

**BN manifesto: an evidence-based evaluation**  
**Malaysiakini.com**  
**Mar 04, 2008**  
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It's hard to keep track of the sack of election candy being dangled before voters' eyes. There is an estimated RM125 million worth of grants, allocations and recognitions since New Year's Eve, mostly for educational causes for the Chinese and Indian communities. The MCA has recently presented a five-year economic blueprint for small and medium-scale enterprises (SMEs).

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Naturally, the BN's manifesto outdoes all, with its warm, fuzzy glow of promises. In true BN style, the document arrived with 12 days for us to digest this government's past four years' performance and its promises for the next five.

The BN wants a new mandate, but demands it in the same old ways. They blitz the rakyat with pronouncements from all those billboards that trumpet 'Satu Lagi Projek Kerajaan Barisan Nasional'. Indeed, another plan, another construction, another contract.

More of the same, in different wrappings though packaging is important when content is slim. The manifesto does not at all elaborate on the catalogue of successes, does not at all explain how the wonderful objectives will be attained. Knowledge society, anyone?

A short campaign period notwithstanding, let us take up the hope BN chairperson Abdullah Badawi who expressed at the dissolution of Parliament, that we 'understand the issues in the country, evaluate them objectively.' Let us still do this in spite of the difficulty caused by the complete absence of reference to sources of information in the manifesto.

Economic issues are salient in voters' minds, and unsurprisingly constitute the first content page of the manifesto. It is also an area in which some data is available, so we can try to make an informed appraisal.

We've done respectably in terms of output. GDP has grown steadily, between 5-6% in the past four years. We are doing slightly better than the average rate for upper-middle income countries, among whom Malaysia is counted. So our performance in production overall is not much to complain about. Why then the murmurings of discontent and anxiety over prices and financial security?

Economic growth translates into improved living standards through increasing earnings and household income. Increases in price eats into spending power and can undo the returns to growth. The increase in inflation from 1.4% in 2004 to 3.1% in 2005 and 3.6% in 2006 is considerable; this is much more an election issue than in previous rounds.

But the 5-6% GDP growth of 2004-2007 is in real terms, meaning it accounts for the negative effects of inflation. Not accounting for inflation, nominal GDP grew 13.2% in 2004, 9.6% in 2005 and 10.2% in 2006. Are the rakyat ungrateful, or are the numbers not accurately reflecting real experience?

Inflation in urban areas is possibly above the national average. Given the importance of this variable, it seems that a country like ours would be interested to measure it accurately and relevantly. However, the bureaucracy under BN seems quite content with the way things

are. We persist in maintaining just one nationwide inflation statistic, which does not capture differences across location.

Like the poverty line, we continue to calculate inflation, a socio-economic variable, according to the political zones of Peninsular Malaysia, Sabah and Sarawak. Many countries at least calculate different inflation rates for urban and rural areas, and refer primarily to the urban rate. Will the BN ever promise to make such vital information more credible and transparent?

### **Decreased economic security**

Living standards more directly correspond with individual earnings and household income levels. In fact, we already get a hint at the distribution of economic growth and the realisation of benefits. The BN manifesto reports that nominal household income increased from RM3,249 to RM3,617 over the period 2004-2007. That translates into an annual growth rate of 3.6%, and at an inflation rate of 2.7% over that period, real household income grew at 0.9% per year.

Less than one percent per year real income growth correlates more closely with the struggle and anxiety of many households to make ends meet. Increases in civil servants' pay and allowances may alleviate the crunch, but that is a one-off effect.

We need to take a longer-term perspective, beyond the preceding four years, because there seems to be a structural shift in the economy causing earnings growth to lag behind economic growth. The EPF has a massive database that is instructive of earnings trends, and it does not survey a sample but includes all employees for whom contributions are mandatory.

Consider some calculations from EPF data published in Bank Negara's latest Monthly Statistical Bulletin – which is also the source of macroeconomic data I refer to in this article. From 1996 to 1997, when the economy expanded by around 8% in real terms, the average amount of EPF accounts grew by 11%. In 2005 and 2006, with the economy growing at 5.5%, EPF accounts grew by 3-4%. The difference is driven by wage contributions; variations in dividend rates hardly impact on the comparison.

In other words, less and less of the benefit of economic growth is reaching the pockets of ordinary people, especially those whose livelihoods depend on wage income. Job growth is a concern in every country, especially in these times of decreased economic security. The BN manifesto claims that over 1.3 million job opportunities were created. Let's have a closer look.

The most consistent and nationwide-covering source of relevant data is the Labour Force Survey, summarised in the annual Labour Force Survey Reports and in sections of the Yearbook of Statistics, both published by the Statistics Department. According to these two documents, Malaysia observed an increase in employed people of about 400,000 from 2004 to 2006.

The numbers for 2007 are not yet available. But based on the official numbers for 2004-2006, the BN manifesto is implying that more than 900,000 jobs were created in 2007 alone. That requires a leap of faith that I'm not willing to make, and I believe reasonable people wouldn't either.

Information being so hard to obtain, we can only deduce. Assuming that the number of employed persons increased at roughly the same rate in 2007 as in 2004-2006, the total increase between 2004 and 2007 would be about 530,000. That leaves 800,000 jobs inked on the manifesto but absent on official records.

Did the manifesto writers grab data on vacancies as registered on the Electronic Labour Exchange? There are big numbers for 2006. But we must question the counting of such figures as 'job creation', especially when there were 835,000 vacancies but 85,000 active job seekers. It is not a job that benefits a person until that person is employed.

Still, there is the possibility, in this information age, that the BN party has seen something for their eyes only and not for the rakyat. After all, the manifesto beat the Economic Planning Unit in publishing the abovementioned income data that under previous norms would be embargoed until the Mid-term Review of the Ninth Malaysia Plan.

Perhaps 1.3 million real jobs were actually generated but not registered. That begs the question, who got the 800,000 undocumented jobs? Did they go to undocumented workers? It is plausible that BN's celebrated progress in Malaysia's labour market over the past four years has the capacity to generate 800,000 low-paying, low-skill jobs that only migrant workers are willing to take.

### **Lack of trust**

Perhaps the mystery is a matter of semantics, and there is an underlying message I have completely missed. The manifesto did not say 1.3 million jobs – it said 1.3 million job opportunities. So then, what is a job opportunity? Is it a job that is envisioned and planned, or is it a real job that pays? How do more 'job opportunities' help unemployed graduates, alienated former plantation workers, dispossessed urban dwellers? Are we creating jobs too poorly paying that Malaysians are not interested, calling that 'opportunity', then labelling those who do not embrace such opportunity ungrateful?

A response to claims of marginalisation, most pressingly by the Indian community, has been to bulk up on 'Satu Lagi Projek Kerajaan BN'. Well, I'm not sure how the schemes are improving peoples' lives where it really matters – in providing skills, good jobs and higher earnings.

In 2004, 25.5% of the bumiputera labour force and 13.5% of the Chinese labour force worked in relatively low-skill machine operation and elementary jobs. The corresponding figure for Indians was 36.6%. There is scant reason to believe that the disparities have been reduced to any significant degree since the 2004 elections.

People want good jobs and decent pay. Grand missions, visions and projects may spur that cause, but the record is poor. The best available evidence of changes in earnings and incomes, plus strange job creation numbers, indicate that the average Malaysian has not benefitted much from steady economic growth over the past few years.

Investment vitalises the economy by providing new jobs, equipment and products. I believe we should first and foremost spur domestic investment, and that is what policies have been trying to achieve. But given our persistent shortage of technological capacity, we still could do with foreign direct investment.

FDI appears nowhere in the manifesto, except as an implied goal of the development

corridors. In fact, FDI continued to flow in, to the tune of RM17.6 billion in 2004 and RM22.2 billion in 2006. However, the issue is more complex these days. Increasingly, we need to look at net direct investment: inflows minus outflows.

FDI outflows – Malaysian companies investing long-term abroad – increased from RM7.8 billion to RM22.2 billion. Thus, net FDI fell from RM9.7 billion in 2004 to a mere RM22 million in 2006. We do not have sufficient information to analyse causes and motives for FDI outflows, but the investment scene is obviously nervy.

Considerable expert opinion suggests that our progress in SME development – which has been on the agenda for decades – has fallen short of potential. The persisting emphasis on the need to upgrade, and MCA's courtship of the SME sector, suggests a lack of trust in the capacity of existing institutions.

The growth rate of private investment in imported capital goods fell from 26.5% in 2004 to 11.5% in 2005 to 5.4% in 2006; for machinery in industry the drop was more rapid, from 33.1% to 11.6% to 1.0%. While the Bursa Malaysia has reached new heights, as the manifesto highlights, the rate of investment in equipment and employment that actually make stuff to sell has been on a downtrend.

### **More scholarships**

The Malaysian economy has become weaker at facilitating savings, which is still high, to investment, which trails further and further. In 2004, the savings rate was 37.1% while the investment rate was 24.3%. In 2006, the gap had grown, to 38.2% savings and 21.4% investment.

Malaysian society is getting worse at forging linkages between education and employment. The unemployed and 'unemployable' graduate problem, as far as I know, has not left the house. That is not mentioned in the manifesto; we only read of indistinct plans to improve education through the Education Blueprint which has never been extensively and critically debated.

Lack of thought pervades the manifesto. Acknowledging the unrelenting decline in education quality in schools, a few plans are laid out, including raising teachers' minimum qualification and providing training. The intention may be right, but how does a country raise minimum qualifications when it is not attracting higher qualified candidates? The decline in the profession, above all, is the crisis in the education system.

One thing caught my eye as noteworthy in its emphasis. The manifesto promises to provide more scholarships for undergraduates who are poor and deserving - regardless of race. Is this an acknowledgment that race-based policies are outdated, and need and merit should play a bigger part, or is this another sweetener? Will BN take that further, and restructure all policies to pursue excellence, equitability, justice and fairness in every area of social, political and economic engagement?

The signs indicate that if the incumbent regime is returned to power we are going to see 'Banyak Lagi Projek Kerajaan Barisan Nasional' with the rakyat as subjects.