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Volatility in Malaysian Skilled Labour Market: Evaluating Manufacturing Sector

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Abstract
Labour, capital, natural resources and entrepreneurship are the primary factors that contribute to and influence economic growth in a country. These components are all used to produce a country's Gross Domestic Product, or total output of goods and services. Without all four components, a country would have no business and industry to meet the wants and needs of its people; and by augmentation, minimal economic activity and growth. Malaysian Institute of Economic Research has highlighted skilled labour shortage as one of the main factors behind Malaysia's slower economic growth forecast for 2011-2012 on account of ongoing structural weaknesses in Malaysia. Weaknesses in skilled labour market hinder economic growth and impede flow of Foreign Direct Investment to Malaysia; hence, it is crucial to transform Malaysia's labour profile from one of non-skilled and semi-skilled to a highly skilled and professional work force. This paper discusses the Malaysian **Skilled Labour** Market Digressions, highlights the factors that cause skilled labour market volatilities, and offers possible solutions to bridge the theory and practice gap in the manufacturing sector.
Key Words: Manufacturing Sector, Skilled Labour, Economic Growth, Gross Domestic Product, Foreign Direct Investment,

1. Introduction

Export-led economy in Malaysia was affected significantly in 2009 by overseas declines in demand for consumer goods brought about as a result of the Global Financial Crisis, though the country managed to bounce back in 2010. Malaysia's gross domestic product (GDP) reached US$247.6 billion in 2010 with a high concentration in industrial (10.5 percent) and service sectors (48.2 percent), as well as agricultural production (10.3 percent) in rubber, palm oil, timber, and rice. The industrial sector consists primarily of rubber and palm oil processing and manufacturing, pharmaceuticals, medical technology, electronics, tin mining and smelting, logging, and timber processing. Malaysia is also a significant oil and natural gas producer, making the country quite vulnerable to fluctuations in oil prices; state-owned oil company PETRONAS contributes roughly 44 percent to the government's revenue.

Labour, capital, natural resources and entrepreneurship are the primary factors that contribute to and influence economic growth in a country; the quantity and quality of labour that individuals supply is an important factor in determining the economy's level of production and rate of growth. Talents and skills can be changed and enhanced through education or training, making the labour-force an evolving talent pool from which businesses hire, to make their production process more efficient (FRBD, 2011). Malaysian Institute of Economic Research (MIER) has highlighted skilled labour shortage as one of the main factors behind Malaysia's slower economic growth forecast, downgraded from 5-6% to 4-5%, for 2011-2012 on account of ongoing structural weaknesses in Malaysia. One of the most crucial structural weakness is the labour market, specifically, skilled labour market; this impedes flow of Foreign Direct Investment (FDI) to Malaysia. Malaysia needs to focus on attracting FDI through operations that requires skilled labour. FDI in Malaysia plunged by 81% in 2009; Malaysia also dropped two stops in the world economic forum (WEF) competitive index at a ranking of 26 out of 132 countries in 2010. Government of Malaysia set up a "Talent Corporation" in early 2012 to inhibit the country's growing "brain drain" that is intrusive to its vision of turning Malaysia into a high-income nation by 2020 (MIER, 2011).

2. Skilled Labour Market Digressions

Labour represents the human factor in producing the goods and services of an economy. Just about everything that happens in the economy affects the labour market. Changes in the demand for goods and services, the size of the population and the minimum-wage rate can each have significant impact on the job market. Changes in the economy have perhaps the most significant impact on the overall job market. Rapid economic growth caused by an increase in the demand for goods and services can create a myriad of new job opportunities for workers; likewise, a severe slowdown in the economy, or a recession, can have a devastating impact on employment opportunities. Changes in technology and productivity growth are also important considerations in the labour market. One possible effect of technological advances can be the displacement of workers in industries that have found more efficient production techniques. In the short run, technological change can have adverse effects on workers in occupations made obsolete by new technology, and it can have very positive effects on workers trained for the new technology. Over the long run, however, advances in technology and productivity lead to higher wages for the workforce as a whole (FRBD, 2011).

2.1 Migration of Skilled Labour – Professionals "Brain Drain"

In addition to shortages in skilled & low skilled labour, Malaysia's labour force also suffers from a sustained "brain drain," as talented and highly-skilled professionals have been lured overseas by seemingly better job opportunities. The number of Malaysian migrants rose by more than 100-fold in a 45 year period (1965-2010); from 9,576 Malaysian in 1960 to 1,489,168 in 2005 according to the World Bank. From March 2008 to August 2009 alone, an exodus of 304,358 Malaysians did little to help the growth of the nation's economy, as the majority of those who left were professionals. An important trait of the labour market is the mobility of the workers that it constitutes. In theory, people in Malaysia can move anywhere to find or train for a new job. This mobility is important when employers match skills to job openings. In practice, however; people may be unwilling to move where the jobs are located; unwilling or unable to get training for a new career; or governments' predisposed policies may inhibit their mobility or employability. In these cases, the mobility in the labour market and the output of the economy slows down as people remain unemployed and jobs go unfilled. Intrusive government policies may also provide impetus to the skilled labour force to migrate, eliciting a "brain drain".

The newly established 'Talent Corporation Malaysia' (TalentCorp) will create programs and incentives to encourage the country's nationals engaged in key sectors and professions to return home. The World Bank estimates that approximately 1 million Malaysian nationals are currently working overseas, with 60 percent of those surveyed by the World Bank citing "social injustice" as the primary cause for Malaysia's brain drain. Many of Malaysia's talented and experienced professionals settle in Singapore instead, for its stable and financially promising work environment. It remains to be seen how the government will balance the need to build a highly-skilled labour force when higher education levels remain relatively low compared to Korea, Taiwan and China. The international mobility of highly skilled workers is likely to increase in the future; a number of developed countries have recently liberalized their policies to some extent for the admission of highly skilled workers. This demand is largely met by developing countries, triggering an exodus of their skilled personnel. While some amount of mobility is obviously necessary if developing countries are to integrate into the global economy, a large outflow of skilled persons poses the threat of a "brain drain" and can adversely impact local growth and development (ILO paper, 2010).

Malaysia's admirable economic growth is often attributed to liberal, open economic policies. Though aggregate measures of openness, however, often veil the way coalitional politics drove illiberal government intervention in the economy to correct ethnically based economic inequality, create national heavy industries, and favour politically well-connected entrepreneurs. A more nuanced analysis reveals a complex mix of liberal and illiberal economic policies designed to balance competing coalitional interests. These policies created a "dual economy" that successfully replaced growing political and social instability with rapid economic growth sufficient to support redistributive politics. Yet this same dual economy also slowed further reform and impeded technological development, leaving Malaysia mired in mediocrity: neither price competitive with China nor technologically competitive with Singapore, or the East Asian newly industrialized countries (Ritchie, 2004).

2.2. Government Interventions

Government Interventions may influence the skilled labour market through such actions as paying unemployment insurance benefits, setting the minimum wage, raising or lowering business and income taxes, and establishing rules under which labour unions operate; it also can undertake special programs to create jobs temporarily when unemployment is unusually high. Government may also provide multitude of incentives to foreign companies to attract

FDI resulting in higher demand for skilled labour. Labour is also influenced by government investment in infrastructure, training & educational institutions, roads and parks etc; as these amenities can be as influential as tax rates in determining where businesses and people locate. These amenities also have an effect on the wages paid to the labour force because people may be willing to work for less if they can live in a place that offers what they value (FRBD, 2011). However, employers in Malaysia are often frustrated by issues relating to Malaysia's skilled labour pool and government's unpredictable labour and immigration policies. The country has long been plagued with an acute shortage of skilled, local labour, as the labour force only numbers 11.63 million, supplemented with a foreign labour pool of 2 million legal workers and an estimated 800,000 illegal immigrants. Enterprises in Malaysia can retain their employees longer and motivate them with more stable and equitable wage increases and comprehensive compensation packages; prevailing compensation packages paid to Malaysian skilled workers, are considerably subjacent compared to other countries, e.g. Singapore or Canada. In addition to sustained labour shortage, it's the state's fluctuating policies on immigration and labour that have led many companies, local and foreign alike, to relocate their businesses outside of Malaysia.

The unintended consequences of redistribution social policy, utilizing state institutions, on the one hand, and migration policy, on the other, are culpable for the limited upgrading of the country's electronics industry: while the former has been central to social harmony in Malaysia's multi-racial society, it has contributed to the underdevelopment of small and medium-sized firms capable of linking with the Trans- National Corporations on the basis of knowledge-intensive and higher value-added operations. Migration policy, on the other hand, has allowed manufacturers to have continued access to supplies of low-cost, lower-skilled labour that have released the pressures that would otherwise have been there for technological and skill upgrading in the electronics industry. Only in Penang, where regional state institutions have intervened to encourage SME upgrading, has the national picture been moderated. Malaysia's industrialization project emerged at time when export competition in manufactured commodities was less intense than it is now. Largely as a result of federal government priorities, advantage was not taken of this 'window of opportunity'. As a consequence, the country's industrialization project – exemplified by its electronics industry – is now 'stalling' in the sense that it remains locked into low- to medium-technology operations. With the rise of China as a manufacturing exporter, this is a dangerous situation for a country's principal industry to be in (Henderson & Philips, 2007).

2.3 Working and Human Rights

Malaysia has ratified five of the ILO core conventions. The following three conventions are not ratified: Freedom of Association and the Right to Organize; Abolition of Forced Labour; and Abolition of Discrimination on the Basis of Occupation. There are many restrictions in connection with the right to organize, both in legislation and in practice. In principle, workers have the right to strike, but also in this area there are restrictions. Discrimination of women in employment is prohibited by law, but women are inadequately represented in jobs with decision-making authority. Child labour is not widespread, but occurs among small family firms. Forced labour is prohibited by law, but does occur, often in connection with illegal employment and trafficking. Malaysia has ratified the UN Human Rights Conventions no. 8 and 11, which deal with the Elimination of Discrimination against Women, and Children's Rights, respectively. The country has, however, opposed ratifying conventions such as: Abolition of all Forms of Racial Discrimination; Clause on Economic, Social and Cultural Rights; Clause on Civil and Political Rights; and Combating Torture and Other Forms of Inhuman Punishment. The authorities' commitment to safeguarding human rights in some areas may be questioned.

2.4 Stimulus of Corruption

Lack of public disclosure is one of the biggest problems related to fighting corruption, as law permits a high degree of secrecy in government agencies. Furthermore, there is a problem that the media is largely controlled by a small group of companies with strong ties to the government, limiting the press' role in uncovering corruption. According to *Transparency International's (TI) "Corruption Perceptions Index",* Malaysia (CPI score of 4.3 out of 10 in 2011) fell 24 spots, from 32nd to 60th place, in the period 1999-2011. In TI's "*2010 Global Corruption Barometer",* Malaysian respondents consider corruption to be most prevalent among political parties and police. Paradoxically, Malaysia's corruption problem has increased in the same period as the government has implemented measures that were supposed to lead to the opposite. One of these is the establishment of the *Malaysian*

Anti-Corruption Commission (MACC) on January 1st, 2009, with the goal of increasing efficiency, independence and accountability in the anti-corruption work. However, MACCs independence and role has been questioned after several controversial issues; apparently, the agency has a tendency to prosecute minor cases where oppositional politicians are involved, while the larger issues that involve government policy-makers are not investigated to the same degree. Nevertheless, 2010 has seen some improvement in the enforcement and operations of MACC.

2.5 Eliminating Corruption

For MACC Enforcement and Operations, the most brimming challenge faced in the year 2010 was to prevail in the eyes of the public as being independent, transparent and professional in its efforts to combat corruption. However, MACC is still plagued by the long-standing negative connotations attached to the Anti-Corruption Agency; legal jurisdictions; bias and prejudice over outstanding inquests and the persisting negative perceptions created by ambiguous and damaging statements of mired parties. Throughout 2010, a total of 944 arrests were made making it the highest number ever in the history of anti-corruption efforts in Malaysia. Those charged in court comprised of 131 public officials, 56 members from the private sector, 193 involving members of the public and one former Chief Minister. MACC has investigated Billions of Dollars of corruption and loss of Sime Darby Berhad that led to several high profile arrests. Malaysia became a signatory to the agreement establishing the International Anti-Corruption Academy (IACA) as an international organization in September 2010; benefits from the international expertise shall further improve the capabilities and capacities of the MACC Officers in the fight against corruption (MACC, 2010; Rahman, 2011).

3. Skilled Labour and Future Developments in Manufacturing

In October 2009, Wichita, Kansas (USA) -based Spirit Aero Systems Inc., the world's largest independent supplier of commercial airplane assemblies and components, opened its aerospace manufacturing and design facility in Subang, adding lift to Malaysia's aerospace industry. Spirit Aero Systems Malaysia will occupy a central role in the development of the Malaysian aerospace industry as a whole, and is strategically located at the centre of the Malaysia International Aerospace Centre (MIAC). UPECA Technologies is a Tier 1 Boeing and Airbus parts supplier to Spirit Aero Systems; and there will be several others requiring a stable and available work force, a long-term strategy for successful operations. Manufacturing organisations, such as Spirit Aero Systems, usually, have in-house facility to train their skilled labour for maintenance reliability and operations. However, they rely on the local labour market; local technical institutes in particular, to provide them with, educated and semi-trained, technical graduates, that they can further train according to their specific needs of operation and equipment maintenance. They run their own apprenticeship programs for training workers as there is a gap between what schools turn out and what industry demands. The Malaysian aerospace industry has recorded 11 percent growth each year from 2004 to 2008, expanding by as much as 14 percent in 2009, despite the global economic slowdown. However, the industry faces a shortage of skilled personnel, especially licensed aircraft-maintenance technicians and engineers. Malaysia would need another 16,000 such skilled personnel by 2015; industry now employs about 51,000 people nationwide. The Economic Planning Unit in the Prime Minister's department is coordinating with the various aviation companies and government agencies to help address the problem. Spirit's entry into the Malaysia aerospace market may be behind the government's realization that far more workers will soon be required by the sector, especially if more suppliers, like Spirit and UPECA, see the opportunity to succeed in Malaysia. That prompted the establishment of the Universiti Kuala Lumpur Malaysian Institute of Aviation Technology program in Dengkil, Selangor (MIDA, 2011). Malaysia could establish long-term apprenticeship programs, based on Canadian model, and guidelines of Malaysian Qualification Agency (MQA), to train apprentices, and add them to skill labour pool; this will indubitably help businesses to meet their demand of skilled labour.

4. Discussion

4.1 Labour is the Next Frontier in Overall Manufacturing Performance

Manufacturers know the problem well that the next critical manufacturing element to optimize in today's demand-driven world is Overall Labour Efficiency (OLE). During the past decade, manufacturers poured attention and resources into supply chain improvements as a way to increase competitiveness and profitability. It was a successful strategy, but now it's hitting the law of diminishing returns; manufacturing is now in the quest to move to

the next level of performance. For many manufacturing executives, dealing with a changing workforce, competing with offshore manufacturing, and maintaining profitability are factors of corporate survival; these goals will be achieved only if they can optimize their workforce performance. This requires new insight; companies ought to establish methods of quantifying, diagnosing, and ultimately predicting the performance of their workforce, one of the most important and highly variable elements of manufacturing. That insight can be provided by OLE: simply put, OLE is the analysis of the cumulative effect three workforce factors have on productive output; availability, performance, and quality. OLE is the key to understanding the effect the workforce has on manufacturing performance and, most important, it provides a platform that helps diagnose and predict that performance. OLE has a precursor in a metric known as Overall Equipment Effectiveness (OEE): Designed to ensure maximum output from machines, OEE has been a forerunner of performance for manufacturing managers in asset intensive industries, such as automotive, electronics, chemicals, mills, and refineries. To understand OLE completely one must understand OEE, the relationship between the two, and how they work together to raise overall manufacturing productivity and performance. OEE is a formula that shows the overall performance of a single piece of equipment, or even an entire process, and is governed by the cumulative effect of three factors: the equipment's availability, performance, and quality rate. OEE takes a holistic view, and many managers feel it is the best tool for managing operations in the context of cost and efficiency focused manufacturing.

4.2 Skilled Labour Specialization

Trade specialization is a characteristic of traditional maintenance organizations where the work requires special skills and the workload can be made relatively smooth, it is appropriate to adopt trade specialization; maintenance work requires a range of skills, although one skill is usually predominant. In such cases, inter-trade flexibility is of prime importance. This can be achieved by developing a multi-skilled workforce. However, making the transition from a highly specialized structure to a flexible one is often a lengthy and expensive process because of the investment in training and the installation of the new structure. Besides introducing inter-trade flexibility within the maintenance workforce, there is another emerging trend in maintenance management – amalgamating the roles of plant operator and first-line maintainer. The operator-maintainer is trained both to operate the plant and do first-line maintenance across all the traditional trades. Total Productive Maintenance (TPM) incites this approach through autonomous maintenance (AM); key element of TPM (Nakajima, 1988). AM fosters a sense of plant ownership by developing the operator-maintainer to be involved in continuous improvement. Operators can make or break maintenance effectiveness. Without interrupting their production work, operators can easily prevent breakdowns, predict failures and prolong equipment life if they become more intimately familiar with the machinery they run every day. But to do this, they must become highly equipment-conscious, and that can require some intense training. They must know what to do to keep machines in normal operating condition; they must be taught how, when and what to lubricate, as well as the best methods for monitoring vital signs and recording abnormalities. Involving operators in routine care and maintenance of critical plant assets offers three major benefits: firstly it reduces maintenance labour cost, the proximity of the operator to the asset greatly reduces or eliminates travel time and waiting; secondly it increases the availability of the highly skilled maintenance workforce for those maintenance activities requiring specialized talent, rebuilds and overhauls; thirdly it banishes the "we-they" syndrome so prevalent in many plants. Maintenance and production must function as an integrated team; transferring these tasks to operating teams improves the payback on the burdened, sunk cost of the production workforce, and permits more effective use of the maintenance crafts (Mobley, 2011).

4.3 Managing the Skilled Labour Pool: Bridging the Gap between Theory and Practice

Perhaps, the most important single determinant of competitiveness of an economy is the level and improvement of its workforce skills at all levels. Demand for skilled labour in Malaysia is going to rise considerably; there is a noticeable gap on the supply side as such it is crucial that all the major players that shape the skilled labour market: government, businesses, training institutions, and communities; should collaborate and come up with an overall master strategy to meet this challenge. Competency-based human resources planning should serve as a link between human resources management and the overall strategic plan of an organization. Competencies are defined as observable abilities, skills, knowledge, motivations or traits defined in terms of the behaviours needed for successful job performance. Competency-based management supports the integration of human resources planning with business planning by allowing organizations to assess the current human resource capacity based on their competencies against the capacity needed to achieve the vision, mission and business goals of the organization. Targeted human resource strategies, plans

and programs to address gaps (e.g., hiring/staffing; learning; compensation; career development; succession management and others) are then designed, developed and implemented to close the gaps. Recently, the phrase "talent management" is being used to refer the activities to attract, develop and retain employees. Some people and organizations use the phrase to refer especially to talented and/or high-potential employees (Bartram, 2005; Draganidis & Mentzas, 2006). To improve performance at the organizational level it is essential to create a culture and situation of continuous learning of employees and of the organization (van der Sluis, 2007). Generally, employees work harder because of greater job involvement, greater peer pressure for results, and the economic gains arising from high performance. Similarly, they work smarter because they can use their knowledge and skill, acquired through training and on-the-job refinement, in getting the work done. It is reported that almost 56 percent of performance measurements initiatives fail during the implementation stage; this failure basically results from an inability to meet the behavioural requirements on the part of people in the organizations to get started (Brookfield, 2000; Franco & Bourne, 2002; Chenhall, 2004; de-Waal & Counet, 2006). It is imperative, therefore, that organizations pay attention to the behavioural side of performance management (de-Waal, 2007). Typical behavioural attributes of an employee at the time of downward performance are reduction in job involvement, lower job satisfaction, decreasing their effort, increased accidents and greater turnover (Burke, 2005). Comparative aspect of Equity Theory provides a far more fluid and dynamic appreciation of motivation than typically arises in motivational theories and models based on individual circumstance alone.

Equity Theory explains why people can be happy and motivated by their situation one day, and yet with no change to their terms and working conditions can be made very unhappy and de-motivated, if they learn for example that a colleague (or worse an entire group) is enjoying a better reward-to-effort ratio. It also explains why giving one person a promotion or pay-raise can have a de-motivating effect on others. Note also, importantly, that what matters is the ratio, not the amount of effort or reward per se (Adam, 1965; Spector, 2008).

To improve manufacturing performance with maintenance function at its core, management science has included number of broad-based operations management philosophies, e.g. total quality management (TQM), just-in-time (JIT), TPM, lean manufacturing (LM), agile manufacturing (AM), theory of constraints (TOC), and more recently, six sigma (SS) and supply chain management (SCM) have been proposed in the literature and are being practiced. Successful implementation of these philosophies requires systems thinking, functional integration, and flatter organizational structures (Bowditch & Buono, 2005).

Deming, the quality guru behind the ‘theory of profound knowledge’, believed that every worker has nearly unlimited potential if placed in an environment that adequately supports, educates, and nurtures senses of pride and responsibility. He stated that the majority, 85 percent, of a worker's effectiveness is determined by his environment and only minimally by his own skill, here are the effective means: eliminate tools such as production quotas and sloganeering which only alienate workers from their supervisors and breed divisive competition between the workers themselves; spread profit to workers as teams, not individuals; eliminate fear, envy, anger, and revenge from the workplace; employ sensible methods such as rigorous on-the-job training programs. Deming's ideas of hard work, sincerity, decency, and personal responsibility, forever changed the world of management. In the resulting company, workers better understand their jobs, the specific tasks and techniques as well as their higher value; thus stimulated and empowered, they perform better. Deming advocated that all managers need to have what he called a System of Profound Knowledge, consisting of four parts: Appreciation of a system - understanding the overall processes involving suppliers, producers, and customers (or recipients) of goods and services; Knowledge of variation - the range and causes of variation in quality, and use of statistical sampling in measurements; Theory of knowledge - the concepts explaining knowledge and the limits of what can be known; and Knowledge of psychology - concepts of human nature (Gluckman & Roome, 1990; Haller, 1993).

Herzberg believed that the workers get motivated through feeling responsible for and connected to their work. In this case, the work itself is rewarding. Herzberg's ideas relate strongly to modern ethical management and social responsibility. The modern concept of ethical organisations encompasses many related issues including: CSR- or simply social responsibility; the 'triple bottom line'; ethical management and leadership; 'Fair-trade'; sustainability; social enterprise; mutuals, cooperatives, employee ownership; well-being at work and life balance, including the Psychological Contract (Herzberg,1987)

Drucker, a business thinker, and an enormous contributor to the Scientific Management Theory, professed ‘respect of the worker’: he believed that employees are assets and not liabilities; and that knowledgeable workers are the

essential ingredients of the modern economy. Central to this philosophy is the view that people are an organization's most valuable resource and that management's job is to prepare and free people to perform (Drucker *et al.,* 2008).

4.4 Equitable Compensation

To be able to attract competent skilled labour force, companies have to adequately and equitably compensate them; Compensation is usually provided as base pay and/or variable pay. Base pay is based on the role in the organization and Variable pay is based on the performance of the person, and may include; Incentive or bonus plans of pay. Major function of human resources and talent management is getting the best employees; regardless of the nature of the organization, it must identify the most important roles in the organization and then recruit, orient, train and organize people to effectively perform those roles. It should then concentrate on their: compensation; benefits; training and development; and a safe and equitable work environment. Assessment of the prevailing labour market reveals that a lot needs to be desired. Malaysian 'Skilled labour' is not compensated as its counterparts in the west; wages are low comparatively and the working environment is less than ideal in many cases. Skilled labour wages in Malaysia are lower than other neighbouring Southeast Asian countries and considerably lower than those in the United States and Canada; average pay of a skilled licensed technician in Canada is $34 per hour, compared to $3 per hour in Malaysia. Poverty is one of the social concerns in Malaysia; one of the factors that cause poverty is employment with very low wages. The Malaysian government has not set the minimum wage, yet, which keeps wages in low skill sectors very low. According to a World Bank report, about 34% of Malaysians earn wages below RM700, which is below the Malaysian poverty line benchmark of RM720. It is interesting to note that the ratio of executive and average worker salary in Malaysia is 47:1; it is, in Singapore 37:1, Thailand 23:1, and Japan, 10:1. Number of Malaysian millionaires rose to 39000 as 19000 more were added to the list in 2010; such news corroborates perception of corruption and inequality to the working class (WSJ, 2011).

4.5 Emphasis on Various Corporate Social Responsibility (CSR) Dimensions

The focus on CSR may vary a lot depending on the company's character. Programs aimed at **the employees of the enterprises** are widespread, and often come in the form of education and training in Health Environment & Safety (HES). Provisions of education grants are common among the larger companies. Bursa Malaysia found in a survey that measures aimed at employees is the CSR aspect with the highest priority among listed companies. This can in particular be attributed to HES-related measures (White-Paper 2010).

However, the author, during a pilot study entitled "Maintenance Management Performance Evaluation: a study of Malaysian palm oil mills" visited several private, palm oil mills in eastern Malaysia and observed that: CSR is not a priority for the mills. It was observed that there is a noticeable gap between the theoretical working conditions of the skilled labour and the shop floor reality; mills were generally, dark, smoky, slippery muddy floors, ill equipped, and the mill's manufacturing equipment was half buried in palm fruit bunch debris; in certain cases, they resembled 19th century industrial organisations. General working environment of the mills operations revealed; immensely under paid maintenance skilled labour worked, without safety protective gear, in ill equipped dingy workshops; lack of respect for the workers was noticeable all around – the atmosphere seemed to impinge on 'master-slave' consociation. Culture of safety, environmental consciousness and labour welfare was not evident; most of the mills visited, were far from the best management practices. Although attention to CSR has increased in Malaysia in recent years, there is undoubtedly a need for improvement in several areas. The necessity of increased focus on implementation of environment-keeping programs, and a growing corruption problem indicates that there is a need for measures to counteract this trend. Inadequate reporting is another problem as stated CSR policies are not necessarily followed in practice. *Global Reporting Initiative (GRI)* reports that very few companies report their activity according to the organization's policies, and that these reports often are deficient (White-Paper, 2010).

4.6 Addressing the Social Impact of the Crisis

The crisis-induced changes in employment, income, and prices not only directly affect households' current standards of living but they also have a major impact on household investment in human development. While it is not difficult to observe the direct and often immediate adverse social impact of the crisis, little is known about their indirect and long-term impact on the country's human development and social capital potential which are increasingly acknowledged in developing economies as a critical factor for sustainable development. The rise in unemployment and lower incomes are the main channels through which the social impact of the crisis is transmitted.

5. Conclusion

Thus it seems that Malaysia's ardent goal to become a high-income nation by 2020 portends very well for foreign investors in the region. Despite losing competitiveness, particularly in low-wage manufacturing, to neighbouring countries, the government's New Economic Transformation Plan indicates a much more inviting investment climate in Malaysia than one might have found in the past. As is the case with China, Malaysia's state-led push into high tech industries and emerging manufacturing sectors offer investors a wide range of incentives that are sure to improve the profitability, inducement, and ease of doing business in Malaysia. Just eight years remain before Vision 2020, Malaysia's blueprint for achieving fully industrialized status, is to take effect. The net result is a need to transform Malaysia's labour profile from one of non-skilled and semi-skilled to a highly skilled and professional work force.

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