

# The Welfare State System in Malaysia

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Malaysia's system of social welfare has resonance with systems in those other countries in South and East Asia that have also experienced high rates of economic growth over the postwar period. In common with Hong Kong, Singapore, South Korea and Taiwan, it has developed a low-tax, low public expenditure economy in which the greater part of that expenditure is aimed directly at economic growth. The minor position afforded to social spending is supported on national priorities promoting economic growth allied to expectations that the family, in particular, plays a key role in protecting the individual against misfortune. In addition, where extensive systems for assuring welfare of the population have been put into place, the state's role has been mainly as regulator with much of the funding and benefits related directly to contributions made from personal income. The Malaysian welfare state system, then, ensures that individual welfare is tied closely to family and group support and to labor market position, giving it many of the hallmarks of what has been labeled the Confucian welfare state (see Jones, 1993).

Yet, there is another side of the Malaysian system that sets it apart from most other welfare systems in Asia. The particularities of its history, especially the legacy of the British colonial period, have been important in framing a number of the foundation stones of the present welfare state system. Pivotal, however, has been the multi-ethnic nature of Malaysian society. It is not, as the other high economic growth countries of the region, Chinese- and Confucian-dominated; it has a mix of ethnic groups—mainly Malay, but with large Chinese and Indian minorities. Islam has a dominant presence promoting family and community to ensure the welfare of its *ummah* (members). Moreover, the tensions, as well as the opportunities inherent in the ethnic mix, have had profound consequences in the post-independence period for the shaping of the Malaysian approach both to economic development and welfare provision. Most importantly, decisions about economic growth and social spending have been guided by principles aimed at achieving national unity through equity between ethnic groups.

The first section of the chapter examines developments in the pre-independence period as a backcloth to understanding the general developments in the Malaysian approach to welfare. The approach itself is examined in section two which outlines the developments leading to the

construction of the twin towers of Malaysian welfare policy arising from the interplay between the pursuit of economic growth and the social and political goals aimed at achieving national unity. In the third section, the main dimensions of each of the broad areas of welfare—pensions, social security, social services, education, housing, and health—are outlined, while in the final section, a number of challenges facing the present system are discussed.

## **THE PRE-INDEPENDENCE PERIOD**

### **Political Developments**

From the 15<sup>th</sup> century, various parts of the area of modern-day Malaysia, particularly Melaka, were ruled by a succession of external powers—from China, Portugal, the Netherlands—and from the late 18<sup>th</sup> century Britain and, briefly, during World War II, Japan. It was during the British colonial period that the greatest economic and social changes took place. During the nineteenth century the British established a communications infrastructure to enable the development of the country's rubber and tin resources, while also putting a legal and administrative structure in place. Britain deliberately developed a diverse ethnic balance that was to have expression in the division of labor. A British-educated Malay elite was to work in the administration with other Malays continuing their farming and fishing. Immigrants from China were brought in to work as traders and tin miners and from India to work on the rubber plantations. Indeed, such was the scale of the immigration that by the early decades of the 20<sup>th</sup> century the indigenous Malays were outnumbered.

Following the Japanese surrender in 1945, Malaya, which consisted of Peninsular Malaya, Singapore, and North Borneo, came once again under British colonial rule. But the social and political circumstances were now very different. The Chinese Malayan Communist Party (CMP) resented what was seen as the collaboration of some native Malays with the Japanese, while the United Malays National Organization (UMNO) fought to preserve Malay privileges. At first, the British acceded to UMNO establishing in 1948 the Federation of Malaya, which accorded native Malays special privileges, which were denied the Chinese and Indian communities. The CMP, however, fought a guerrilla struggle against the continuation of Colonial rule, and in 1950 a state of emergency was declared. Five years later Britain agreed that Malaya would be granted independence.

### *Religion and Asian Values*

Islam arrived in Malaya in the 15<sup>th</sup> century and is part of the diversity and division within modern Malaysia that loosely maps onto the ethnic divisions. In 1995, of the total population of 19.38 millions, 61 percent were *Bumiputra* (literally sons of the soil, referring to the indigenous Malays), 27 percent Chinese and eight percent Indian (Ministry of National Unity and Social Development, 1996). Whereas the *Bumiputra* are Muslim, the Indians are largely Hindu and the Chinese largely Buddhist; the Chinese and the Indians both have Christian minorities. There was a period of Islamic fundamentalism in Peninsular Malaysia in the 1970s and Islam is a dominant force in the country, inseparable from *Bumiputra* interests and politics.

The dominant religious and philosophical dimensions have direct importance for the nature of social welfare. Elsewhere in the developed parts of Asia, Confucianism—in its many variants—has a major significance (see Jones, 1993). In general, it holds that women as inferiors should take care of their superiors (men) and junior member of the household so that “they are obliged to take on the welfare duties for family members and relatives.” Children, for their part, are to be indebted to their parents for the support and nurture they have given and are required to show

filial piety. Under Confucianism, then, the family takes a large responsibility for welfare of its members and, so, solves “the social problem internally” (Lin, 1999: 55). Moreover, the belief in hard work and individual effort may be accompanied by a stigma attached to recipients of state welfare. Insofar as this is followed by the Chinese in Malaysia, it mitigates against much Western-style welfare provision through the state.

For the *Bumiputra* majority Islam shapes their beliefs and actions and whereas it differs in fundamental ways from Confucianism (or indeed from so-called neo-Confucianism), they do have some things in common. Thus, the Malay principle of *Balas Jasa* holds that children are honor-bound to repay their parents for what they have done on their behalf and women’s responsibility is seen as that of caring for family members. Beyond the family, society is essentially co-operative. *Gotong Royong* is a form of mutual help that requires the Malay to “help his neighbours when needed, whether it is for building a house or celebrating a wedding, and this help creates an obligation to reciprocate when need arises” (Fisk *et al.*, 1982: 109). Although with urbanization *Gotong Royong* has lost some importance, as an ideal it continues to shape thinking about welfare responsibilities and provision.

Overall, then, the majority of the population of Malaysia subscribes to belief systems that locate the primary responsibility for the well being of the individual within the family and the group rather than the state. Consequently, the establishment by the British colonial government and later the Malaysian government of formal social welfare provisions, was superimposed upon existing welfare arrangements. Thus traditionally in Malay society there has been a custom of providing gifts to couples on their wedding enabling them to set up home, and of giving alms on death. The *Zakat Fitr* contributions, along with other funds operated by the village mosque, provide help to the poor and needy. The immigrant groups from China and India also brought their own customs as well as developing new forms. The Chinese laborers, for example, had mostly been members of triad societies prior to arriving in Malaya and these continued to support them as a form of social security.

Another, and central dimension of the structure within which the social welfare system has been established, is the subordinate role of women. Both Muslim and non-Muslim women are subject to legal systems that differ significantly to those to which men are subject, and in ways that discriminate against them. Embedded in the differences is a set of beliefs that “assumes women’s role is motherhood and their reproductive tasks of bearing and rearing children takes precedence over any other activity” (Rashidah, 1995: 9). For their part, men are assumed to be the primary income earners, and although female activity rates have increased in recent years, the burden of caring continues to be disproportionately placed on women’s shoulders.

### *The British Social Welfare Legacy*

According to a report produced by the International Labor Office (ILO, 1964) the main welfare-oriented activities of the Colonial Government, during the 100 years of British rule, were aimed at ensuring a steady flow of labor into Malaya’s principal export industries—tin and rubber. In fact, there were a number of initiatives directed at the well being of both the migrant workforces, as well as indigenous people, though these were far from being either comprehensive or well funded. Thus, a social welfare program established in 1912 with the intention of supporting both groups was closed, due to financial constraints, during the 1930s (Faizah *et al.*, 2000).

The origins of a more permanent and systematic welfare structure—even if still less than comprehensive—can be traced to 1945. The *Department of Social Welfare* was set up with “the objective of providing a vehicle primarily to assist the displaced and distressed victims of the war.” Before long, however, it came to provide “a permanent base for various social welfare

services, catering for those in need services for children and the disabled” (Abdullah, 1992: 372). In 1947, it incorporated the Probation Service that had been created to tackle the growing problems of juvenile delinquency and political agitation. In the same year, it also took responsibility for programs aimed at the welfare of the aged and aborigines, as well as providing protection for women and girls against being recruited into prostitution, while in the following year welfare for the blind became a responsibility (Abdullah, 1992).

Notwithstanding such expansion of programs, the provision of welfare services was not a universal effort, covering the population at large, but rather was very selective and mainly restricted to groups generally categorized as “those in need of special help, if they were to lead normal, happy lives” (Jones, 1958: iii). Indeed, from the very beginning, social welfare programs were viewed as burdens on public expenditure that detracted from the resources available for economic growth. As it was to be stated in the draft development plan, the overriding issue was considered to be “how to equate expenditure on development in the six years 1950 to 1955 with the limited amount of revenue which may be available for the purpose” (Malaya, 1950: 2). In consequence, the position that was taken was “that apart from whatever may be provided by the *Colonial Development and Welfare Fund* very little capital will be available for expansion of the social services” (Malaya, 1950: 3)

The setting up of the *Department of Social Welfare*, however, preceded by a matter of just a few years a piece of legislation that was to be of major significance in establishing welfare provision, not just for specific groups in need, but for the mainstream of Malaysian society. Under legislation enacted in 1951, the *Employees’ Provident Fund* was established. This was aimed at lower-paid workers outside government service with the intention of providing them with financial security after retirement, or in the event of disability occurring during working life. In its principles, the *Employees’ Provident Fund* was akin to Singapore’s *Central Provident Fund*: a system of forced saving imposed on workers, augmented by contributions from their employers, that can be viewed as a redistribution of income across the individual’s life cycle. As a type of personal or individualized welfare fund it also came to be extended, beyond its original focus mainly on lower income workers and on income after the period of formal employment, to provide finance for wider segments of the population and for other needs of individuals and their families—for example, housing and health care. It thus reinforced, at the heart of the Malaysian welfare state system, the principle that it is the individual and the family as much, if not more than, the state that has the major responsibility for well being through the certainties and uncertainties of life.

### *The Independence Period*

The Constitution established at independence in August 1957 reflected the “Bargain of 1957” reached between the main political parties. In return for rights of citizenship being accorded to all inhabitants of Malaya, the indigenous Malays retained privileges in areas such as business licenses, land ownership, and governmental positions. In fact, there was considerable inequality of income and wealth in favor of the Chinese and to a lesser extent the Indian communities. The Chinese were by now mainly located in the cities and larger urban areas and controlled much of the industry and trade. The native Malays were concentrated in rural areas and had per-capita incomes considerably lower than those of the other main ethnic groups.

From a purely economic point of view, the decade following independence was a clear success. At the time of independence, Malaysia’s rich natural resources were central to its economic development. The government continued with the practice established in the Colonial period of drawing up national five-year plans to guide the long-term project of economic growth. By the end of the 1960s, GDP in Peninsular Malaysia had increased by 86 percent, a rate of

growth “considered one of the better ones in Southeast Asia and among developing countries generally” (Cho, 1990: 17).

Initially, the strategy had promoted the development of import substitution industries prompting the large-scale migration of people from rural to urban areas to work in the new labor-intensive factories and workshops. The unplanned urbanization, frequently squatter settlements on the fringes of the larger towns, formed pockets of poverty that bred dissatisfaction. The balance provided by the “Bargain of 1957” was finally broken in the run up to the 1969 election. There were many dimensions to this but particularly significant was that the Malay hopes that their economic status would converge on that of the non-Malays did not materialize. There was no doubt that in absolute terms there had been improvements, but “for every step the Malay took, the non-Malays seemed to take two and were forging ahead” (Faaland *et al.*, 1990: 13). The 1969 race riot brought the bitter feelings to a head forcing recognition that unless the structural problem embedded in Malaysia’s multi-ethnic society was effectively addressed, it would endanger the overall economic achievement of Malaysia. As the Introduction to *Fifth Malaysia Plan* (Malaysia, 1986: 4) was some years later to put it:

*The May 1969 Incident revealed that emphasis on economic growth could not adequately deal with the socioeconomic imbalances that characterized Malaysian society.*

The practical reaction took shape in the form of the *New Economic Policy*, the first phase of which was marked by the *Second Malaysia Plan*. Its opening sentence was clear and to the point: “national unity is the overriding objective of the country” (Malaysia 1971: 1). It went on to specify the two essential objectives of eradicating poverty and restructuring society that would together redress the economic imbalances. The way in which these two objectives and the solutions—to be pursued over the plan period (1971 to 1976)—were described, gave a clear indication of the practicalities of the new bargain. According to the plan, poverty was “associated with those who are unemployed, underemployed, and those engaged in activities where productivity is so low that living standards are well below the national average.” Solutions were seen in terms of increasing productivity in low-productivity occupations, to facilitating the movement of labor from low to high productivity jobs, as well as providing a “range of free or subsidized social services.” As for the restructuring of society, this was deemed necessary in order “to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function” (Malaysia, 1971: 5). This was to mean modernizing rural life, improving education and training, and encouraging a balanced growth of urban activities.

Although freestanding social services were not left out of the equation, then, their role was to be a minor one, supporting the improving of access, particularly by the Malays, to better labor market opportunities. Central was the aim to bring “the poor into the mainstream of economic life” and to bring Malaysians, “regardless of ethnic origin, to participate in commercial and industrial ventures” (Malaysia, 1986: 5-6). This was not to be direct redistribution through taxation and in the form of transfer payments or even benefits in kind, but rather the increasing of “*Bumiputra* involvement in modern commercial and industrial activities by introducing employment and ownership quotas” (Ismael *et al.*, 1993: ix). Important, too, was to be education and training which would be implemented in a way that would allow the *Bumiputra* to compete effectively for jobs through the range of economic sectors and incomes. State provision of housing, for its part, would facilitate the geographical redistribution of the population, in particular the movement of *Bumiputra* to the towns. As much as anything then this was an equality of opportunity in the sense that everyone, regardless of their ethnicity, could get to the starting line of the race in which the prizes were shares in the country’s growing economic cake. It was also intended that there would be greater equality of outcome across the ethnic groups.

Underlying the distributional objectives, and indeed reinforcing its focus on the labor market was the belief that they had to go hand-in-hand with economic growth. One way that Malay wealth could be proportionately increased without potential divisiveness was to ensure that the overall “national economic cake” continued to expand (Cho, 1990: 17).

Thus, the basis of the Malaysian system was a principle that both growth and equity (at least in particular forms) were necessary; without any one of the twin towers, the other would fall over.

**Table 1: Public Expenditure: Percentage Allocations in Five-Year Plans**

Expenditure areas	1966-1970 (a)	1971-1975 (b)	1976-1980 (c)	1981-1985 (d)	1986-1990 (e)
Economic	63.3	67.2	59.3	57.9	58.8
Security	15.7	15.2	20.3	23.9	11.7
Administration	3.3	2.9	2.8	2.1	7.0
Social	17.7	14.7	17.6	16.2	22.5
Education	7.8	7.4	6.9	7.6	13.9
Health	3.5	2.9	1.7	1.5	1.8
Housing	4.6	2.4	5.5	3.7	4.9
Other	1.8	2.0	3.5	3.4	1.8
Total	100	100	100	100	100

Source: (a)(b) Malaysia (1971); (c)(d) Malaysia (1981); (e) Malaysia (1986).

Note: (a)(c) are estimates, (b)(d)(e) are allocations.

This principle took financial expression in the budget allocations laid down in the five-year plans (see Table 1). During the New Economic Policy period, 1971 to 1990, the largest share of federal expenditure came under the “economic” heading, with social expenditure taking a minor proportion. Within the social expenditure, only education, health and housing took amounts that could be considered at all significant. Being subsumed within the “other” category; it is clear that areas of state provision, such as social services and transfer payments accounted for very small quantities of public expenditure. It should not be overlooked, however, that these figures hide both the non-financial distributions, such as those effected by the granting or withholding of licenses and the imposition of quotas, and the welfare expenditures met from employee and employer contributions. These factors influence both the total amount of welfare provision as well as its distribution.

With the exception of a serious recession in 1985/1986, economic growth continued unabated throughout the two decades of the *New Economic Policy*. Between 1960 and 1990, GDP increased by an average annual rate of 6.8 percent (Ismael *et al.*, 1993). At the end of the *New Economic Policy* period, Dr. Mahathir, Prime Minister since 1981, introduced the *National Development Plan*. Carrying on many of the objectives and principles of the *New Economic Policy*, this was an ambitious 30-year project to take Malaysia by the year 2020 into a fully developed and modernized country. Vision 2020 recognized the need to develop many aspects of Malaysian culture, society, and economy—but there was no marked change in either the general approach to welfare provision or the proportion of public spending allocated. Moreover, the strong pro-business stance encouraged further direct foreign investment, which in turn fuelled economic growth. This continued until 1997 when Malaysia experienced the impact of the Asian financial crisis whereupon GDP fell and unemployment grew. By the end of 1999, however, GDP had more or less recovered its former rate of growth and unemployment had fallen, though the exchange rate against the US dollar remained low.

### *THE MAIN AREAS OF WELFARE PROVISION*

In one sense at least welfare provision in Malaysia bears comparison with welfare provision in other countries: with economic growth, industrialization, and urbanization has come more developed services, covering larger proportions of the population. Yet, there continues to be a distinctive Asian—and particularly Malaysian—character with an emphasis on welfare through income and the actions of household and group members. These features are apparent in the individual service areas discussed in this section.

#### **Pensions**

Policies addressing the financial needs of older people are characteristic of the Malaysian approach to social welfare. There are provisions, indeed several programs, but they fail to incorporate large segments of the population; moreover, even for those included there is a major responsibility on the individual, along with their family, to generate the necessary resources themselves. The provisions are not comprehensive; they rely on a minimum of state funding and constitute redistribution, not across income groups, but across individuals and generations.

Traditionally in Malay communities, people kept working for as long as they were physically and mentally able to do so. There was not, in other words, a formal retirement age. According to figures provided by Mohammed Fauzi (2000) even in 1990, 44.4 percent of the 60-to-64-year age group, and 30 percent of those 65 years and older were in paid employment. In general, considerably more men than women in these age groups will be in work, and more so in agricultural and informal sectors. This self-support through paid employment is based on a strong work ethic. When individuals are no longer able to work, it is generally expected that younger members of the extended family—sons, daughters and even grandchildren—will support them. This system related to the practice of extended families living together in the family home, women doing the caring and the cooking, and men working outside the home. In recent decades there has been some weakening of this ideology as well as the increasing practice of older people not living with their adult children (Tey, 1995). Nevertheless, it remains common for children, as soon as they themselves are earning, to provide financial support for their parents.

Alongside these traditional arrangements there have been introduced a number of formal provisions governing retirement and financial support. Although the precise date of its introduction is not generally known (see Wahid, 1970) the first of the formal retirement schemes, set up in the period of British Malaya, was the *Civil Service Pension Scheme*. Its present position, grounded both in the Constitution and later legislation, is that of a noncontributory scheme that provides support to employees in public service when they retire or their dependants in the event of their death in service. Although there are exceptions that can be invoked by either the employer or the employee, in general public servants compulsorily retire on reaching 55 years of age. On doing so they can expect to receive a pension not greater than one half of their final salary.

Whereas the *Civil Service Scheme* is noncontributory, the *Employees' Provident Fund* relies on contributions from both employee and employer. Established in 1951, its principal objective was to provide financial support on retirement, or of disability or death in work, of workers outside the government sector. When first set up, it excluded those working for small companies and those with higher incomes; those included were required to pay 5 percent of their income into the fund, with their employer contributing an equal amount. In the intervening half century, the scheme has been widened to incorporate other groups of workers. For example, in 1964 some higher-income workers were included, while in 1967 it was extended to workers in Sabah and Sarawak, and in 1977 to the self-employed. The amount of the contribution has also

been steadily increased; since 1997 employees have contributed 11 percent of their income, employers 12 percent. Upon reaching the age of 55 years the worker could then withdraw whatever had accumulated in their personal fund so providing them with an income through their old age. A withdrawal could also be made in the event of the worker becoming unable to work due to physical or mental incapacity or leaving the country with no expectation of returning.

The adequacy of the *Employees' Provident Fund* is partly an issue of its coverage. Notwithstanding some widening it appears that only about half the workforce belong to this or the *Civil Service Scheme* (Vijaya, 1997). The main groups presently excluded are the self-employed, such as traders and farmers. Indeed in a total workforce of around 7 million, as at the end of 1996 fewer than 12,000 self-employed people were members of *Employees' Provident Fund*. For those outside the scheme, income in old age will be mainly dependent on either personal savings or on the family. Even for those inside the scheme, the financial benefits are sometimes quite small. The problem arises as a consequence partly of the widening of the conditions other than retirement (as we will discuss later, to include some housing, health care and education expenditures) under which people have been allowed to withdraw money and partly of the extended periods of education delaying the entry of many into the labor market. In fact, many of those in *Employees' Provident Fund* are unskilled and semiskilled workers with most receiving pensions on retirement of around RM 300 to 400 (US\$ 75 to 90) per month, an amount well below the official poverty line (Vijaya, 1997). These characteristics thus do much to contribute to a situation in Malaysia where old age is increasingly equated with low income, a problem that may well become exacerbated as, on the one hand, the extended family system and the ideology of filial piety weaken and, on the other hand, people live longer.

### **Social Security**

From the end of the 1960s the Malaysian welfare system moved more firmly beyond its focus on financing retirement to incorporate social security and social services provisions. The Employees Social Security Act of 1969 introduced the requirement that all industries employing at least five people contribute to a social security fund with coverage for all employees earning under RM 2,000 per month. This included most lower income and many middle income groups, with workers continuing to be covered even if their incomes rose above the RM 2,000 limit, a "once in, always in" principle. Though it excluded some groups, such as domestic servants, the legislation covered a large proportion of the working population (Paguman Singh, 1991). In order to implement the provisions the legislation set up the *Employees Social Security Organization* (SOCSO). Through this, workers are provided with financial support in the event of a range of eventualities, such as industrial accident, occupational diseases and invalidity and including such specific provisions as sickness and maternity benefits, employment injury benefits, temporary and permanent disablement benefits, constant attendance allowances, and funeral benefits (Row, 1984). With some, the amount of the benefit is related to the income of the worker, rather than being a flat or constant amount independent of income. Thus, temporary disablement benefit is payable at a rate of 70 percent of income and invalidity pension is paid at a rate between 25 and 65 percent of the insured's average income.

### *Social Services*

Formal social services provisions were established under British Colonial rule and in 1946 had been brought under the wing of the *Department of Social Welfare*. In subsequent years, both before and after independence, it has undergone many changes, organizationally and functionally. The organizational changes have involved moving to and fro between the *Ministry of Health* and

the *Ministry of Labor*; in 1990 it became one of the departments in the *Ministry of National Unity and Social Development*. The functional changes mainly consisted of additions to its range of activities. Thus, in 1960 it took on responsibility for the welfare of those physically disabled, in 1967 those chronically ill and in 1984 childcare. By the early 1990s there was an extensive list of areas of responsibility and a positive vision of its role, as outlined by its former director-general:

*To uplift the living standard of the poor, the depressed and those who fall within its ambit. This is through various programs that would enable those concerned to develop positive attitudes and acquire necessary skills for their eventual participation in development efforts (Abdullah, 1992: 377).*

The social workers, employed by the department and whose job it is to implement this vision, have available the facility to provide financial support, though “it should be noted that in every case, under whatever category, the element counseling is highly predominant.” Indeed, the general intention is that counseling is necessary in order to give to people “who have lost their sense of self-worth due to prolonged deprivation and other physical, emotional, and spiritual conditions,” positive attitudes that would “enable them to develop their capacity for greater resilience for active involvement in socioeconomic life” (Abdullah, 1992). One interpretation of this focus is provided by the same author, who points out that the budget available to the department is low, constituting in 1990 less than a quarter of 1 percent of the federal budget. At such a level it might be considered that there may be little practical alternative to encouraging people to search all possible sources of financial aid such as family and friends before dipping into the department’s limited pot, and even then in many cases encouraging them to seek solutions through the labor market and self-help. The target groups for social welfare as identified by the *Department of Social Welfare* in 1990 are: children at risk, normal families with problems, elderly in need, the sick and terminally ill, vagrants, victims of natural disasters, people with disabilities, juvenile and young adult delinquents, and voluntary organizations (Abdullah, 1992).

## **Education**

Prior to independence, the majority of those schools offering education most appropriate to the development of a modern economy were to be found in the cities and larger urban areas. It was the children of the urban Chinese in particular, rather than the rural Malays or the Indians on the estates, who were best placed to take advantage. Education became a major concern of the early Malaysia plans, taking a sizeable proportion of the budget. The principal emphasis lay on the development of primary and secondary education seeking to increase levels of provision and enrolment. In both it met with considerable success, with secondary enrolment increasing over the period 1956 to 1968 by a factor of 5 for Chinese and 4.5 for Malays. But, in other respects progress was less spectacular. Adult literacy, for example, increased slowly and to levels below those in most comparable countries in the region, a failing that has been attributed to the inefficiencies inherent in teaching in a multi-ethnic environment (Ismael *et al.*, 1993).

Under the New Economic Plan, education was afforded a special role, being “regarded as a vehicle to modernize society and attain social goals, and as a way to achieve equal opportunities for all and promote national unity” (Faaland *et al.*, 1990: 58). Central to the strategy that developed was to impose *Bahasa Melayu*, rather than English or any of the other languages used by the peoples of Malaysia, as the official medium of instruction. This could be seen as both a symbol of unity—a single education system for all—as well as facilitating *Bumiputra* competitiveness in the labor market.

From the 1970s onwards, the increasing output of the secondary school sector created, as Snodgrass (1980: 248) put it, “social demand for places at higher levels,” to which the government responded by expanding the tertiary sector. Prior to 1970 there had been only one local university, but by 1973 there were five. There was also a large increase in the number of government scholarships. With the priority of correcting ethnic imbalance these “were granted on need, as opposed to merit, with informal quotas set to enhance *Bumiputra* participation” (Ismael *et al.*, 1993: 25). As with earlier developments in education, the increase in access gave rise to issues concerning the language of instruction. Until the 1970s the University of Malaya, for example, taught primarily in English, providing advantage to applicants who had been educated in English medium secondary schools, those being a high percentage of urban Chinese. This was resolved by a decision to impose *Bahasa Melayu*, effectively creating “a unified system of education based on the Malay medium” (Snodgrass, 1980: 250).

At the present time, the Ministry of Education offers free schooling between the ages of 6 and 16, consisting of six years primary, three years lower secondary, and two years upper secondary. The Ministry also makes provision at the tertiary level through 10 polytechnics (mainly offering engineering and other technical programs), 31 teacher-training colleges, 10 universities, one college, and one institute. Access to all is based on academic merit. Alongside government provision there is at all levels—from pre-school to university—a buoyant private sector.

## **Housing**

Prior to independence, formal housing policy was limited. The British administration provided housing, the “institutional quarters,” for British workers in public service. There was also some resettlement of Chinese in the *new villages* as part of attempts to weaken the base of the communist party. After 1957, the concept of low-cost public housing was introduced. According to Tan Soo Hai (1983) this was based upon the government’s desire ‘to provide adequate housing for its citizens’ allied to a belief in the ideology of a home owning democracy. Further, quoting from the *Third Malaysia Plan*, he notes that the government’s commitment was that such housing should be enjoyed irrespective of income. The objective had taken on a new relevance with the *New Economic Policy* and its twin strategies of restructuring society and eradicating poverty. Part of the agenda involved encouraging migration from rural to urban areas, to create a new Malay commercial presence in the cities that hitherto had been dominated by the Chinese. Thus, in 1957 of the 1.7 million urban residents 21.0 percent were Malay and 62.6 percent Chinese, while by 1990 the total had grown almost fourfold to 6.5 million, but with Malays now constituting 45.6 percent and Chinese 43.7 percent (Malaysia, 1996).

One of the results of the large and rapid increase in the size of the urban population was that, as Tan (1983: 65) noted, “the demand for housing in the urban areas far outstrips supply.” In these circumstances slums were commonplace: it is reported that 37 percent of the residents of Kuala Lumpur in 1971 were living in slums and squatter areas (Linn, 1983; R.A. Mohammed, 2000). In the succeeding three decades the shortages have persisted. One response of the Malaysian government contained in all of the five-year plans has been a budgetary allocation for the provision of low-cost housing. However the allocations are small leading one observer to conclude that

*the state gives low emphasis towards the need of housing (in the social sector) compared to other sectors such as economy and security. The state feels that housing is a luxury consumer item and the budget is limited for spending it on housing as it is an unproductive sector (Nurizan, 1989: 64).*

The housing provided through the state has been intended for home ownership. Low-cost housing, achieved in part by low standards of size, facilities, and finish, has been deemed necessary in order to be consistent with the low incomes of many groups in the population. For most of the population, particularly in the urban areas, housing has been provided by the private sector. Here, size and quality standards have reflected the different segments—largely defined by income—of those people exercising demand for housing. Broadly, then, the nature of the housing in terms of the value and quality enjoyed by people reflects the ability of them and their families to pay, which reflects, in turn, labor market position.

The government has facilitated the growth in home ownership in a number of ways. Thus in 1976, the National Bank introduced guidelines requiring commercial banks and finance companies to channel at least 10 percent and 25 percent, respectively, of increased lending to housing loans to individuals, whilst also setting interest rate limits. Cagamas (*Perbandnan Cagaran Malaysia*, or National Mortgage Corporation) was established in 1986. The National Bank owning 20 percent with private financial institutions the remainder, it provides security for those lending in the housing market, thereby supporting the market. In 1994, there was a significant development in the rules governing *Employees' Provident Fund*. Every member's account was separated into three parts. 60 percent was to be retained in *Account I* to meet pension needs, with 30 percent in *Account II* that could be withdrawn to meet housing costs, and 10 percent in *Account III* to meet health care costs. What started out as a compulsory savings scheme to fund old age was thus widened to incorporate other dimensions of welfare.

## Health Care

The origins of the present health-care services date back to at least 1923 with the setting up of the maternal and child welfare services. In later years, this developed into a major force for the spreading of modern methods of health care. With independence, a department of health was established, later receiving full status as the *Ministry of Health* and funding allocations, from general taxation, through the national five year development plans (see Table 1). As a proportion of GDP, these allocations have been markedly less than those common in both Western, industrialized countries, as well as some of the less developed countries of the Asian region, such as India and Nepal (see Peabody, 1999).

The Ministry of Health has a wide range of responsibilities in the fields of both preventive and curative health care to which end it has created a network of hospitals, health centers, and clinics. The *Rural Health Service* set up to meet the health needs of rural areas operates through health centers, maternal and child welfare clinics, and mobile health teams to reach the most isolated communities. As early as 1980, the *Rural Health Service* had succeeded in offering access to a health facility within 5 km of their home to over 90 percent of the rural population and has played a central role in improving health and life expectancy (Omar, 2000). In the urban areas, health care is provided through a system of general and district hospitals and clinics. In addition to public provision, there is a growing private sector, particularly in the very largest urban areas, that caters mainly to high-income groups.

Table 2 provides some indicators of improvements in accessibility to health care—through the numbers of doctors and dentists—and in healthiness. In fact, the improvements hide some significant divisions and developments that have contributed to the establishment of priorities for the health system. Firstly, there are great geographical differences as between the more favorable indicators for the Western and more urbanized states of Penang, Johor and Selangor and the less favorable Eastern and more rural states, particularly Terengganu and Kelantan. Secondly, since the 1980s it has become more apparent that so-called life style diseases have become more prevalent, particularly in urban areas. Dietary changes, increased smoking, reduced exercise, and

higher levels of stress have all contributed to greater risks of heart attacks, strokes, diabetes, and cancer. In recognition of this development the *Seventh Malaysia Plan*, covering the period 1996 to 2000, shifted expenditure away from its earlier emphasis on curative health care in the form of the construction of hospital and patient care facilities toward promotional and preventative programs.

Table 2: Selected Indicators of Health Status

Indicator	1980	1997
Life expectancy/men	66.7	69.6
Life expectancy/women	71.6	74.5
Crude death rate (per 1,000)	30.9	25.8
Infant mortality rate (per 1,000)	24.0	8.8
Doctors per 10,000	2.8	6.6
Dentists per 10,000	0.5	0.9

Source: Ministry of Health Reports

A major issue facing the health system, first formally mooted in 1983, has been privatization (see Omar, 2000). In 1991, the government published its *Privatization Master Plan*, which proposed some privatization of the system in order to meet a number of objectives. The government clearly saw this as a way of reducing its direct funding as part of a more general wish to curb public expenditure and tax levels, with the ultimate goal of achieving greater economic growth. The government also argued that privatization would bring about greater efficiency resulting in cost reductions. There have been moves in this direction—for example, alongside the state provided hospitals the number of private hospitals increased from 135 containing 3,666 beds in 1985 to 219 with 8,936 beds in 1997. But, in general, there has been less privatization than the government first intended, as a result of opposition from a number of quarters. Both the *Citizens Health Initiative* and the *Malaysian Medical Association* have lobbied strongly, arguing the case that private health care will often be more expensive and particularly disadvantage lower-income groups. The government responded in the *Private Healthcare Facilities and Services Act* 1998 with provisions strengthening the emphasis on equity objectives.

## CHALLENGES TO THE WELFARE SYSTEM

In common with a number of other Asian countries, Malaysia has developed a welfare system that places emphasis on economic growth; public spending has been mainly directed toward economic investments; state provision of welfare services and transfer payments are limited; and individual well being is premised on individual contributions from income, and family and group support. In conjunction with this, there is an emphasis on achieving some convergence in the economic activity and rewards as between Malays and non-Malays. Both parts of these arrangements form a mutually supportive whole. Following the 1969 riots it was apparent that the pursuit of growth would not be sustainable without greater ethnic balance, but balance would be achievable only if growth was sustained. The coherence, and indeed long-term success, of the Malaysian approach is currently being forced to confront a number of challenges.

With the important exception of the continued efforts to re-distribute the country's wealth in a way that responds to the inferior position of the *Bumiputra*, the considerable increases in the standard of living of Malaysian citizens—evidenced in housing, health care, diet, and so on—can be largely attributed to economic growth and full employment. This was hit severely by the

impact on Malaysia in 1997 of the Asian financial crisis. While rejecting and indeed criticizing IMF support, the government nevertheless imposed many strictures equivalent to those imposed by the IMF elsewhere—e.g., Korea and Thailand. The consequences for the Malaysian people also bears similarity to the general pattern in the countries in the region most affected: unemployment (though in the case of Malaysia somewhat dissipated by the return of many immigrant workers to their countries of origin), combined with a move into informal sector jobs, higher food prices and increasing interest rates. As Bezanson and Griffith-Jones (1999) argue, in these circumstances there is generated a realization of the need for more effective social protection nets. This is pertinent to the Malaysian case since the core of formal welfare support, the *Employees' Provident Fund*, is a direct dependency on contributions from income and from employers. Should Malaysia's future be one in which the full and continuous employment of the two decades before 1997 becomes rarer, its existing insurance and savings arrangements will in turn become less effective.

Alongside the macroeconomic changes are changes in the nature of the family and the role of women. The *National Policy for Women* formulated in 1989 was intended to stimulate greater female participation in the labor market. The *Seventh Malaysia Plan* (Malaysia, 1996) indicated that labor force participation for women increased from 47 percent in 1990 to 49 percent in 1996. It also announced strategies to increase this further including providing more training and educational opportunities, more flexible working hours and career breaks. Despite the inclusion also of advice and counseling services, there seems likely to be a clear and increasing tension between women's labor participation and caring roles that in the longer run may need to be resolved through the provision of non-family based care. Rashidah (1995: 12) has summarized the problem:

*Some observers would say that women have been used as labor in the country's economic development, but not provided, with social supports in terms of child-care facilities and progressive family laws. There has therefore been an exploitative aspect of the various development policies, and women's lives have in fact become more difficult as they try to juggle their various roles.*

Malaysia is also experiencing the trend common elsewhere encapsulated by the phrase "fewer babies, longer lives." Malaysians are delaying marriage and having fewer children; whereas the average growth rate in the early 1990s for the Muslim *Bumiputras* was 2.6 percent, for Chinese it was 1.1 percent, and Indians 1.7 percent (Ministry of National Unity and Social Development, 1996). Along with this average household size is falling, as is the proportion of extended families. As more and more adult children form their own nuclear families the existing arrangements for caring for elderly parents are likely to become more problematic.

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