



Investment incentives policies should become more comprehensive

The more important issue with regards to targeting consumption levels, however, pertains to investment policies. Malaysia's industrial development strategy has been focused primarily at boosting exports in order to accumulate foreign exchange. The strategy had served to enrich the nation over the past 50 years and helped pulled Malaysia out of the 1997 recession. But the more recent crisis had revealed a critical vulnerability brought on by this strategy. Investment incentives have been packaged favouring exports. As a result, the proportion of Malaysian business that is entirely dependent on the export market has become too high compared to those that could also aim at tapping the domestic markets. For this reason, when government found it necessary to boost consumption in order to help push the domestic economy along there were only a few sectors that could benefit: construction (up 2.5% during the last quarter of 2001; 2.3% for the year) and perhaps car sales alongside eateries and various other services (the services sector up 5.5% during the last quarter; 4.9% for the year 2001). The industrial sector was left on the outside totally exposed to the contracted global market. Industries fell by a sizable 8.5% during the last quarter of 2001 and stood at -5.1% for the year, down from a positive growth of 2.5% in 2000. Penang, being highly concentrated on the industrial sector thus felt the brunt of the economic contraction.

The entire investment incentives structure should thus be reviewed to allow for investment boosts that help strengthen the local economy and not only to expand exports alone. 2001's CPI was 1.4 and the PPI, -5.0. These numbers should not be mistaken to be inflation under control but instead as indications of the stagnation in the economy caused by very low nominal growth. A more comprehensive investment incentives structure that addresses both the external as well as domestic sectors would make Malaysia's economy more responsive to internal fiscal and monetary interventions and become more resilient to external shocks.

What was the cost of the government's economic management efforts?

Malaysia's economic recovery plan was managed in part by deficit public sector spending that amounted to 5.5% of the GDP in 2001, moderated from the deficit of 5.8 % GDP in 2000 but larger than the 1999 deficit that amounted 3.2% of GDP. This means that the country's debt position has to be diligently watched over. In 2001 the debt service ratio (the ratio of debt servicing to exports) was 6.2%, up from 5.3% in 2000 but comparable to the 1999 figure of 6.1%.

Compared to the years of high growth of the early nineties, the debt service ratios have not changed. A decade ago, the debt service ratio was 6.6% and throughout the nineties the ratio remained at about the 5% to 6% level. This means that although the government aggressively tackled economic recovery, there had been some degree of prudence in watching over the nation's external debt position.

How sustainable is the economy?

Malaysia is traditionally an exports surplus economy (apart from the traditional services deficit) from which foreign exchange reserves could be kept at a healthy level and the current account position is non-negative unless it is the result of foreign direct investment inflows. The 2001 exports balance was RM69.9 billion. This is good news, because econometric analysis performed by SERI in conjunction with the Penang Outlook Conference last October showed that recovery, particularly of Penang's economy, requires that Malaysia's export earnings to be at least around the US\$15 billion level.

The current account balance was often negative because of foreign direct investment inflows (every dollar of inflow is technically a dollar of deficit due to national accounting conventions). The deficit only becomes unsustainable when the deficit surpasses the amount of investment inflows.

Since capital controls in 1998 the current account had been in surplus because the comparably weak ringgit caused imports to fall while exports expand. In 2001 when the global economy slid, worries began about the falling exports earnings, which were further aggravated by the fixed exchange rate that prevented its natural downward adjustments in response to economic contraction. The 2001 numbers that came in showed the current account remaining at a surplus, amounting to 8.9% of GNP even though down from 17.1% and 10.2% in 1999 and 2000. This is reasonably good for the particularly bad year.

Technically, current account deficits that are beyond the level of foreign investment inflows have to be offset by a fall in foreign reserves. This was the other worry in 2001 when poor export earnings also showed up as declining levels of foreign reserves. The two implications are first, lesser reserves meant that it becomes harder to offset any current account deficit, which means possibly having to resort to further foreign borrowings, and second, lesser reserves also meant that the RM3.80 to the dollar peg might no longer be maintained indefinitely.

Again, considering that 2001 was a bad year, the reserve level numbers showed that it was equivalent to 5.1 months of retained imports, up from 4.5 months for 2000 and only slightly down from 5.9 months in 1999. A number above 4 months is reasonably good but a number dipping below 2 months would be considered critical. In



1991 and 1997, the reserve level dipped down to 3.6 and 3.4 months of retained imports respectively. The current level of reserves falls within the desired target level.

Is the economy on track?

Management of the economy is pursued by attempting to keep monetary expansion at a steady pace and by minimising the effects of cyclical changes through monetary and fiscal intervention. In 2001 monetary expansion was 3.2%, 2.2% and 2.8% for M1, M2 and M3 (i.e. from narrow money to broad money). These rates were only about half of that achieved in 2000 when the rates were 6.5%, 5.2% and 5.0%. The numbers look even more dismal compared to 1999 rates of 35.7%, 13.7% and 8.3%.

For Malaysia's economy, I would consider M1 growth targets in the middle teens and M2 and M3 targeted at around 20% as ideal but inflationary. Perhaps more modestly M1 targeted around 10% and M2 and M3 in the middle teens would help keep inflation at bay but with GDP growing at a lesser pace. The country's economy, I feel, chugs along comfortably around these numbers. However, during certain years the economy appears to be slipping off its tracks, during which time we see runaway numbers like 37.5% M1 growth and 23.6% and 24.4 % for M2 and M3. This was in 1993. In 1998, the economy went in the other direction. M1 contracted by a hefty -14.6% with M2 and M3 nearly at a stand still at 1.5% and 2.7%.

Malaysia's economy appears to be stabilising although monetary expansion levels have still to climb up to a more comfortable pace so that the rest of the economy can begin to roll into proper momentum.

Conclusion

The numbers in Bank Negara's latest report does not tell us that Malaysia's economy is on the upswing but numbers that will come in during the next few weeks will provide a vital update. Nonetheless, if we consider 2001 to be a bad year the numbers released show that critical indicators on the economy are within comfortable zones. True GDP growth rates in the different sectors have come down. But more important, we are not seeing indicator numbers that have not been previously experienced. The hope is, of course, that we are done with 2001. Read for interest sake, where the economy went last year but our concern is on the future in which the nation's aspirations lie. If all goes well, the world's economy will begin to roll once more and for Malaysia, the chance to be an active, albeit modestly sized, player. ***§ Chan Huan Chiang***



Employment Of Persons With Disabilities

Introduction

Can disabled persons be effective contributors to society instead of remaining on welfare? Malaysia is signatory to numerous conventions with regard to equal opportunities and equal treatment for disabled persons, however, our Malaysian society has still not given adequate thought to the productivity factor of disabled persons and as to whether they can be gainfully employed. Disabled persons are often stereotyped into "welfare" cases constantly in need of handouts instead of being seen as productive persons who can also contribute to the economy.

The World Bank estimates (2000) that the total loss to the gross domestic product of between US\$1.37 trillion to US\$1.94 trillion worldwide directly due to the exclusion of disabled people from the mainstream of society. For Malaysia, the figures are estimated at US\$1.18-1.68 billion.

Disabled people have the potential to make a valuable contribution in the workforce, as employees, entrepreneurs or employers of others.

Some employers have started to tap this potential. Many governments have introduced legislation, policies and programmes to promote employment opportunities for job-seekers with disabilities, job retention by people who acquire a disability while in employment, and return to work by those who have left their jobs due to their disability.

But many disabled people who are willing and able to work are unemployed – as many as 80 % in some countries. Frequently, this unemployment is because employers assume that people with disabilities are unable to work and are unwilling to give them the opportunity. Often, it is because these people have not had access to education or training in employable skills, or because the support services they require are not available, or because of unsupportive legislation and policies. Sometimes, it is because buildings or transportation are inaccessible to them.

These and other obstacles stand in the way of disabled people finding a job which will enable them to earn their own living, support their families and contribute to the national economy. The resulting loss is felt at every level, not only by disabled people themselves and their families, but also by employers and the wider society.

Current Situation

According to the World Bank calculations (using a factor of 9.9% disabled persons for High Human Development [HHD] countries), Malaysia would have around 2,200,000 disabled persons in 2000. Since there is a lack of data in Malaysia to verify such a high figure, an estimate of 1% is usually used by local authorities lowering the figure to 220,000 disabled persons. However, only 99,000 persons are registered and the Welfare Department has only been able to place 4,490 disabled persons to work in the public sector from 1990 - 2001. Government Service Circular No. 10/1998, stipulated that at least 1% of job opportunities in the public sector is to be allocated to disabled persons. However, according to the Ministry of Human Resource, only 538 disabled persons have been successfully placed in the Government service till now. The Labour Department has tried to play its role in aiding disabled persons play an active role in national development and expose disabled persons to the appropriate field and type of jobs. A national committee to encourage the employment of disabled persons by the private sector chaired by the Hon. Minister of Human Resources has been established in 1990. Technical Committees to aid this have also been formed at the national and state levels. The Ministry of Human Resource has also organized symposiums, job fairs, and awards for outstanding disabled persons who have succeeded in their careers. On 9 November 2001, the Ministry launched a Code Of Practices for the Employment of Disabled Persons in the Private Sector. An insurance scheme for disabled persons is also being formulated and the Ministry is also looking into developing a databank for employment of disabled persons in the private sector.

DISABILITY TYPE	MALAY	CHINESE	INDIAN	OTHERS	TOTAL	%
VISUAL	311	170	51	0	532	8%
HEARING	516	565	122	1	1,204	18%
PHYSICAL	1,074	810	375	0	2,259	34%
INTELLECTUAL	1,282	1,007	274	0	2,563	39%
TOTAL	3,183	2,552	822	1	6,558	100%
%	48.5%	38.9%	12.5%	0.02%	100.0%	

Source: State Welfare Department 2001

The Penang State Welfare Department registered a total of 6,558 disabled persons in Penang at the end of 2001. (See Table 1.) However, it is estimated that many disabled persons in Penang are not registered. A good estimate would be 1% of the total population of Penang bringing the figure up to 12,200 out of 1.22 million people (Census 2000). Out of those who are registered by the end of 2001, 39% are intellectually disabled, 34% physically disabled and hearing impaired 18%. There are also no statistics available on the number of disabled persons that are currently employed or placed by the Labour Department. However, we believe that disabled persons can make a valuable contribution to the State if they are gainfully employed no matter what the real numbers are.

In Malaysia, some companies have started employing disabled persons in greater numbers as they are proven to be loyal and productive. Some of the good examples are, Tan Chong Motors (M), OYL Sdn Bhd., Chip Pac (M) Sdn Bhd. In Penang itself, some good examples are Leong Bee Soo Bee (LBSB) Sdn. Bhd, Agilent Technologies, International Footwear Sdn. Bhd. and Pen Apparel Sdn. Bhd. There are also some architecture firms who employ deaf persons as draughtspersons, whilst some are self-employed eg. Batik painting.

Barriers To Employment

In order for individuals, disabled or not to obtain decent work, certain conditions must exist.

1. Workers need basic life, literacy and generic work skills, technical skills and business skills in the case of the self-employed or entrepreneurs,
2. The economy must create good jobs and self-employment opportunities,
3. A vocational guidance/employment services system should have a process for guiding and matching to the right job training and job opportunities,
4. The infrastructure should include services conducive employment like transportation, effective communication systems, and
5. To ensure job retention and security, the workplace should promote appropriate health and safety measures, access to lifelong learning opportunities and other enlightened workplace practices.

However, the path to decent work is fraught with barriers for disabled persons. These barriers include both physical, mental and policy barriers such as:

Mental Barriers

- Low self esteem among disabled persons and overprotective families
- Negative attitudes arising from ignorance, myths, stereotypes and fear,
- Acceptance by workplace colleagues,
- Prejudice on the disabled person's productive ability

Physical Barriers

- Unequal access to education and training programs which includes lack of inclusion in poverty alleviation, credit and business development schemes,
- Inaccessible buildings and lack of infrastructure facilities at workplace,
- Reluctance of employers to provide facilities and infrastructure at workplace,
- Inaccessible transportation to and from the workplace,
- Lack of suitable housing near workplace,
- Lack of access to assistive devices, technology and support
- Barriers to Communication and Information Systems, such as the internet for blind persons

Policy Barriers

- Lack of policy support including legislation
- Lack of enforcement of existing legislation and regulations
- Lack of databank for job seeking and matching purposes

Practical Measures To Overcome Barriers

In order to address the problems faced by disabled persons in achieving gainful employment, some practical measures have to be adopted based on the following aspects:

1. Legislation
2. Skills



3. Jobs
4. Vocational Guidance / employment services
5. Infrastructure and Environment
6. Followup

1. Legislation

In order for fuller attention and support to be given to disabled issues, there must be adequate legislation in the country to support this. There is a need to re-enforce the Memorandum on Employment of Disabled Persons that has been submitted to Government in 2001 as well as the stricter enforcement of the Uniform Building By-laws pertaining to accessibility of the built environment. It is also suggested that a "Senator" Body be established to monitor and coordinate the enforcement of such by-laws and code of practice. The National Consultative Committee for disabled persons should be reactivated as a partner in the enforcement process. Japan has implemented the grants and levy system whereby organizations with above 301 regular employees but which do not fulfill their quota of employing disabled persons are required to pay a levy of 50,000 yen (RM1,440) per person short to support other employers who have fulfilled their quota. Hopefully, Malaysia can implement something similar.

2. Skills

Disabled persons must possess the life and technical skills that are responsive to the present job market situation and not stereotype traditional skills that have been taught in segregated centers for years. Skills must reflect changing times from an industrial to a k-economy that requires the ability to work in teams and are proficient IT. Wherever possible, disabled persons must be included in mainstream programmes. A database on skills required for the job (coping skills and job skills) for disabled persons must be established and research carried out on the job market. The present curriculum must be recognized by the National Occupational Safety Standards (NOSS) with a possibility of link up with the National Information Technology Council (NITC).

3. Jobs

Jobs for disabled persons can be expanded in the formal sector through the use of new techniques like supported employment, by implementing simple work adjustments and modifying the physical environment. Certain jobs are deemed suitable for disabled persons and there should be job quotas reserved for disabled persons for such jobs eg. toll collection by physically disabled persons. However, there should be increased flexibility in the provision of jobs and no categorization of jobs (stereotyping of different categories of disabled persons with certain jobs only). Skills too must match job specification and job placement officers for disabled persons must be able to seek out appropriate jobs for disabled persons according to their skills.

Grants, subsidies and credits should also be provided to disabled persons who wish to become entrepreneurs or work from home.

4. Vocational Guidance

Vocational guidance and employment services should include assessment, guidance and referral to appropriate training programmes and active job placement. In view of this, job placement officers must be trained in special skills needed to work with disabled individuals (eg. How to conduct job analysis, increase knowledge about work adjustments and assistive devices and how to sign for deaf clients). More training centers; both centralized and decentralized; should be set up for disabled persons. There should also be unified standards in the curriculum of training schools. The curriculum should also emphasize adaptability of disabled persons to different work situations.

5. Infrastructure and Environment

Employment of persons with disabilities requires special considerations such as improvement of workplace and equipment. Employers must be urged to comply with the existing Uniform Building By-Laws to make their workplace accessible as well as provide adequate facilities for disabled persons. Wherever possible, they must also provide transportation facilities or accessible housing near the workplace. More incentives should be given to employers such as tax deduction for employment of disabled persons; grants to renovate and retrofit the workplace must also be provided.

6. Follow-up

Follow-up is a critical step after a disabled person is matched to a job. This is especially true for individuals with intellectual and mental impairments and also those who wish to enter into business startups. Problems may



arise after job placement and interventions may be necessary to ensure a satisfied placement or small business startup. In order to retain disabled persons at their jobs, they must have access to the same opportunities for promotion and lifelong learning that is key to career stability and welfare.

Follow-up should also be done by the job placement officer or departments concerned to see if disabled persons receive emotional guidance, job development and capacity building. This is especially true in providing disabled persons with opportunities to be exposed to and to acquire and upgrade IT skills. It is also essential that co-workers be also educated to interact and work with disabled persons as a team in the workplace.

All the measures mentioned above also need the support of the employers of disabled persons themselves. In this aspect, the Malaysian Employers Federation (MEF) can play an important role in creating greater awareness among employers and the public on the abilities of disabled persons and provide guidance and support to those enterprises that are starting to employ disabled persons.

Disabled persons are able to contribute significantly to our economy and society if given the employment opportunities. However, all parties must cooperate and change their mentality towards the employment of the disabled. Employers should change their mindsets and employ disabled persons as meeting social responsibility rather than meeting their HR requirements in their organizations. *§ Khor Hung Teik*

Employment Quota System for Persons With Disabilities in Japan

a. Private Sector:

General Private Enterprises (56 or more regular workers): 1.8%

Special Corporations (48 or more regular staff members): 2.1%

b. Public Sector

Government and Local Public Bodies
(48 or more regular staff members)

: 2.1%

Prefectural Board of Education etc.
(50 or more regular staff members)

: 2.0%

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