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The Gender Implications of Macroeconomic Policy and Performance in Malaysia

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Gender Equality: Striving for Justice in an Unequal World

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1. Introduction

Prior to the Asian crisis, Malaysia was one of the fastest growing economies in the world and was on track to achieving developed country status by the year 2020. Since Independence in 1957, the Malaysian economy has grown by an average of seven percent per year. Over this period the Malaysian economy was transformed from an agricultural exporter of primary commodities to one where manufactured exports comprise more than eighty percent of exports.

Malaysia also made considerable inroads into poverty reduction generally as well as in reducing income imbalances among its multi-ethnic population. Today, Malaysia is a multi-ethnic society with a population (in 2000) of approximately 23 million. The Malaysian population is composed of three main ethnic groups with Malays or Bumiputeras comprising 63.3 percent, Chinese 26.5 percent and Indians 7.6 percent. Since the implementation of the New Economic Policy in 1970 the pursuit of greater equality of incomes and opportunities have played an important role in determining the course of economic development and macroeconomic policy in Malaysia.

While the progress towards the achievement of greater inter-ethnic income equality has been meticulously tracked in successive development plans, little is known of about whether greater gender equality was also achieved during this period of rapid economic growth and profound structural transformation. Gender equality is not only a fundamental human right but as the World Bank (2004) notes countries that reduce gender inequality reap significant rewards in terms of faster economic growth and lower poverty rates.

This study aims to examine more fully the relationship between past macroeconomic regimes on the well being of women and gender equality. It focuses on the gender implications of the broad effects of macroeconomic policy as well as specific aspects of macroeconomic policies. The possible feedback effects of gender relations/gender inequality on macroeconomic policy will also be explored.

The Sixth Malaysia Plan (1991–95) undertook to support the objectives of the National Policy for Women which was launched in 1989. Its objectives are to ensure equitable sharing in the acquisition of resources and information as well as access to opportunities and benefits of development for both men and women. It also seeks to integrate women in all sectors of national development in line with their abilities and needs, in order to improve the quality of life, eradicate poverty, abolish ignorance and illiteracy and ensure a peaceful and prosperous nation.

The goal of achieving greater inter-ethnic economic parity between the various races have been precisely set out by the NEP. Targets were set to achieve them and successive development plans meticulously tracked the fulfillment of these over time. The same cannot be said about the pursuit of greater gender equality.

Development Planning documents in Malaysia have included a chapter on Women in Development since the Sixth Malaysia Plan. From the Sixth Plan until the Eighth Plan the focus of this chapter has been on the employment distribution women in the workforce by occupation and sector. A short summary is also made of the gains that women have achieved in the areas of health and education. However there is lack of gender disaggregated data on wide range of indicators in Malaysia and to a large extent limitations are imposed on the extent of the analysis reported in this paper because of this.

Section two of this paper provides an overview of Malaysia's evolving political economy, and is divided into four periods; Independence and the Laissez-Faire Approach (1957–1969), the NEP and the Rise of Dirigisme (1970–1985) the High Growth Era (1986–1996) and the Crisis and Post Crisis Era (1997–2001). For each of the periods above economic policy will also be viewed within context of the overall framework of national development policies, plans and objectives. Section three presents an overview of social policy and its implications for the well being of women in Malaysia. Section four presents an assessment of how past macroeconomic policies were helpful in advancing women's well being and contributing to greater gender equality. Section five concludes by discussing the lessons that can be drawn from the Malaysian experience as well as future directions for research.

The findings in this paper indicate that women benefited from the implementation of the NEP particularly in terms of seeking to eliminate the identification of ethnic background with occupation. Expenditure on education was high and women made gains in terms of literacy rates and participation at all levels of education. However in spite of achieving gender equity in education far fewer women are employed in higher level occupations than men. Foreign Direct Investment has had a profound impact on both the economy and women's employment in the manufacturing sector. Here the prohibition of industry based unions have most likely contributed to a trade off between greater female participation in the labour force and gender wage equality. More recently increases in female labour force participation has stagnated, while immigrant labour has increased during the era of high economic growth. This suggests that perhaps to some extent female labour may have been substituted with migrant labour. Generally this indicates that high growth rates alone will not ensure an improvement in the well being of women. More research is needed to explore these links.

2. An Overview of Malaysia's Political Economy

2.1 Independence and the Laissez-Faire Approach (1957–1969)

The British colonial legacy had a number of lasting impacts on Malaysia. First, a dual economy resulted in a large plantation and mining sector (owned mainly by British interests) existing alongside peasant smallholdings (Chan, 1986). The dominance of foreign investment coincided with an economy dominated by two commodities, rubber and tin. A second legacy of the colonial era was the dramatic demographic change, which led to the creation of a multi-ethnic society.

To meet the high production schedules in the mining and plantation sectors respectively the colonial government organised a massive inflow of cheap immigrant labour from China and India. The influx of migrant labour resulted in the segregation of these various groups by geographical location, economic occupation and political roles. Further 80 percent of Malays resided in rural areas and two-thirds, were below the poverty line. (Bussink, 1980), while Malay earnings were only half the average non-Malay income (Snodgrass, 1980).

The Malays remained largely marginal to the growing capitalist sector with the elite integrated into the colonial state apparatus and the masses remaining in the countryside as peasants. Emerging business opportunities were mainly taken up by the more urbanized and better connected Chinese (Jomo, 1990). Ethnic considerations were to play an important role in determining the course of economic development and macroeconomic policy in Malaysia.

At the time of Independence the Alliance- a coalition of the United Malay National Organisation (UMNO) the Malaysian Chinese Association (MCA) and the Malayan Indian Congress (MIC) formed the government of the new nation. Before the Alliance came to power a series of compromises were reached (later known as the 'bargain') between UMNO and the MCA. Essentially it amounted to the safeguarding of Chinese economic interests in return for Malay political supremacy.

During this period there were three development plans (see Table 1). Planning in Malaysia began with the Draft Development Plan (1950-55). The draft development plan reflected the underlying commitment of the state to British plantation and mining interest.

Hence development expenditure heavily favoured export and urban interests with priority allocated to providing economic infrastructure. Expenditure on social services were generally considered by the colonial authorities to be extravagant, while considerable resources were directed to fighting the communist insurgency. There was also emphasis on equating development expenditure to revenue availability, as there was concern about Britain's balance of payments. These features of the Draft Development Plan were echoed in the development plans during this period. The First Five Year (1956-60) placed most of the emphasis was on urban infrastructural development. This consumed 52 percent of the budget, while public spending in the social sector had low priority. The heavy bias in urban infrastructure reflected the views of the colonial government of a dynamic urban sector inducing rural development via a trickle down process (Jesudason, 1989, p.50).

In the Second Five Year Plan (1961-5) due to greater political pressure to improve the welfare of the Malay and primarily rural section of the Malaysian population nearly half of planned investment went to agriculture and a higher percentage of funds for infrastructure and social services were allocated to the rural sector. As Rudner (1975) explains under the Malaysian constitution rural areas are given a disproportionately large representation in parliament and rural Malays effectively determined the government of the day. The orientation now switched to raising rural incomes so that the domestic market could be enlarged and thus enhance industrial development.

To stimulate rural incomes and productivity the government made a concerted effort to

promote land development schemes in rubber and oil palm for settlers and subsidized the replanting of higher yielding varieties of rice by smallholders. Large irrigation projects were also started and the level of social services and public utilities to the rural sector was lifted. The First Malaysia Plan (1966–70) continued broadly with the principles of expanded government and rural development. In this period government revenues were mainly composed of indirect taxes and import duties were the largest single source of revenue (Table 2).

In spite of the fact that three development plans were implemented during this period, it has been asserted that during this period a largely laissez-faire approach was pursued (see Jomo, 1990, Searle, 1999, Jesudason, 1989). As Jomo (1990) explains planning during this period was a relatively unsophisticated process and plans were little more than programs for private capital formation.

Searle (1999) argues that the bargain constrained the role of the state in expanding Malay ownership of the economy and that it shaped the laissez-faire policies that the government followed. He also asserts that this outcome was sustained by the power and personality of the Malaysia's first Prime Minister, Tunku Abdul Rahman. Further Snodgrass (1980) contends that the State had a benign attitude to foreign ownership which was due to a preference for foreign capital to Chinese capital.

In 1970 foreigners continued to control three-quarters of the corporate capital in agriculture and mining, as well as seventy percent of the export trade. In the meantime Chinese enterprises generally prospered in the 1960s. A number of Chinese businesses grew into large and diversified conglomerates and substantial gains were made in property and banking (Tan, 1982). At independence foreign banks were the most significant actors in the financial system. With the establishment in 1959 of Bank Negara Malaysia (BNM), Malaysia's central bank, and its support for domestic banking activities Chinese banks flourished (see Tan, 1982).

Increased government spending on infrastructure including rural development primarily aimed at the Malays also provided Chinese contractors and other businesses with opportunities for growth and profit. Chinese businesses particularly small and medium level firms seldom employed Malays. Although some Chinese firms did employ Malays as functional directors to assist in their dealings with government, such directors exerted little

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