

# **Multi-ethnicity in the Malaysian Workplace: The Net Balance of 35 Years of Affirmative Policies as Observed by a Foreign Visitor**

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*This paper looks at the net societal balance of post-independence affirmative action policies in Malaysia. Social imbalances prompted the country to implement affirmative policies to uplift the majority natives (Malays, Indigenous people of Sabah and Sarawak, etc.). These policies were reluctantly accepted by the immigrant communities (Chinese, Indian, Eurasians, etc.). After 35 years of implementation, the different ethnic groups still struggle to share the country's economic resources. The author visited Malaysia during the summer of 2005.*

Key words: Multi-ethnicity, Affirmative Action, Malaysia.

The presence of immigrants has always been a constitutive part of Malaysian history, ever since Parameswara (a refugee prince from what is today Indonesia) founded the city and the Sultanate of Malacca. A long list of foreign occupations followed, beginning with the Portuguese (1511), the Dutch (1641), the British (1798), the Japanese (1942), and the British again (1945), until nationalists forced the British imperial power to grant Malaya's independence in 1957. The coexistence of so many ethnic groups in the country has demanded great efforts of social architecture to share the country's resources without major disturbances. The history of contemporary Malaysia began in the 18<sup>th</sup> century. As Hirschman (1985) pointed out, colonial penetration and the development of an export economy in the nineteenth century set the stage for the emergence of a plural society of the twentieth century. In the 19<sup>th</sup> century the country's economy took off with the production of tin and rubber. According to Hirschman (1985), the shortage of labor was a major constraint on economic development, and few Malay peasants were willing to assume the role of cheap labor. The terrible working conditions, low remuneration, and authoritarian environment in the early mines and plantations did not present attractive economic opportunities to the Malay peasantry. The result was an extraordinary wave of immigration from China and India and from Sumatra, Java, and other islands of the Malay Archipelago.

## **Problem statement**

Malaysia is, from any point of view, a fascinating, complex, and diverse country of 329,758 sq. km. Its diversity covers any imaginable scenario: Geography, biology, ethnicity, religion, politics, economics, history, language, law, and so forth. In terms of ethnicity, Malaysia has been called "Asia in a microcosm." The country's population is around 26 million, distributed roughly as follows: Malay 57%, Chinese 27%, Indians 9%, others 7% (includes Eurasians, indigenous people of the peninsula, Sabah, Sarawak, etc.). With their expansion from tin mining to commerce in urban centers, the Chinese emerged as the first middle class in the 20<sup>th</sup> century in Malaysia, eventually controlling the marketplace. Indians were brought in after the 1890s to work in rubber plantations, railroad construction, civil service, and security. They came mostly from south India and Sri Lanka; and were mostly Tamil. With time, the Indians moved up to the professional disciplines (law, medicine, engineering, etc.). This division of labor served as a British mechanism to keep the three main ethnic groups divided, and facilitated the imperial domination.

The challenge of ethnic tensions has existed in Malaysia for many years. It has gotten to the point of confrontation at several junctures in the country's history: 1913, 1945, 1957, 1963, 1964, and 1969. The ethnic-based riots of May 13, 1969 in Kuala Lumpur between Malays and Chinese became a turning point in Malaysian history. According to Mason and Omar (2003), "the alleged fundamental cause of the racial tension between the Chinese and the Malays was the unequal socio-economic standing of the two ethnic groups" (p.3). As a result of it, the National Economic Policy (NEP) was enacted to try to correct economic imbalances and reduce poverty, to the advantage of the Bumiputra population that had been historically lagging behind in terms of income generation (no Bumiputra middle class existed before 1969). A similar initiative (National Cultural Policy-NCP) was also enacted to promote national unity. It was the first attempt at creating a post-independence national ideology for the country.

The different ethnic groups seem to know very little about each other's cultural background. The building of walls between the groups has increased after 1969. Tensions also rise when poor Malay get incentives from the government and poor Indians, Chinese and non-Malay Bumis do not. As Oo (1991) put it, the 1969 racial riots violently replaced the cultural pluralism of post-independent Malaysia with a new era of increasingly ethnocentric articulations. People tend to make conscious choices regarding the places where they prefer to live, accentuating a tendency toward voluntary physical segregation. The author observed that many Malaysians of different ethnic backgrounds mix with each other during work time, but neither go together for lunch frequently, nor get together after work. It seems that there is an economic reason to work together, but culturally speaking they are separated.

## **Theoretical Framework**

Any observant visitor to the country will notice that ethnicity permeates every facet of Malaysian society. But uneven development, economic disparities, and social divisions characterized the later years of British rule in Malaya. According to Omar (2003), while paternalistic toward the Malay, British colonial authorities made only token attempts to rectify the widening gap between the Malay natives and the migrant communities. Although the Chinese and Indians initially came to Malaysia to get rich and go back to China and India, they stayed in the country for years in a legal limbo regarding citizenship. Ethnic bargaining started after independence and citizenship was granted to those foreigners born after 1957 or who have lived enough time in the country. As a result of this compromise, the Malays would retain political supremacy, but with good pre-independence networking and hard work the Chinese and Indians prospered, to the extent that the Chinese became the most important economic stakeholders in Malaysia.

Economic disparities characterized the early post-independence period in Malaysia. The National Economic Policy (NEP) was enacted under the promise that most Malays had not benefited from post-independence (1957-1969) economic growth and became frustrated. Therefore, there was a need for some type of economic strategy to help uplift the Bumiputras. The positive discrimination initiatives contained in NEP included ethnic quotas in higher education, regulation of access to state assistance, provision of business opportunities for the protected groups, ethnic-based quotas in civil service recruitment, the goal for Bumiputra to acquire 30% of equity in private business, and more. The goals were to restructure the economy so that Bumiputras got involved in the modern sectors of the economy, and to eradicate poverty regardless of ethnicity. According to Gomez (2003), NEP targeted to increase Bumiputera corporate equity ownership from 2% in 1971 to 30% by 1990. From colonial times and prior to the enactment of NEP, the prevailing practice was for the Chinese to own the business, the Indians to be their lawyers, advisors, and providers of other types of professional services, and the majority of Malays to be somehow detached from the marketplace except for their participation in the agricultural sector. According to Faruqi (2003), the policy of favoring Malays had its origins in the colonial period and was written into law in the constitution of the Federation of Malaya in 1957 and the subsequent Malaysian constitution in 1963.

After the ethnic-based riots of May 13, 1969, the National Cultural Policy (NCP) was enacted. The objective was to strengthen the Malay identity of the nation, and "Rukunegara" was devised to give meaning to the purpose of racial harmony in Malaysia. Although the basic ingredients of Malaysian political culture were essentially Malay prior to May 13, 1969 (the traditional symbols from the feudal system, the institution of monarchy, Islam as the official religion, Bahasa Melayu as the national language [Yacob, 2005]), the NCP came to reconfirm it and reinforce it. In summary, ethnic diversity has always been at the forefront in the process of building the Malaysian nation. It has played a pivotal role in all historical developments after the country's independence, and is bound to be a determinant factor in its future.

## **Research Questions**

What has been the net balance of 35 years of affirmative action in Malaysia?

How have affirmative economic policies impacted the society, the workplace, and the educational system in the country?

Where will these affirmative policies take the country in the immediate future?

## **Methodology**

This paper is aimed at exploring affirmative action in multi-ethnic Malaysia, as seen by a foreign observer who collected purely qualitative data to arrive at his conclusions. The author visited the country as part of the Fulbright-Hays Program during the summer of 2005, an educational tour coordinated by the Malaysian-American Commission

on Educational Exchange (MCEE). This paper is the result of his extensive observations in the country, open-ended interviews with many people in the country, pre-and-post trip reading on the subjects of multiculturalism and affirmative action, and his structured-and-unstructured conversations with national experts in the fields of management, social work, political science, law, history, education, anthropology, sociology, and other disciplines, both inside and outside Malaysia.

The author visited schools, factories, universities, police stations, jails, commercial offices, headquarters of political parties, longhouses of indigenous people, non-profit organizations, government offices, museums, farms, research institutes, homes, forest preserves, palm and rubber plantations, cities, towns, villages, hotels, houses of prayer, laboratories, radio and TV stations, libraries, hospitals, community centers, business organizations of various sizes, stores, malls, retail outlets, and many other places. The author talked to educators, workers, professionals, students, diplomats, business people, front-line supervisors, men, women, children, politicians, middle-and-upper managers, bureaucrats, technocrats, religious leaders, and common people everywhere in Malaysia and Singapore.

Of course, the author recognizes his limitations to make definitive statements regarding the subject matter. Months of pre-trip reading about Malaysians, spending six weeks traveling around the country, talking to people, listening to experts, and browsing the literature post-trip do not completely equip him to make many categorical statements about the workplace in Malaysia; therefore, he confesses that this paper only scratches the surface of multi-ethnicity in the Malaysian work environment. This is a preliminary discussion of his work-in-progress.

## Results

It has taken 49 years to physically transform Malaysia, but it will take a little bit longer to transform the minds of Malaysians, according to what a management expert told the author. Multiculturalism manifests itself in the Malaysian workplace in ways that represent both a challenge for its management, as well as an opportunity for the future of the country. The challenges for the country are many. Due to the brevity imposed by the space limitation, only a few of them are discussed in this paper: a) the existence of a highly segregated educational system with little opportunity for intercultural interactions; b) the ghosts of inter-ethnic tensions as a latent phenomenon in the country; c) the accentuation of intra-ethnic disparities that create potential for conflicts; d) the new problems created by the policies designed to correct economic imbalances; and e) some less productive by-products of ethno-politics in the country. The following paragraphs attempt to summarize these five themes listed above.

The National Economic Policy (NEP) implementation period from 1971 to 1990 produced a net effect of transforming Malaysia from its pre-riot economic characteristics. During that period, there was a cooptation of the opposition to curb politics which provided for greater Malay pre-eminence in political, cultural, and national ideology, transformed the colonial division of labor, and propelled the state to move from a *laissez-faire* attitude to active intervention in the economy. The division of labor imposed by the British during colonial times was transformed radically as a direct result of NEP implementation: Now civil service, police, armed forces, and the Foreign Service are dominated by Malays; non-Malays have been forced to the private sector. NEP also strengthened the state as an important economic stakeholder. From 1971 on, the state played the roles of creator of opportunities, regulator of business, and major investor in many sectors of the economy. For instance, the state owned only 22 public enterprises in 1966; that number climbed to 1,149 in 1992. The National Development Policy (1991-2000) that followed NEP continued with NEP's twin objectives. The National Vision Policy (NVP), also known on the Malaysian streets as "Vision 2020," still carries some of the original economic goals of uplifting the socio-economic standing of Malays and other native ethnic groups.

The Malaysian educational system is *de facto* segregated. Educational experts told the author that the main ethnic groups tend to attend particular types of schools, and engaged very little in honest discussions about their similarities and cultural differences. Three of the main types of schools in Malaysia are national schools, vernacular schools (specialized schools geared to the Chinese and Indian communities), and mission schools (managed by Christian churches). Although the government funds all three, Malays attend mostly national schools, Chinese and Indians attend mostly vernacular schools, and all three ethnic groups tend to attend mission schools. After 1970, to increase the matriculation of Malays in college, the government encouraged the establishment of private colleges so that non-Malays still had a chance to get a college education. This has resulted in a predominantly Malay-and-other-Bumiputras student population in the 12 public universities, and Chinese, Indians, Eurasians, and others matriculated predominantly in the hundreds of private colleges and universities across the country.

Non-Malay groups sometimes complain of a Malay cultural hegemony in the country. According to Kheng (2003, pp.230-231), "in Malaysia during the period of British rule and up to the immediate post-independence period in the 1960s, the nation's history textbooks were open, impartial, pluralistic, and accommodated every ethnic group. However, after the country's bloody May 13, 1969 interracial riots, the Malay-dominated government

imposed Malay history and Malay cultural identity on the other ethnic groups.” Kheng (2003, pp.230-231) continues the argument by saying that “this was done in line with the demands of rising Malay ethno-nationalism in the country. There has been resistance from non-Malay ethnic groups and from their political parties, so that the policy has not received full public endorsement. In recent years, Malay cultural policy has been moderated and downgraded owing to the twists and turns of national politics.”

There seems to be very little opportunities for intercultural interactions at school and at work. The limited opportunities offered by the educational system for the youth seem to be reinforced by an unwillingness to engage in honest discussions about race at societal level, and a very weak system for inter-cultural training at the level of the workplace. This tendency towards voluntary cultural isolation seems to be a legacy from colonial times. In a still unpublished paper, Shakila Yacob (2005, p.5) wrote that “during the colonial period in Malaya there were very few opportunities for members of the three racial groups to interact socially. Indeed, their separation was preserved and reinforced in the premeditated colonial policy of maintaining a division of labor along ethnic lines.” Still today, instances of racial intolerance, distrust, and defensiveness exist, after almost half a century of independence (Yacob, 2005), with very little formal and informal opportunities for intercultural discussions and mutual understanding at macro- and micro-societal levels, such as the workplace. Another perspective that sheds light on this issue is the notion of “imposed cultural isolation” in modern times by specific government policies to suppress dissent. Guan (2005, p.212) explained it in these terms: “The ethnic preferential policy has invariably generated intense controversy in Malaysian society, with the majority Malays, Chinese, and Indians, taking diametrically opposing views. This inflammatory public issue and the emotionally charged debate it has generated, however, have not deteriorated into outright ethnic violence as had happened earlier in 1969. A combination of punitive laws (such as the Internal Security Act and the Sedition Act) and coercive actions were used throughout the 1970s and 1980s to stifle debate. However, because the state was suppressing the discussion, the quality of reasoned arguments for and against affirmative action also stagnated.” Because of the sensitivities aforementioned, diversity training as is known elsewhere in the world is very limited in Malaysia.

The ghost of ethnic tension is a latent phenomenon in the country. Oo (1991) described the notion of ethnocentrism as a challenge for the future of the country in these terms: “Malaysians display a pot-pourri of cultural diversity which, in itself, is a microcosm of Nusantara, Asian, and European lineages. There are incidents of some assimilation among different racial groups, either by choice or circumstances, over the passage of history. But generally, these groups have remained characteristically distinct in terms of their original heritage. Despite efforts at national integration through policy instruments, Malaysians have remained Malays, Chinese, Indians, Eurasian, Sarawakans, and Sabahans” (Oo, 1991, p.5). The notion of “divide and rule” attributed to the British Empire in Malaysia still exists. Apparently, it is easy to spark a conflict in Malaysia in any environment (and the workplace is one of them), due to the underlying threat of inter-ethnic tensions. Some ethnic segments of the society (part of the Chinese entrepreneurial class, which controls the economy) have been able to contain their dissatisfaction with the policies espoused by positive discrimination because they would have a lot to lose if tensions become violent. Others segments of the society (low income Indians, for example) have turned to more political radicalization to make their voices heard.

Race relations have become a lot more complicated by the emergence of intra-ethnic disparities. Some segments within ethnic groups have become richer than others, adding to the complexity of race relations in the country. According to Oo (1991), these intra-ethnic disputes and hostile factionalism exist amidst dormant inter-ethnic rivalries. This situation is more accentuated among Indians, rich and poor Malays, and marginalized indigenous populations (non-Malay Bumiputras) in west and east Malaysia. Although NEP solved major societal problems, it also created new ones. For instance, economic disparities pre-1969 tended to be almost exclusively inter-ethnic in nature, but now in the 21<sup>st</sup> century they are intra-ethnic as well. Besides, scholars who have studied the country for decades say that currently there is more government emphasis on wealth restructuring than on poverty eradication. Again, paraphrasing Oo (1991), intra-ethnic disputes have been aggravated by new problems related to class, interest groups, and generational conflicts, which transcend ethnic differences. Oo (1991) said that the chameleon-like nature of Malaysian politics merely camouflages the real problems of race relations and national integration in Malaysia.

Not everyone agrees with the policies of affirmative action in Malaysia. Chinese and Indians resent the policies for college admission because the quota system favors Bumiputras, even when applicants from their ethnic groups document more merit for admission. On the other hand, Malays resent the fact that the private sector (dominated by Chinese and upper class Indians) seems to discriminate against them; however, Chinese and Indians were virtually confined to the private sector by NEP policies implemented to uplift Bumiputras. In July 2005, at the UMNO National Assemble, the UMNO youth wing proposed to revive the NEP to finish the job of achieving Bumiputra participation in the 30% of the country’s equity (Ritikos, 2005). This notion of reviving the NEP was resented by

the Chinese and Indian parties, which together with UMNO form the “Barisan Nasional” ruling coalition. In his opinion article published by The Star newspaper, Wong Sulong (2005) sadly commented that “after nearly 50 years of independence and 35 years of the NEP, Malaysians are still much divided on how the economic cake is to be shared;” adding later that “affirmative action policies will continue whatever the nametag. The question is how to make it more equitable and less divisive.” Sulong (2005) concluded that “Malaysians must stop chasing and biting their own tails through endless argument about who gets what share of the national economic pie. Ensure the pie gets bigger, and faster, first. What is there to share if it shrinks? And it will shrink if we are not globally competitive.”

Some intellectual circles in Malaysia recognize that affirmative action policies have created overdependence in some segments of the society. Undoubtedly, NEP, NDP, and NVP have contributed to the improvement of the economic conditions of the Malays and have led to the emergence of a sizable Malay middle-class; but these affirmative economic policies have also created over-dependence on government inducements in some strata of the newly emerged Bumiputra middle-class. Paraphrasing the paper that Hamid (2003) presented at the Seminar on “The Bumiputera Policy,” in Penang, 23-25, September 2003, Mason and Omar (2003) said that this Malay middle-class was artificial, created by and dependent on government support. Hamid (2003) attributes the debacle befalling Malay business in 1997-98 to overdependence on the government. As Guan (2005, p.212) put it, “since the 1990s, however, a number of factors and developments have contributed to opening up the public space for Malaysian citizens to debate the country’s ethnic preferential policy. Perhaps the single most important development is that of the emergence from within the Malay community of voices that are skeptical and critical of the policy. Even from within the United Malay National Organization (UMNO), doubts and anxieties have plagued certain leaders regarding the negative impacts of affirmative action on Malays, individually and as a community.” The best-known contemporary politician in Malaysia, former Prime Minister Mahathir Bin Mohamad has discussed some of these issues publicly, contributing to a better understanding of it (see Hong, 2001; and Loh, 2002).

Non-Malay groups also complain about the effects of positive discrimination policies. This is particularly important for the Chinese, whose enterprising spirit and love of education finds obstacles in the quota system established by NEP policies. Chinese Malaysians value education so much that even under unequal conditions (for instance, Bahasa Melayu is the secondary school language in the country) Chinese students excel more comparatively, as measured by standardized tests and other educational measurements. On the other hand, although NEP was implemented to level the playing-field for Bumiputras, Malays have not yet achieved the goal of participating in 30% of the country’s equity; and according to Fee (2002), many Indians find themselves marginalized and impoverished without much hope for uplifting themselves as other ethnic groups have done.

Some researchers in and outside Malaysia point out that ethnic preferential policies have contributed to the formation of ethnic enclaves in the society. To exemplify how these ethnic enclaves manifest themselves in the workplace, Guan (2005, p.216) said that “the public service sector is an excellent example of how preferential hiring has transformed a previously ethnically diverse sector into one that is almost ethnically homogeneous. Prior to the implementation of NEP in 1971, although Malays dominated the public service sector, it had nevertheless quite a sizable representation of Chinese and Indians. Systematic preferential hiring of Malays at the expense of recruiting non-Malays had by the 1990s transformed the civil service into a wholly Malay enclave.” Furthermore, Guan (2005) reports that “anecdotal evidence would suggest that ethnic enclaves in the business sector are quite pervasive at the company level. On the one hand, corporatized and privatized public services and enterprises, such as Petronas, Proton, Telekom, Tenaga, and so on have remained largely Malay entities. Malay-owned companies generally also tended to have a predominantly Malay workforce. On the other hand, the majority of Chinese-owned companies, especially small- and medium-sized enterprises, employ a largely Chinese (in fact Mandarin-speaking) workforce. Interestingly, it is the multinational companies that are likely to have an ethnically diverse workforce.”

Malays and other Bumiputras often complain about Chinese economic hegemony in the country. These complaints resemble the dissatisfaction that Chinese, Indians and other non-Bumiputras express about Malay cultural hegemony. Commenting Gomez’s (2003) paper presented at the Seminar on “Bumiputera Policy” in Penang, 23-25 September, 2003, Mason and Omar (2003, p.4) said that “Gomez points out that in the initial stage of the NEP, Bumiputera (read Malay) participation [in the private sector equity ownership] were minimal. Among leading companies, prominent Malays were appointed to the boards of directors, essentially to secure access to the government and to bypass bureaucratic red tape. These directors had equity ownership but were not active in the management of the enterprise. At the small and medium enterprises (SMEs) level, ‘Ali-Baba’ relationships were forged, wherein Malays provided the contracts while the Chinese would implement them. Accordingly, Chinese economic hegemony was not broken or even challenged.”

A by-product of ethno-politics is the existence of an assortment of exclusionary practices in the market. Although strong support for the private sector and the corporatization of the country has brought about economic

prosperity to a big proportion of the population, it has also increased nepotism, cronyism, and other corrupt practices in both the private sector and government. Some people attribute this phenomenon to abuses of NEP, NDP, and NVP implementation. By the same token, some ethnic groups have benefited the least from the state intervention in economic matters, such as the case of the Indians, some indigenous tribes, and some segments of the low-income Malay population.

For some Malaysians that talked to the author, the political and managerial cultures of the country are very similar and linked at their core. In other words, the open and subtle links between “ethnic groups and politics,” and “business and political leaders,” are extremely strong in Malaysia. The strengthening of the state that resulted from NEP implementation since the early 70s, coupled with the growth in state participation in the economy through direct investment in many sectors, has resulted in state control of many facets of the country’s wealth, including the media. There is very little in terms of economic activity in the country in which the state is not involved. Therefore, in most economic sectors in the country, the party line tends to be the bottom line. Since politics is ethnic-based, so is government and business. Social scientists that talked to the author in Malaysia said that the process of privatization implemented lately has had uneven results. They argue that the government has awarded many projects and special benefits to Bumiputras with government connections, while other Bumiputras are left out of the economic cake. This situation has led to a deepening of political patronage, the rise of a Bumi bureaucratic capitalist class, and involvement of politicians in business and business people in politics in ways that make it difficult to distinguish one sector from the other.

## **Conclusions**

As professor Hirschman (1985, p.68) predicted 20 years ago, “Social change in Malaysia is often glacial in character but often not clearly visible to contemporary observers. However, in recent years economic development has led to truly revolutionary change. Although modernization is transforming many attributes of Malaysian society, the evolving patterns may not necessarily follow Western models. The examples of Japan and other Asian societies, the influence of Islam and other religious traditions, and the unique characteristics of Malaysia’s past and present may well lead in new directions.”

Malaysia, unlike some of its neighboring countries in Southeast Asia, was able to recover from the Asian crisis of the late 1990s relatively quickly. Citing the CIA World Factbook, Rappa (2002, p.47) points out that “Malaysia made a quick economic recovery in 1999 from its worst recession since independence in 1957. GDP grew 5%, responding to a dynamic export sector, which grew over 10% and fiscal stimulus from higher government spending. The large export surplus has enabled the country to build up its already substantial financial reserves, to \$31 billion at yearend 1999. This stable macroeconomic environment, in which both inflation and unemployment stand at 3% or less has made possible the relaxation of most of the capital controls imposed by the government in 1998 to counter the impact of the Asian crisis.” Current economic trends are very promising. According to Welsh (2004, p.157), “Malaysia’s economy in 2004 resembled that of the boom years of the early 1990s. The economy grew at a rate of 7%; the budget deficit shrank from 5.3% in 2003 to 4.5% by the end of 2004 and was projected to reach 3.8% in 2005, largely because of increased tax revenue. The Kuala Lumpur Stock Exchange, now known as Bursa Malaysia, hit a historical high in September 2004, and high oil prices boosted the country’s reserves to a record amount.”

The affirmative economic policies of the last 35 years account for promising trends in Malaysian society. Prior to the implementation of NEP the gap in incomes for Malay and Chinese households was enormous. According to Guan (2005, p.213), “the gap between the Malay and Chinese households mean income disparity ratio narrowed from 2.29 in 1970 to 1.74 in 1999.” Guan (2005, p.213) also stresses that “segmentation of the economy along ethnic lines was omnipresent before. The division of labor of the colonial past has been transformed by affirmative economic policies. As Guan (2005, p.214) points out, “the success of the ethnic preferential policies in education and employment had led to the growth of a noticeable Malay professional class.

In terms of poverty reduction regardless of ethnicity, the country has also produced remarkable results. In 1970, half the population of Malaysia lived in poverty, and the incidence of poverty among the bumiputera, Chinese, and Indians was 66 percent, 27 percent and 40 percent respectively (Guan, 2005). The overall incidence of poverty has been reduced from 52.4 percent in 1970 to 16.5 percent in 1990 and to 5.5 percent in 1999. Rural poverty has declined to 21.8 percent in 1990 and to 10 percent in 1999, and Malay poverty, much of which is in rural areas, has declined to 20.8 percent in 1990 and to 10.2 percent in 1999 (Guan, 2005).

Bumiputras have made significant gains in terms of the country’s equity. Although the early period of NEP implementation did not accelerate the incorporation of Bumiputras to the private sector at the pace expected, during the 1990s some progress was made in that regard. Citing Gomez (2003), Mason and Omar (2003, p.5) said that

“among smaller firms, including those listed in the Kuala Lumpur Stock Exchange, there was a growing evidence of inter-ethnic business ties on equal partnership, unlike the ‘Ali-Baba’ arrangement of the earlier period. They suggest that among the new generations of Malaysians, there was greater openness to inter-ethnic cooperation in business for mutual benefit. Non-bumiputera Malaysians carried a strong Malaysian identity and were comfortable in inter-ethnic relationships. In addition, the 1990s also saw the emergence of an independent bumiputera middle-class, confident in their ability to hold their own in business, possessing skills acquired through government support under NEP.” The economic disparities between the Malay and non-Malay communities have narrowed significantly as a net result of the NEP, NDP, and NVP. According to Guan (2003, p. 215), “in terms of ownership of share capital of limited companies, Malay and Chinese shares were 4.3 per cent and 38.3 per cent respectively in 1971—with foreign ownership taking the lion’s share of 61.7 per cent. By 1995, the Malay share had increased to 20.6 per cent while the Chinese share had reached 40.9 per cent.” As the country has become more open to the global economy, pragmatism drives the different ethnic groups to find middle ground and get the job done.

Generational differences among the immigrant communities reinforce their Malaysian identity above anything else. Although older generations of immigrants kept their emotional ties to their respective motherlands, new generations of Chinese and Indians no longer think of themselves as Chinese or Indians, but as Malaysians. Ethnic bargaining and compromise permeates every aspect of the country’s life. This pragmatic attitude transcends ethnic lines in ways that would amaze any foreigner in Malaysia. It seems that economic necessity pushes different groups to work toward a common goal, because although Malaysians are highly separated by cultures and languages, they are, essentially, united by the forces of the market. This clear market orientation, which began hundreds of years ago around the straits of Malacca, is a potent force for the future of this pragmatic conglomerate of ethnic groups that is today’s Malaysia.

For some management experts, labor relations in Malaysia show promising trends for the future. As Mano Maniam (2001) put it, “the swelling urbanization and middle-class values and lifestyles are inevitable issues in characterizing the workforce of the new century. A more educated, better informed, more discerning or choosy, mobile and demanding workforce has already emerged and will be the key challenge to economic and social growth. The knowledge worker, by replacing the preceding manual worker, will bear many qualities, which will have more far-reaching consequences than most people realize. The management-labour equation will be altered, most likely towards a more equitable, just and harmonious relationship from the traditional owner-worker mindset” (p. 210).

There are attempts at national unity that might foster intercultural integration in the near future. Two of these programs aimed at national unity are worth mentioning: a) The student integration plan for unity (Rimup, short for “Rancangan Integrasi Murid Untuk Perpaduan”), and b) The National Service (NS) program. According to the *New Sunday Times*, August 7, 2005, the Rimup program groups together the two main vernacular streams in the country—the Tamil and Chinese schools—with national schools. Each group of schools under the Rimup program will then conduct joint co-curricular and academic-related activities (Ahmad, 2005). If the pilot program is successful in fostering integration among the three main ethnic groups (Malay, Chinese, and Indian) at the school level, the impact could be enormous, considering that there are 5,756 national primary schools (predominantly Malay), 1,287 Chinese primary schools, and 525 Tamil primary schools spread nationwide with a combined enrolment of 3,045,975 pupils (Ahmad, 2005). The second program aimed at national integration worth mentioning is the National Service (NS) program. According to Ling (2005), the Parliamentary Select Committee on Unity and National Service has found that program participants had markedly changed attitude towards other races at the end of their three-month stint. Ling (2005) reported that the Chair of the Select Committee said that the NS program could be introduced in a diluted form in schools and universities, where racial polarization continues to persist. NS is already in the third phase. A total of 240,000 have participated. The Chair of the Select Committee said that “they are agents for national integration.”

Malaysia is moving towards Vision 2020 with optimism in terms of intercultural relations. The observant visitor can notice that Malaysians, generally speaking, are peace-loving people, who for the most part have lived harmoniously for centuries. All ethnic groups recognize that they need each other: The Chinese are the indispensable contributors to the country’s economy, the Indians provide essential manpower, the Malays contribute with the political legitimacy that keeps the country together. A middle-class that already transcends ethnic boundaries is gaining strength in the country. The hope is that as this middle class becomes more pluralistic, tolerant, and inclusive, the latent phenomenon of ethnic tensions will diminish. The country shows a clear economic improvement among the previously impoverished Bumiputera majority. The goal of reaching the status of “developed country” by the year 2020 seems to be a lot more than a public relations slogan; it seems to be an aim embraced by the entire country, regardless of ethnic category or political affiliation. As Oo (1991) advocated, the key is for Malaysia to create an eclectic value system which transcends racial and ethnic differences as a basis for national integration. As long as the society as a whole wrestles with these issues, the workplace will resemble that

struggle too. Malays and other Bumiputra majority groups seem to understand that they have to share their ancestral motherland with immigrants that have contributed greatly to the building of modern Malaysia. Eurasians, Indians, Chinese, and other non-Bumiputra minorities seem to understand that they need to live in a country that, at least for the short term, will discriminate against them as a matter of national necessity.

### **How this research contributes to new knowledge in HRD**

Multiculturalism is both an asset and a challenge for any society. If one can imagine the perfect laboratory to study multi-ethnicity in the marketplace and see how intercultural relations conduce to both, productive behaviors and potential for conflict at work, that place should be Malaysia. Of course, multiculturalism as a social phenomenon has evolved in Malaysia in ways that differ from its evolution in other countries. It has also evolved differently in several regions within the country. In a society as heterogeneous as the Malaysian, managing its workforce is a huge challenge. Paradoxically, the same factors that make the society as complex as it is work in favor of a work environment in which things can get done, people can work together productively, and ethnic relations can be managed in ways that facilitate performance. Multi-ethnicity is an asset and a challenge for the future of the country, and the Malaysian people seem to understand it very well.

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