

**Staggering omissions in NEM**  
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With a page count of 192 for Part 1 of the New Economic Model, one has to wonder how much room there is left for peoples' views to be consulted, as promised by PM Najib Razak.

NONEHe did say in his NEM launch speech that "people will come first" and "want and deserve input into the policy-making process".

Yes, we do! He also celebrated "most important stakeholders" without clarifying whether the rakyat are counted among them.

While I try to figure out what all that means, here are some remarks, in the spirit of putting people first.

I quite like the NEM:

- \* Stressing the rakyat, especially the socioeconomic bottom 40 percent, as beneficiaries of advancing to a high-income country through inclusive growth;
- \* Engaging rather openly about affirmative action;
- \* Covering so many huge topics and areas of needed reform;
- \* Smelling almost bipartisan.

I sigh over the NEM's:

- \* Muddling how the rakyat will inclusively earn higher income;
- \* Missing the most crucial points about affirmative action;
- \* Proposing so many vague ideas without a clear order of priority or preconditions;
- \* Bipartisanship? Aside from plagiarising some ideas from the opposition, not a chance.

Minimum wage can wait?

Let's unpack these four points.

First, the NEM is rooted in the assumption that skills, and nothing else, determine wages ("Low skills jobs equal low wages"). It's a neat story: higher skills mean higher productivity mean higher earnings. Of course, we can easily observe that more formally trained and experienced workers make more money.

jerit workers parliament demo 210906 hambaBut this blinkered view leaves out other critical parts of the story. You earn more because you have more bargaining power.

Specific skills make one less dispensable and confer more leverage. A vast section of workers – probably most of the bottom 40 percent – do not have specialised skills and were not given much choice over this outcome.

They are at the mercy of the offered wage, or derive bargaining power from the collective strength of numbers, which given restrictions on unions, is paltry. A minimum wage would serve them well.

The NEM categorically rejects minimum wage legislation. This is odd, considering the aspiration to high incomes. Setting a wage floor is potentially a powerful complement to that objective.

It's also interesting that the NEM spotlights Korea, the Czech Republic, Slovakia, and Poland as countries that successfully broke out of the "middle-income trap".

We'd like to emulate them. Guess one thing they have in common? Minimum wage.

Not content to deprecate pro-labour policies, Najib took a swipe at Malaysian workers – who were not represented in his Invest Malaysia audience.

After extolling the virtues of "[f]lexible hiring and firing" he denigrates unions for being irked about the "perception of less job security".

Is it really too much for ordinary low-earning rakyat to ask that the risks of market vagaries be spread between workers and businesses?

Job insecurity is not a perception; it's a reality, compounded by the lack of a safety net (another thing high-income countries have, which is vaguely proposed in the NEM).

But Najib has already started the blame game, by insinuating that if incomes don't rise, it will be because the rakyat failed to acquire the right skills and then demanded more job security.

In the transition to higher skills, wouldn't it be wise for employers retain their workers for longer periods?

Better paid, unionised workers have been found to have less absenteeism, lower turnover, and higher absorption of technological change.

Old wine, new bottle

Second, Najib's speech devotes prominent space to affirmative action, which is welcome.

However, the NEM defines of affirmative action as measures in poverty alleviation, equity and wealth distribution, and allocation of government contracts. This is historically misguided and conceptually incomplete.

Poverty alleviation regardless of race was the first prong, call it socio-economic development, of the NEP (which Najib seems to go to great pains to avoid mentioning, but really, the notion of 'inclusive growth' has been around since the NEP started in 1971).

The second prong, termed restructuring, aimed to reduce and eliminate the identification of race with economic function.

malaysia stock exchange market klse 141008 02This is the affirmative action thrust of the NEP, and its chief instruments were preferential policies in higher education, public sector

and state-owned enterprise (these days, GLC) employment, equity requirements, contracting and privatisation.

Such measures aim to increase, through preferential measures, the participation of bumiputera in areas where they were historically excluded or disadvantaged.

By all means, poverty alleviation must be given utmost priority, and shifting to needs-based targeting is a step in the right direction.

Recasting this emphasis on poverty alleviation as a new form of affirmative action, however, is misguided.

It is more correctly conceived as a basic element of socio-economic development.

Many Malaysians will also applaud the principle of shifting emphasis away from wealth acquisition.

This sphere of affirmative action has been most abused and divisive, and largely unproductive.

bukit jalil estate workers housing plight 300507 memoriesBut the NEM's inattention to the continual extensive affirmative action in education and employment is a staggering omission, or conveniently sidesteps the greater challenge of confronting the ways in which preferential programmes may be hindering progress.

Consider that in 2005, 53.2 percent of bumiputera professionals were teachers and lecturers, compared to 22.2 percent of Chinese professionals and 30.2 percent of Indian professionals.

There's no shame at all in the teaching profession – I am in it myself, and fervently hope it will be revitalised – but these numbers probably reflect disparities in the capacities of school leavers and tertiary level graduates.

The education system is the area of affirmative action most desperately needing reform, followed by public sector and GLC employment.

Liberalisation of equity requirements and of government contracting pales in comparison.

Only half portions served

Third, the NEM wants to transform everything, you can't fault it for breadth of coverage.

It espouses some worthy causes, including corruption, government decentralisation and autonomy, deficit reduction and discrimination. Yet, again, we are served half portions.

The timelines and specifics are supposed to arrive in Part 2, due later this year.

But the sequel can only build on Part 1, and in some crucial areas the plot is already thin.

On corruption, the most concrete proposal so far is to empower the auditor-general to punish people who misappropriate public funds.

No mention of the agency already vested with powers to combat corruption, the MACC

(Malaysian Anti-Corruption Agency).

So we'll go after the vendor who charges RM300 for a box of paper clips, but it's unclear if the powerful contractor who overcharges by millions or receives huge kickbacks will be intrepidly hounded.

It is easy to envisage how government decentralisation and autonomy can bring benefits in terms of efficiency, local knowledge and flexibility.

The efficacy of this transformation, however, hinges on the capacity of public sector personnel, standards of professionalism and independence from political interference.

The benefits of university autonomy for universities, for instance, require attracting capable staff and guaranteeing academic freedom.

The federal deficit must be addressed; this would have sat heavily on the minds of Najib's gathering of investors.

But all indications so far place the burdens of adjustment steeply on the shoulders of the rakyat, especially the bottom 40 percent who, well, come first.

GST (goods and services tax) imposition and subsidy cuts are uttered as certainties, while income and corporate tax cuts are being proposed, to "diversify" the revenue base.

As pointed out above, the NEM outlines tenuous measures for cutting cost by weeding out corruption, and apart from hinting at "leaner" government, furnishes no details.

An act of plagiarism

Kudos to the NEM for recognising the importance and detriments of labour market discrimination, but let's not get too hasty with this proposal to establish an Equal Opportunity Commission.

Don't we first need an anti-discrimination law to lay out the parameters for what constitutes illegal discrimination?

The NEM does not refrain from emphasising the need for other legislation, such as laws safeguarding competition.

If competition law is in line with an aspiring high income country, so is anti-discrimination law.

Fourth, it would seem that the vision projected in the NEM is something on which politics could engage in bipartisanship as the nation is urged to unite.

A more inclusive economic system and alternatives to race-based affirmative action have surely been topics of teh tarik and academic conversations.

azlanThere's a difference, though, in that Pakatan Rakyat has been articulating these issues, and needs-based and merit-based affirmative action in particular, as a policy framework.

For Najib to present the NEM's policy frameworks as though they are the government's original ideas without acknowledging the opposition is an act of plagiarism. More

perniciously, it is deceitful and reprehensible to steal ideas from one's adversaries while also trying to destroy them through undemocratic means. And then claim to be consultative.

The grievous conflict between the conciliatory tenor and inclusive rhetoric of the NEM and the cavalier attitude and autocratic manner of the government may be the biggest undoing of this programme of action that can stimulate a robust national conversation.

I still haven't figured out what "people will come first" means.

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