

CHAPTER 5
DISCUSSION

CHAPTER 5: DISCUSSION

Malaysia is facing the task of increasing its value added of the manufacturing sector to accelerate the growth in the economy. The economic crisis in 1997 nevertheless has affected this sector which later lead to a sharp contraction in domestic demand and weak external demand particularly from the East Asian countries. Therefore, one of the actions which had been undertaken by the National Economic Recovery Plan is to increase labor competitiveness. From this point of view, we can see that the issue of improving labour productivity is important. In other words, enhancing the country's international competitiveness is important to compete in the global market.

This study attempts to look at the impact of the real wage and unit labour cost to the labour productivity of the manufacturing sector in Malaysia for the 25 years period that is 1978 to 2002. Subsequently, based on the results, several conclusions can be done .

- 1) The real wage is one of the ways to measure labour competitiveness. In order to improve the labour productivity particularly in the manufacturing sector, the wage need to be revised in each firm involves in this industry. However, we must

make sure that the increase in wage is commensurate with the increase in labour productivity. By then, the labour competitiveness can be maintained.

2) Throughout the 25 years, the manufacturing sector has been able to maintain an increasing level of labour productivity with decreasing trend of unit labour cost. Indirectly, this implies that this industry has managed to increase its labour productivity by having lower unit labour cost throughout these years. This signifies that the labour competitiveness has improved within the years. Therefore, the efficiency of the labour force has improved as well. Among the reasons for the improvement in the competitiveness might be due to higher technology which has been applied in the industry and foreign workers employed at the lower cost as compared to the locals.

However, at present, our economy needs to revitalize its manufacturing strategy in order to enhance growth, exports and employment. Thus, below are the few recommendations which to be mentioned in order to fulfill the obligations to meet the future challenges.

5.1 Recommendations

1) Human resource development and training skills should be improved for the upgrading of the workforce in this industry especially focusing on the issue of

information technology, computer, automation and computer integrated manufacturing and others which are beneficial for this industry. In the event whereby the local training skills does not satisfy the need of the industry, the firm should encourage their employees to acquire knowledge and skills abroad. This nevertheless will benefit the industry and the economy as a whole.

- 2) More emphasize should be taken by each firm in the industry to participate in the productivity enhancement programs so that the labour force can maximize their contribution to achieve optimal output and revenue. Thus, training and skills workshop should be compulsory to every level of workforce in this industry.

- 3) The Productivity-Link Wage System (PLWS) which has been introduced by the National Productivity Council is one of the measures to enhance competitiveness. Thus, this system should be emphasized in each firm whereby the wage movement is in accordance with the level of labour productivity and profit level in the firms. However, the increase in wage should commensurate with the level of labour productivity so that the unit labour cost remains competitive.

- 4) Through Multi National Corporations, the technology transfer is vital in this industry. Thus, the local employees should take advantage of the foreign expertise engaged in the production process. The local employees' effort to adapt to these imported technologies besides promote the development of local technology should be highly appreciated.

- 5) The government should restrict their rules concerning the matters of applying the Productivity-Link Wage System (PLWS) in each firm in the industry. For example, at present, some firms will give yearly bonus to their respective employees and some others are not. Consequently, the level of productivity of those who do not get will be jeopardized.

- 6) There must be a close co-operation between the government and private sector to create a human resource development system that can fulfill the requirement of the dynamic and progressive labour market.

- 7) The vocational and technique schools should be upgraded and more should be built in order to have more trained and skilled workers in the technical skill in order to fulfill the vacancies in the market.

- 8) The government official should revise the policies in the manufacturing sector particularly in removing the constraints and rigidities which can create a negative impact towards the performance of the labour in this sector.

- 9) The attitude changes of the labour as a whole from negative attitudes towards positive attitudes should be encouraged. Thus, workers from every level, from managers to supervisors, should be more serious and purposeful in doing their job. Therefore, more talks and seminars should be held in order to instill the positive mind in each individual particularly in this industry. As a result, higher labour productivity could be achieved.

- 10) Time management can also be considered as one of the means to improve our productivity performance. If each and every individual recognizes the fact that time management is vital in our lives and they can plan and utilize their time efficiently and do their job in the proper manner.

- 11) The communication flow in each level of workers is also important. A great communication channel from the higher hierarchy level to lower hierarchy can develop closer relationship between them and thus can boost up the productivity performance.

12) In order to promote process innovation among the firms in this sector, appropriate policies such as tax incentives or restrictions on the import of foreign semi-skilled and unskilled labour should be done in order to achieve this objective. It is because, at present, with the lack of process innovation, the impact of technological change tends to displace the semi-skilled and unskilled labour workers rather than the professional, technical and supervisory workers. It also seems that the presence of foreign semi-skilled and unskilled labour might have retarded the firm's progress in the innovating their own production process.

In short, there is no doubt that the economic performance of our country depends on the productivity growth. The higher productivity growth can be achieved, the better the living standards of the society in the country could be attained.