

**MALAYSIA'S FINANCIAL CRISIS AND CONTRACTION IN
HUMAN RESOURCE:
POLICIES AND LESSONS FOR SMIS**

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ABSTRACT

The economic crisis, which has recently occurred in Malaysia, has affected not only the economy in aggregate, but also to the labor market. The 6.7 per cent contraction of the economy in 1998 caused the employment growth to slacken and the unemployment rate to soar to 3.9 per cent. The 3.9 per cent unemployment rate was of great concern, as rising unemployment had implications on efforts to reduce poverty. The crisis has also resulted in the closure of some SMIs enterprises, particularly when tight monetary policies were implemented at the beginning of the crisis, causing disruption in operations and severe liquidity problems. The widespread of the crisis in Malaysia has triggered policy makers to immediately address the shortcomings pertaining to the labor market. The facilitating and regulatory role played by the Government in the labor market had eased tension among workers arising from the economic crisis. The harmonious industrial environment had in a way helped to expedite the economic recovery. The holistic approach by the government in addressing the labor issues incorporated both the demand and supply sides of the labor market. Accessibility of information is considered important, thus the government making it compulsory for employers to report any step taken that can give a signal to the labor market. In addition, policies designed during period of crisis involved the players in the market, the employers and employees. The holistic approach did not segregate policies according to sectors, ownership, gender or sizes of firms. Firms irrespective of the ownership functions and sizes are treated equally when addressing labor issues. Thus employees working in small and medium industries should not expect to receive better or lesser treatments when confronting economic crisis.



INTRODUCTION

The economic crisis which has recently occurred in East Asia, has affected not only the economy in aggregate, but also more important the labor market. Thus, this paper attempts to analyze the effect of the economic crisis on the labor market in Malaysia. The macroeconomic overview will be discussed in the first section, followed by manpower demand and supply, the issues of retrenchment and human resource contraction, and the current and future trends in retrenchment. After highlighting the structure and performance of the market, this paper proceeds with policy responses and conclusion. The case provided in this paper could provide lessons to small and medium industries (SMIs) in the developing countries.

MACROECONOMIC OVERVIEW

Before the Thai baht came under attack and was devalued in July 1997, the countries of East Asia were prosperous. By July 1997, however, the economies of East Asia suddenly experienced economic turmoil and began collapsing one after another. Since then, the crisis has spread from the currency to banking and financial sectors, and then to the real economy. It has affected giant corporations, medium to small enterprises and individual workers as well as governments. As consequences, banks and businesses collapsed, some government leaders were replaced, and millions of workers lost their jobs.

Perhaps the clearest and harshest examples of the effects of the crisis are in Indonesia's economic and social situation. The rupiah plunged by as much as 80 per cent of its value, and the stock market shed 50 per cent of its value. Per capita income has dropped from US\$1,100 in 1996 to US\$460 or less in 1998. Some 6.6 million workers have lost their jobs since the beginning of the crisis. It is estimated that about 30 to 45 per cent of the population living below the poverty line.

While in Malaysia, the Malaysian economy had experienced high economic growths for almost ten years. During 1988-1997 periods, the GDP grew at an average rate of above 8.0 per cent per annum.¹ The high growth rates for this period was accompanied by low rates of inflation, rising per capita income and reduction in the incidence of poverty. For the period January-July 1997, the CPI in Malaysia averaged 2.7 per cent, compared to 4.5 per cent in South Korea, 5.6 per cent in Thailand and 11.6 per cent in Indonesia.² The per capita income increased significantly in 1997.

From the human resource perspective, this high economic growth was accompanied by very low rates of unemployment. The unemployment rate in 1997 was only about 2.6 per cent. If this figure is to be compared with the unemployment rate in the Organization of Economic Cooperation and Development (OECD) countries, which was about 7.5 per cent, the Malaysia's unemployment status is considered to be at full employment level, as the 2.6 per cent accounted the natural rate of unemployment.

¹ Excluding the year 1992 with 7.8 per cent per annum.

² IMF, *International Financial Statistics*, Aug. 1998.

The financial crisis spread very quickly to the other regional economies. The crisis has spread from one country to another, and also extended beyond the Asian region, to Russia and Brazil, and the whole world. Having experienced 8.0 per cent economic growth for ten consecutive years, the contagion effect of the financial crisis that erupted due to currency devaluation in Asian countries spread to impact the Malaysian economy in mid 1997. It did not only adversely affected the real economy and weakened the financial sector, but also had some socio-economic implications to the nation.

The real Gross Domestic Product (GDP) registered a negative growth for the first time since 1985 beginning in the first quarter of 1998 with -2.8 per cent and further down to -9.0 in third quarter of 1998 (Table 1). This clearly shows that after 10 years of good performance, high economic growth began to slow down towards the end of 1997 with 7.7 per cent, slightly lower than the 8.6 per cent of the preceding year. The labor market was not being affected at the onset of the crisis as the unemployment rate maintained at 2.6 per cent in 1997 (Table 2).

Table 1: Quarterly GDP Growth Rate 1995-1998

	1995	1996	1997	1998	1999
1 st Q	10.1	6.8	9.2	-2.8	-1.1
2 nd Q	10.7	7.6	8.4	-6.8	4.1
3 rd Q	9.3	8.8	7.5	-9.0	
4 th Q	7.5	11.0	6.0	-8.1	

Source: White Paper on the Status of Malaysian Economy, April 1999.

Table 2: Macroeconomic Framework

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
GDP Growth rate (%)	8.9	9.0	9.7	8.6	7.8	8.3	9.3	9.4	8.6	7.7	-6.7
Unemployment rate (%)						3.0	2.9	2.8	2.6	2.6	3.9
Per Capita Income (RM at current price)						8,024	8,996	10,068	11,228	12,051	11,835
Consumer Price Index (%)	2.6	2.8	2.6	4.4	4.8	3.6	3.7	3.4	3.5	2.7	5.3
National Saving rate (% of GNP)						34.7	34.4	35.3	38.5	39.4	41.2
Net Bank Negara Reserve (RM million)						76.4	68.2	63.8	70.0	59.1	99.4

Source: IMF, International Financial Statistics, and August 1998.

White Paper on the Status of Malaysian Economy, April 1999.

However, the prolonged financial crisis and economic downturn have deeply affected the scenario of employment. They have caused an unemployment crisis to gather force. The 6.7 per cent contraction of the economy in 1998 caused the employment growth to slacken and the unemployment rate to soar to 3.9 per cent. The 3.9 per cent unemployment rate was of great concern, as rising unemployment had implications on efforts to reduce poverty.



The crisis has also resulted in the closure of some SMIs enterprises, particularly when tight monetary policies were implemented at the beginning of the crisis, causing disruption in operations and severe liquidity problems. Data from Ministry of International Trade and Industry (MITI) shows that by the end of 1998, an estimated 10 per cent of SMIs in the manufacturing sector has ceased operation due to the crisis.

MANPOWER DEMAND AND SUPPLY

In 1998, a total of 74,610 vacancies were reported to the Department of Manpower (DOM), Ministry of Human Resource (MHR), an increase of 15.7 per cent compared to 64,643 vacancies in 1997. The vacancies represented only a portion of the actual number of vacancies in the labor market since employers are not required to report them to DOM.

Vacancies trend by sector and state did not differ much between the years 1997 and 1998. The majority of the vacancies reported were in the manufacturing sector: 63.1 per cent in 1997 compared with 69.9 per cent in 1998. State wise, Penang recorded the highest number of vacancies reported (9,408) in 1997 compared to 16,833 in 1998. Vacancies in production and related, equipment transport operator and manual workers category constituted 75.3 per cent of total vacancies reported in 1998 compared with 52.4 per cent in 1997.

In the first quarter of 1999, a total of 19,403 vacancies were reported to the DOM, MHR. In the second quarter, the number increased to 26,091 vacancies, an increase of 43 per cent compared to the same quarter in 1998. Further details are as shown in Table 3 below.

Table 3: New Registrants and Vacancies Reported

	Second Quarter		Change(%)	First Quarter 1999
	1998	1999		
New Registrants	33,497	34,407	+2.7	30,017
Vacancies	18,240	26,091	+43.0	19,403

Source: Department of Manpower, Ministry of Human Resource.

Employment opportunities were also apparent in terms of the number of new registrants registered in Employees Provident Fund's (EPF) record. From January to September 1998, the EPF registered a total of 285,825 new members representing an average of 31,760 new members per month during the period.

Demand for manpower is further evidenced in the number of foreign workers application received by the Technical Committee on Foreign Workers at the Ministry of Home Affairs (MHA). From February to 19 November 1998, the Committee has considered applications for the importation and redistribution of 179,480 foreign

workers in the plantation and manufacturing sectors. Of the total, 49.5 per cent was approved by the MHA. The per centage approved was quite low so as to ensure that locals are not deprived of job opportunities.

According to the Business Expectation Survey of Limited Companies 1998 (Department of Statistics), industries that indicated positive growth in employment include: coconut (4.5per cent), palm oil (4.8per cent), insurance, real estates and business services (4.2per cent), retail (3.6per cent) and wholesale (0.8per cent). Industries in the manufacturing sector that recorded growth in employment include crude oil refineries (10.9per cent), industrial chemicals (4.3per cent), wood and wood and cork products except furniture (3.3per cent), other chemical products (1.6per cent), textile (1.5per cent) and rubber products (0.3per cent).

On the supply side, there were 33,345 active registered job seekers with DOM in 1998 (job seekers) compared with 23,762 in 1997. The average number of new registrants also increased to 10,116 per month in 1998 compared with an average of 7,624 registrants per month in 1997. The increase can be attributed to the intensive efforts undertaken by DOM and Labor Department to register workers who had been retrenched.

ISSUES OF RETRENCHMENT AND HUMAN RESOURCE CONTRACTION

Retrenchment occurs when an employee's service is terminated, as the company can no longer provide work for the employee. Retrenchment is often due to reduced demand for the company's products or services, financial losses, mergers, organizational restructuring, bankruptcy, closing of plants, relocation across international boundaries, and changes in technology such as automation at the operational level. Excess of workers due to one of the above reasons will eventually result in retrenchment.

Retrenchment has almost become a taboo among Malaysian employees following the economic downturn. Negative implications on the retrenched workers should not be overlooked, as loss of job is likely to cause financial problems, psychological stress and even physical illness. A worker who lost his job will face difficulties servicing loans and once savings are used up, may not be able to support himself or his family. Financial problems due to loss of employment, coupled with mental stress and embarrassment can lead to ill health.

From an employer's point of view, retrenchment is to be avoided by all means as it causes a loss of public confidence in the company. It will not only lower the morale amongst remaining employees, but also tighten the cash flow, as funds must be set aside for payment of termination benefits. Before retrenching staff, an employer will usually consider other alternatives such as cost cutting, job freeze, early retirement, tight control upon overhead, reduced working hours and wages.

Employees who are entitled to retrenchment benefits are those covered by the Employment Act and its 1980 regulations on termination and lay-off benefits.



Besides, employees covered by a collective agreement or contract of employment with a termination provision are also entitled to such benefits.

Although the Malaysian industrial law recognizes the right for employer to determine the appropriate size of its workforce, a worker whose service is terminated for any reason can claim unfair dismissal through the machinery of the Department of Industrial Relations and the Industrial Court. The Court will judge whether the retrenchment is genuine and reasonable procedures have been followed before dismissing workers. Should the worker choose to challenge the termination, he can claim unfair dismissal according to the procedures in the Industrial Relations Act Section 20.

According to the Act, the quantum of benefits depends upon the worker's length of service. Employees with less than a year's service are not entitled to benefits. For those with 1 to 2 years of service, they are entitled to 10 days' wages for every year of service. For 2 to 5 years of service, 15 days' wages for every year of service, whilst for more than 5 years of service, they are entitled to 20 days' wages for every year of service. For an incomplete year, the payment is pro-rata.

The recent economic downturn in Malaysia has an impact on the working class when it raises negative implication on the employment scenario. Many companies opted to terminate workers since the crisis broke out in 1997. Based on the statistics provided by the MHR, 18,863 workers were retrenched by over 140 companies³. Seventy-eights per cent of them were from manufacturing sector, while the rest were from transport, commerce, mining and construction sectors. The layoff scenario also had a negative impact on the serving employees, as there were uncertainty on their jobs. In addition, there was also a growing concern among the trade unions and MHR that employers were taking advantage of the economic slowdown to implement unnecessary pay cut and other measures that would seriously jeopardize the well being of the employees.

The economic situation had worsened in 1998, resulting in contraction in employment growth: rising retrenchment and high unemployment rate. A total of 83,865 workers were retrenched in 1998 compared with only 18,863 workers in 1997. Out of the figure, 20,082 of them were in Selangor, 16,884 in Penang and 10,863 in F.T Kuala Lumpur.

Table 4: Number of Retrenched by State, 1998

State	Number Retrenched (%)
Selangor	20,082 (23.9)
Penang	16,884 (20.1)
F.T Kuala Lumpur	10,863 (13.0)
Others	36,036 (43.0)
Total	83,865 (100.0)

Source: Labor Market Report, Malaysia, 1998.

³ This figure might be underreported since mandatory reporting of employers started only in 1998.

The highest number of retrenchment for 1998 was registered in the third quarter involving 26,238 workers. However the number of retrenched workers decreased significantly to 18,116 workers in the fourth quarter ie. a decrease of 31 per cent. Overall, the fourth quarter registered the lowest retrenchment for 1998.

The manufacturing sector recorded the highest number of retrenchment in each quarter where, in 1998, 53.8 per cent or 45,151 workers retrenched were from this sector. In terms of category of occupations, the majority of the workers retrenched were from the production and related, transport equipment operator and manual worker category, representing 53.8 per cent or 45,196 workers.

Table 5: Number Retrenched by Sector, 1998

Sector	Number Retrenched (%)
Manufacturing	45,151 (53.8)
Wholesale and Retail Trade, Restaurant and Hotel	10,434 (12.4)
Construction	9,334 (8.8)
Finance, Insurance, Real Estate and Business Services	6,596 (7.9)
Agriculture, Forestry, Livestock and Fishing	5,108 (6.1)
Community, Social and Personal Services	4,242 (5.1)
Others	3,000 (3.6)
Total	83,865 (100)

Source: Labor Market Report, Malaysia, 1998.

Table 6: Distribution by Category of Occupations

Category of Occupation	Number Retrenched (%)
Prod. and Related Workers, Transport Equipment Workers and Laborers	
** Skilled Workers	15,971(19.0)
** Unskilled Workers	14,708(17.5)
** Semi-Skilled Workers	14,517(17.3)
Professional, Technical and Related Workers	12,125(14.5)
Clerical Workers	9,927(11.8)
Administrative and Managerial Workers	6,275 (7.5)
Others	10,342 (12.3)
Total	83,865 (100.0)

Source: Labor Market Report, Malaysia, 1998.

The retrenchment did not only occur in large corporations, but SMIs also opted for dismissing their workers when facing with the economic crisis. In 1998, about 16,521 number of workers being retrenched were from the SMIs.



Table 7: Retrenchment by SMI

State	Number
Selangor	3,304
Pulau Pinang	1,734
F.T. Kuala Lumpur	1,487
Johor	3,303
Trengganu	743
Other states	5,950
Total	16,521

Source: SMI Development Corporation
Labor Market Report, 1998

There were many reasons given by employers cited in the Labor Market Report 1998 for retrenching their workers as shown in Table 9. About 59.9 per cent or 2,867 employers stated reduction in demand for products as the main reason for retrenchment. Another 11 per cent reported high production cost, 8.1 per cent reorganizing their companies, 6.4 per cent had closed their operation, 2.4 had sold their companies and 12.3 per cent stated other reasons for retrenchment.

Table 8: Reason for Retrenchment

Reason for Retrenchment	No. of Employers
Reduction in Demand for Product	2,867 (59.9)
High production cost	526 (11.0)
Company Reorganisation	386 (8.1)
Closure	307 (6.4)
Sale of Company	114 (2.4)
Others	589 (12.3)
Total	4,789 (100.0)

Source: Labor Market Report, Malaysia 1998.

In terms of equity, the distribution are as follows: 69.5 per cent or 3,330 companies were Malaysian owned, 17.9 per cent or 857 companies foreign owned and 12.6 per cent or 601 joint-venture companies.

Certain quarters claimed that retrenchment amongst women was very high. In 1998, 42.3 per cent or 36,284 of 83,865 workers retrenched were women. A majority of the women 64.5 per cent or 23,387 were from the manufacturing sector. In terms of occupational category, some 59.1 per cent or 21,450 workers were from the production and related, transport equipment operator and manual worker category.

Clerical and related workers also exhibited high number of women retrenched representing 17.6 per cent of the total or 6,390 workers.

It is observed that women workers who were retrenched came from the sector and category that employed high number of women workers. It is easier to get alternative jobs in the said sector and category. Women are not victimize in retrenchment exercise as employers are required to institute retrenchment according to LIFO (Last In First Out) principle rather than gender.

CURRENT AND FUTURE RETRENCHMENT TREND

As the economic crisis was getting deeper, the Government had taken a reversal approach in its policies from tight monetary and fiscal policies to expansionary fiscal and monetary policies in middle 1998. This was to induce investment in the economy, and it has shown some positive result especially in relation to the retrenchment figure. In terms of the weekly retrenchment figures, it has shown a declining trend after reaching its peak in the middle July 1998. The weekly number of workers retrenched has dropped from 5,245 in the middle of July 1998 to 316 in late August 1999 (Refer to Appendix I - Graph 1). For the year 1999, as at September 4, a total of 25,592 workers were retrenched. Details sectors are as shown in Appendix II.

The government and Bank of America forecasted the economy will recover and achieve a growth rate of 1.0 per cent in 1999, whilst Goldman Sachs, an international investment bank, forecasted a 2.0 per cent growth in 1999. Based on these forecasted economic growths, the labor market is expected to continue to remain stable.

Table 9 below shows comparison of retrenchment for the second quarter 1998/99 and first quarter 1999. Retrenchment showed a downward trend. The figure for the second quarter 1999 dropped 44.9 per cent to 10,403 workers compared to 18,693 workers in the same quarter last year.

Table 9: Number of Workers Retrenched and Number of Employers Involved

	Second Quarter		Change(%)	First Quarter 1999
	1998	1999		
No. of workers	18,693	10,304	-44.9	11,454
No. of Employers	1,277	680	-46.8	735

Source: Labor Department, Peninsular Malaysia.
 Labor Department, Sabah.
 Labor Department, Sarawak.



Table 10: Retrenchment by State, September 1999

State	Number Retrenched (%)
Selangor	6,474 (25.3)
F.T Kuala Lumpur	4,852 (19.0)
Perak	3,761 (14.7)
Penang	2,655 (10.4)
Kedah/Perlis	1,991 (7.8)
Johor	1,720 (6.7)
Other States	4,139 (16.2)
Total	25,592(100.0)

Source: Labor Market Report, 1998.

Table 11: Number Retrenched by Sector, September 1999

Sector	Number Retrenched (%)
Manufacturing	13,967 (54.6)
Wholesale and Retail Trade, Restaurant and Hotel	3,072 (12.0)
Construction	2,525 (9.9)
Finance, Insurance, Real Estate and Business Services	2,338 (9.1)
Agriculture, Forestry, Livestock and Fishing	1,332 (5.2)
Community, Social and Personal Services	1,246 (4.9)
Others	1,112 (4.3)
Total	25,592 (100.0)

Source: Labor Market Report, 1998.

POLICY RESPONSES

The preceding section has shown that the economic crisis has contracted the work force not only the large but also the SMIs. The widespread of the crisis in Malaysia has triggered policy makers to immediately address the shortcomings pertaining to the labor market. As the economic situation has deeply affected the scenario of employment, it emerges that Malaysia is not only lacking in accurate information on labor market, but also lack of proper human resource (HR) planning in the long run. Labor market information is the information on the interplay of relationship between labor supplies (availability of manpower) and labor demand (availability of vacancies).

At the national level, labor market information is needed for the efficient allocation of human resources throughout the country to influence labor market actions. At the middle level, institutions and persons use labor market information to

match and facilitate supply and demand of labor. The direct participants in the labor market, such as the job seekers or employers, use labor market information either to guide them in their search for employment or in selecting the best-qualified job seekers. On the whole, labor market information can be used to balance the supply of and demand for labor with maximum utilization.

Beginning from January 1998, MHR initiated proactive measures by closely monitoring developments in the collection of labor market data on retrenchment, job vacancies, registration of retrenched workers, re-training, and industrial relation such as the number of strikes, workers involved and man-days lost due to strikes and picket. In addition, employers involved in retrenchment have been encouraged to provide exit services that includes interview techniques, counseling and career guidance to facilitate workers in finding alternative jobs. In retrenchment cases that involve large number of cases, the Labor Department, DOM and Industrial Relations Department under the MHR, gave in-situ service to employers and workers in various aspects such as statutory retrenchment benefits, registration and emplacement to alternative jobs with the cooperation of other employers that demand for workers⁴. The Government has established task forces at district and national levels comprising representatives from relevant Government departments, employers and workers' unions.

Various incentives were given to employers to encourage training and retraining of workers as alternative to retrenchment such as exemption from paying Human Resource Development Council (HRDC) levy to employers facing financial difficulties and credited unclaimed levy amounting to RM66 million to employers' account to encourage employers to continue training their workforce even during the economic downturn. The Government has also established a Training Scheme for Retrenched Workers under HRDC with an initial allocation of RM5 million in May 1998. Workers retrenched from sectors covered by HRDC are eligible to apply for training for any courses up to diploma level. As of 31 December 1998, 572 applications were approved with financial assistance of RM2.52 million.

In ensuring the well being of retrenched workers, stepped-up efforts were taken in ensuring that employers pay retrenchment benefits to their workers. As an example, in the case of Saship in Labuan, the Industrial Relations Department (IR) under MHR had persuaded the management to arrange for staggered payments to the 700 affected workers. As at the end of December 1998, approximately RM4 million was already paid-out and the remaining RM4 million was paid in January 1999, RM500 per worker before Hari Raya (Muslim Festival) and the remainder at the end of January 1999. The Employment Act 1955 was also amended with effective from August 1998, where employers are required to retrench foreign workers before retrenching local workers. This step is taken to ensure that the job opportunities of local workers are secured.

⁴ Read-Rite Company retrenched more than 4,000 workers in Penang, In this case, most of the workers were able to secure alternative jobs before the actual effective date of retrenchment.



Measures taken by MHR have helped to maintain the harmonious industrial relations environment. Data from MHR shows that in 1998, 12 strikes involving 1,777 workers with 2,635 man-days lost were recorded compared to five strikes involving 812 workers with 2,396 man-days lost in 1997. Even though, the number of strikes increased significantly, the number of man-days lost almost remain unchanged. Only 14 pickets were recorded in 1998 compared with 34 pickets in 1997. Similarly the number of industrial disputes where the number dropped from 463 disputes involving 139,187 workers in 1997 to 448 disputes involving 85,053 workers in 1998, thus signifying a stable working labor environment.

Overall, the MHR is urging the companies to be empathetic and to consider other retrenchment alternatives such as reduced working hours and working days, flexible working time, pay cut, voluntary lay-off, and making an offer to employees to resign voluntarily. In general, employers responded positively to the government’s call in taking the above measures before resorting to retrenchment. Employers are required to report the implementation of these alternatives to the Labor Department at least one month before the effective date of retrenchment. From August to December 1998, most employers (or 67.2 per cent) chose pay cuts compared to voluntary separation scheme (28.4per cent) and voluntary lay-off (4.4per cent). The number of employers and employees involved between August to December 1998 are shown in the following Table 12:

Table 12: Alternative for Retrenchment

Measures	No. of Employers	No. of Employees
Pay-Cut	795	22,514
Voluntary Lay-Off	52	6,342
Voluntary Separation	336	6,193

Source: Ministry of Human Resource, 1998.

During the economic downturn, industrial harmony is maintained with the cooperation of all parties: workers, employers and the government. Efforts undertaken by the Labor Department and the Industrial Relations Department under MHR have been successful in preventing industrial disputes and maintaining harmonious industrial relations between employers and workers.

CONCLUSION

Economic crisis has not only affected employment in the large corporations but also in small and medium industries. Despite of the contraction of 6.7 per cent of the economy, the retrenchment rate in Malaysia represented only one per cent of the total employment. The low retrenchment rate was accompanied by harmonious industrial environment. This was made possible by the holistic approach taken by the government in addressing the immediate issues confronting the labor market during the economic crisis. The facilitating and regulatory role played by the Government in

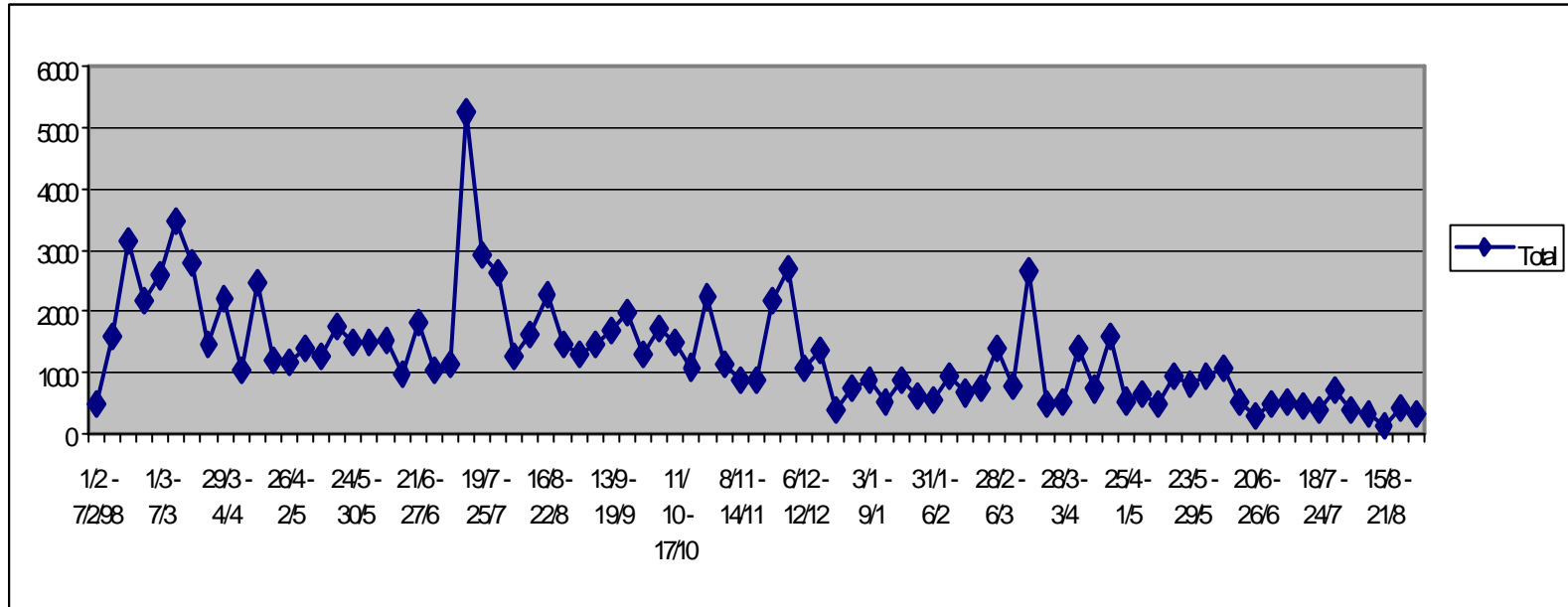
the labor market had eased tension among workers arising from the economic crisis. The harmonious industrial environment had in a way helped to expedite the economic recovery.

The holistic approach by the government in addressing the labor issues incorporated both the demand and supply sides of the labor market. Accessibility of information is considered important, thus the government making it compulsory for employers to report any step taken that can give a signal to the labor market. In addition, policies designed during period of crisis involved the players in the market, the employers and employees. The holistic approach did not segregate policies according to sectors, ownership, gender or sizes of firms. Firms irrespective of the ownership functions and sizes are treated equally when addressing labor issues. Thus employees working in small and medium industries should not expect to receive better or lesser treatments when confronting economic crisis.

As employees working in SMI are not likely to be given special treatment during economic crisis, they are expected to be more productive as compared to their counterparts working in large industries. SMI should focus on the export market rather than relying on the domestic market for expansion, as only 20 per cent of SMI were involved in exports. Thus employees in SMI should be more aggressive and competitive rather than being complacent in order to compete in the international market. Being able to capture the export market, means less likely for employees working in SMI to be retrenched in case of economic crisis reoccurring.

APPENDIX I

Graph 1: weekly Retrenchment Trend, Feb 1998 – 3 Jul 1999



APPENDIX II

Weekly Retrenchment Data by Sector, 1 February 1998 - 4 September 1999

Week	Total	Manufacturing	Construction	Commerce	Finance	Others
1/2 - 7/2/98	480	231	60	129	29	31
8/2 - 14/2	1,583	390	263	630	151	149
15/2 - 21/2	3,159	2,744	117	134	135	29
22/2 - 28/2	2,173	1,327	313	136	207	190
1/3 - 7/3	2,578	1,159	990	141	211	77
8/3 - 14/3	3,460	2,301	303	195	248	413
15/3 - 21/3	2,797	1,776	231	445	155	190
22/3 - 28/3	1,463	255	379	325	128	376
29/3 - 4/4	2,200	883	116	216	193	792
5/4 - 11/4	1,041	308	44	158	269	262
12/4 - 18/4	2,473	727	220	310	306	910
19/4 - 25/4	1,181	215	112	266	260	328
26/4 - 2/5	1,150	545	231	91	97	186
3/5 - 9/5	1,381	683	109	213	97	279
10/5 - 16/5	1,262	513	279	203	144	123
17/5 - 23/5	1,741	834	252	176	140	339
24/5 - 30/5	1,487	718	164	188	63	354
31/5 - 6/6	1,467	773	211	245	82	156
7/6 - 13/6	1,519	826	123	254	69	247
14/6 - 20/6	974	185	127	197	302	163
21/6 - 27/6	1,812	776	579	222	95	140
28/6 - 4/7	1,033	590	109	103	209	22
5/7 - 11/7	1,127	593	169	124	118	123
12/7 - 18/7	5,245	4,715	17	296	110	107
19/7 - 25/7	2,919	2,108	232	318	122	139
26/7 - 1/8	2,622	1,278	122	317	143	762
2/8 - 8/8	1,266	567	113	211	241	134
9/8 - 15/8	1,600	1,077	137	161	129	96
16/8 - 22/8	2,277	1,256	337	132	128	424
23/8 - 29/8	1,448	330	201	221	548	148
30/8 - 5/9	1,278	88	279	379	175	357
6/9 - 12/9	1,444	573	91	383	141	259
13/9 - 19/9	1,684	818	114	397	59	296
20/9 - 26/9	1,984	1,420	211	185	48	120
27/9 - 3/10	1,299	444	252	212	154	237
4/10 - 10/10	1,711	1,092	218	185	67	149
11/10 - 17/10	1,465	733	201	257	126	148
18/10 - 24/10	1,080	459	171	117	94	239
25/10 - 31/10	2,214	928	254	162	121	749
1/11 - 7/11	1,132	547	208	156	64	157
8/11 - 14/11	878	199	134	129	61	355
15/11 - 21/11	854	389	108	224	46	87
22/11 - 28/11	2,171	1,280	81	445	15	350
29/11 - 5/12	2,685	154	171	106	72	2,182
6/12 - 12/12	1,047	414	46	93	43	451
13/12 - 19/12	1,350	1,150	69	33	57	41
20/12 - 26/12	371	126	20	90	15	120
27/12 - 2/1/99	734	341	44	127	92	130
3/1 - 9/1	868	260	453	38	45	72
10/1 - 16/1	503	161	34	147	74	87
17/1 - 23/1	864	537	11	72	148	96
24/1 - 30/1	616	444	30	49	24	69
31/1 - 6/2	544	157	102	52	7	226

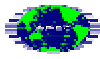


7/2 - 13/2	946	506	208	48	78	106
14/2 - 20/2	659	266	39	127	98	129
21/2 - 27/2	737	331	36	158	28	184
28/2 - 6/3	1,381	1,114	50	122	43	52
7/3 - 13/3	774	401	89	162	35	87
14/3 - 20/3	2,637	1,954	81	102	337	163
21/3 - 27/3	478	68	50	120	80	160
28/3 - 3/4	496	41	146	65	75	169
4/4 - 10/4	1,395	1,022	186	41	74	72
11/4 - 17/4	720	375	38	64	62	181
18/4 - 24/4	1,581	1,043	65	77	101	295
25/4 - 1/5	521	126	145	104	19	127
2/5 - 8/5	623	312	52	134	19	106
9/5 - 15/5	481	50	58	60	127	186
16/5 - 22/5	935	471	123	31	144	166
23/5 - 29/5	793	348	41	193	94	117
30/5 - 5/6	919	578	67	61	171	42
6/6 - 12/6	1,061	874	17	59	50	61
13/6 - 19/6	516	212	13	162	47	82
20/6 - 26/6	274	130	24	44	26	50
27/6 - 3/7	471	182	36	192	45	16
4/7 - 10/7	514	366	28	50	30	40
11/7 - 17/7	428	320	37	20	17	34
18/7 - 24/7	383	86	57	114	36	90
25/7 - 31/7	698	268	29	196	33	172
1/8 - 7/8	374	272	5	57	35	5
8/8 - 14/8	331	140	21	24	40	106
15/8 - 21/8	127	42	17	39	17	12
22/8 - 28/8	408	337	1	5	12	53
29/8 - 4/9	316	67	132	30	59	28

Source: Ministry of Human Resource, 1999.

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