

Employers compliance to safety regulations at workplace continue to be disappointing and companies' managements view occupational safety as non-profit venture.

Lack of awareness and not adhering to safety procedures have always been the main reasons for industrial accidents.

All the regulations are in place and the Government, through Occupational Safety and Health Department, is doing all it can to enforce the regulations and conduct spot checks at construction sites and manufacturing facilities.

The non-government organisations, like National Institute of Occupational Safety and Health (Niosh) and Malaysia Society of Occupational Safety and Health, are actively promoting awareness on safety at worksites.

More should be done on this area as higher industrial accidents contribute to lower productivity and more Socso payout for the victims and dependants.

The migrant workers are another issue which needs to be paid close attention as the unregulated inflow of these workers might have disruptive impact on the economy as well as the social-economic well-being of the general public.

The Government may want to review its pragmatic approach on this issue and formulate a long-term policy on the recruitment of foreign workers.

Looking ahead, is Malaysia fully prepared for the knowledge-based economy (k-economy) where one's competitiveness is determined by the skill and knowledge possessed by its human capital i.e workers?

To compete effectively in the borderless and technology-based economy, employers have to be flexible in adapting to changes and able to expand or downsize workforce according to business needs.

The question lies in the ability of the Government and Malaysian labour laws to support employers in responding to changes in k-economy such as introducing alternative work practices and implementing flexible payment system while at the same time protects the workers' interest.

Another feature of k-economy is a variable pay, which is a component of wage system to enhance workers' productivity as well as aligning their awareness to the company's business objectives.

However, the variable pay - also known as performance-based or productivity-linked wage system - is still lacking in Malaysian companies despite the Government's call for employers to adopt such a system.

Malaysia cannot afford to waste any time and all efforts towards preparing employers and workers for the new economy must be expedited if the country wants to catch up with developed nations.

The Government, therefore, should not drag its feet in amending employment laws to make it accommodative to new business practices.

Employers must be flexible in adapting changes and workers must be open-minded to adjustments in organisations or working arrangements.

At the end of the day, a contented and productive workforce is not achievable if the leadership is not committed and sensitive to the needs of workers community.

Prime Minister Datuk Seri Dr Mahathir Mohamad has been known to be all ears for both enterprises and workers.

It is also well-known among union leaders in the country that the door to the Prime Minister's office is always open to them and that Dr Mahathir never turns down any request to see him to discuss about workers issues.

This speaks a lot for the country which had climbed up the world competitiveness ladder in terms of industrial relations. According to World Competitiveness Report 2000, Malaysia's ranking in industrial relations edged up to 13th place in 2000 from 16th in 1998.

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