

SOCIAL MOBILITY: BARRIERS IN THE MALAYSIAN RECRUITMENT PROCESS

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“The difference between rich and poor is becoming more extreme, and as income inequality widens the wealth gap in major nations, education, health and social mobility are all threatened.” - Helene D. Gayle

Since the 1970s, the unequal dissemination of economic resources has sparked discourse among public policymakers to find ways to reduce poverty in Malaysia (Hamid et al., 2019) by placing more emphasis on enhancing the Malaysian population’s quality of life. Nevertheless, racial and geographical disparities in the hiring process have emerged as new barriers that threaten upward social mobility in Malaysia.

Social Mobility

According to The Editors of Encyclopedia Britannica (2020), social mobility is the ability to progress from one level of society to another. Individuals can experience vertical mobility via a change in social class (i.e., industrial worker to wealthy businessman or vice versa) or horizontal mobility to progress from one position to another that is similar.

When economic incongruities between individuals are vast they adversely affect the “social elevator” and may create detrimental social and political consequences (OECD, 2018). For instance, when people are faced with decreased prospects of upward mobility, they are less likely to feel their voice matters which increases the likelihood of social exclusion and decreases democratic participation.

a) Social Mobility in Malaysia

In 2020, Malaysia was ranked 43rd in the Global Social Mobility Index, with an overall score of 62/100 (Figure 1). This score is calculated based on criteria such as health, education, technology, work, resilience and institutions. Although this score is close to the social mobility global average, it is **marginal**.

For Malaysia to advance, a study conducted by Khalid (2018) on intergenerational mobility in Malaysia has identified several contributors that are crucial to social mobility which include parents’ occupational skill, gender, geography and most importantly **education**. Individuals that possess a **tertiary education** have a better chance (**4.6 times**) to ascend the social ladder than those without. Therefore, accessibility to education is a pertinent to improve mobility.

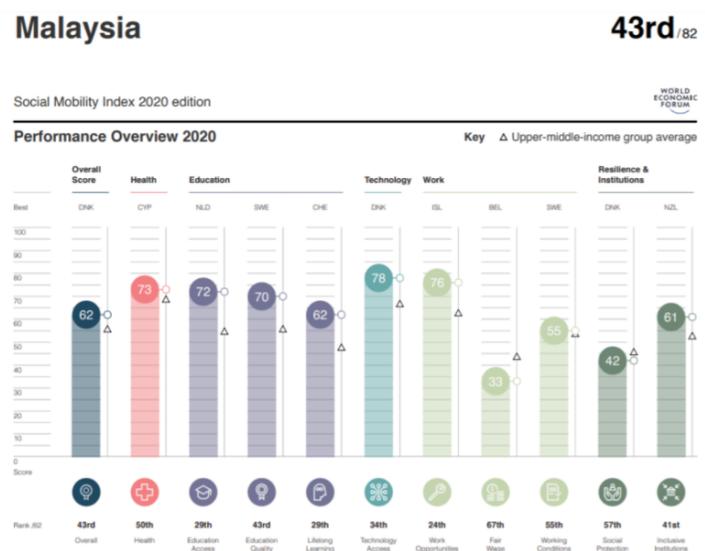


Figure 1: World Economic Forum Social Mobility Performance Review 2020

b) Implications of Social Immobility

Income discrepancies between communities can negatively influence upward social mobility. The 11th Malaysian Plan mid-term review (2018) cited that **income gaps in Malaysia are widening at an alarming rate** with roughly 2.78 million (36.6%) households classified as “Bottom 40 (B40)”. This apparent income variation among households determines the survivability of a particular group. According to the Department of Statistics (2019), B40 households only earn an average of RM 3,166 which is insufficient to maintain the cost of living in Malaysia that is exacerbated by inflation and slow wage growth.

Furthermore, there are reports of extensive **income disparities between Malaysian ethnicities**. For instance, the Chinese have a median income of RM 7,391 per month while the Indians and Bumiputeras registered a median income of RM 5,981 and RM 5,420 respectively (Department of Statistics Malaysia, 2019). This imbalance can gravely impact the wellbeing and quality of life among Malaysians.

Barriers in the Malaysian Recruitment Process that Impede Social Mobility

In an ideal world, equal opportunities offered to all members of society could resolve issues like income disparities. Nevertheless, distinct barriers (i.e., racial discrimination and geographical labour mobility) have prevailed and are particularly evident in Malaysia’s hiring practices, hence intensifying social immobility.

a) Racial Discrimination

A survey conducted in 2016 by Hwok-Aun Lee investigated racial discrimination in hiring fresh graduates in Malaysia. It was found that on average, resumes submitted by **Chinese received a 22.1% call back rate while Malay resumes received a 4.2% call back rate**.

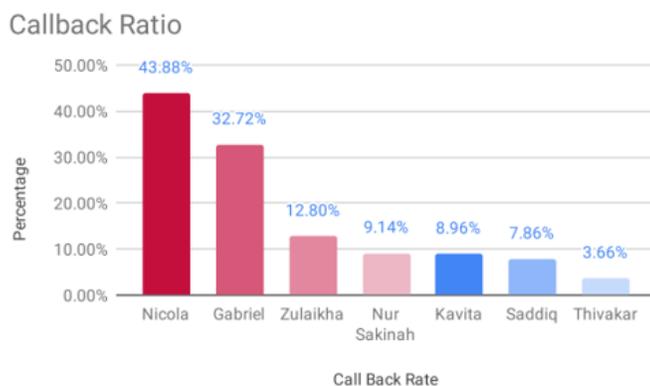


Figure 2: Cent-GPS 2019 Study on the Callback Rates of Ethnically Diverse Candidates

Similarly, a more recent study by the Centre for Governance and Political Studies (Cent-GPS) in 2019 sent out seven ethnically diverse but equally qualified resumes to 500 jobs in the private sector (Figure 2). It was found that Nicola, a **Chinese female received the highest call back rate (43.88%)** compared to the other candidates while Thivakar, an **Indian male had to apply to 28 jobs before receiving one reply (3.66%)**.

These call back rates are significant to illustrate the **brazen discrimination in Malaysia’s recruitment process**. Despite the fact that these candidates had the same qualifications, education and experience, their ethnicity ultimately became an influential aspect in the success of a job application. If this trend persists, **Malaysia’s youth will continue to be marginalised based on their race**, hence creating greater social inequalities and hindering their upward social mobility in Malaysia.

b) Geographical Labour Mobility

Geographical labour mobility can be defined as the option to move and migrate to an area with better employment options that contribute to **economic efficiency** and **community wellbeing** (Halton, 2019). Key factors that influence geographical labour mobility include standard of living, transportation, economic fluidity (industrialisation, domestic and international trade) and personal circumstances.

Geographical labour mobility barriers are often compounded by financial barriers such as high taxation and increased cost of living. For instance, the national **mean household income (4.3%) and expenditure increased (4%)** between 2016 and 2019 (Department of Statistics Malaysia, 2019). Additionally, the **Gini coefficient** based on **gross income rose** in both urban (0.398) and rural areas (0.367). This increase demonstrates the rapid growth of **income inequality** particularly in urban areas.

Furthermore, fresh graduates undertaking internships or traineeships in urban areas receive **insufficient monthly allowances**. Industrial trainees in the Malaysian public sector are given approximately RM900 and interns in private sectors are offered between RM300 and RM1000 depending on company policies (Nazari, 2019). The **average salary for interns in urban areas** like Kuala Lumpur and Putrajaya is **RM 1,200** (JobStreet.com, 2020); however, city expenses have increased (roughly RM2700 per month for single households) and the **source of income is severely disproportionate to the cost of expenditure**, consequently impeding geographical labour mobility.

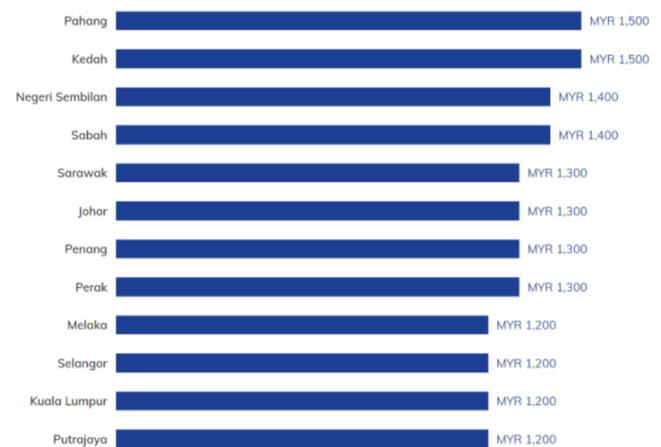


Figure 3: Job Street 2020 Average Salaries for an Intern in Malaysia based on Geography

Current Legislations and Policies in Malaysia and Internationally

There are several legislations and policies for internships/employment in Malaysia and internationally. Nonetheless, the former's legislations and policies are not adequately substantial to address racial discrimination and geographical labour mobility barriers in the hiring process. This forestalls the country's attempts of achieving upward social mobility among its citizens.

a) Internships/Employment Legislations and Policies

In Malaysia

Based on The Employment Act 1955, an **employee** is defined as any person who has **entered into a contract of service with an employer** as labourers, in operations, supervisors and suchlike whose wages either exceed or do not exceed RM2,000 a month. Additionally, it also defines an **apprenticeship** as a contract of service of any agreement for **no less than two years** of training under an employer.

Since there is no accurate definition or mention of the term “intern”, the **National Wages Consultative Council Act 2011** possesses legal force to refer to the definition of the term “employee” under the Employment Act to determine an individual’s minimum wage (Ho, 2016). In accordance with the **Minimum Wages Order (MWO) 2016**, minimum wage is RM1000 per month in Peninsular Malaysia and RM920 per month in East Malaysia and Labuan.

The absence of the term “intern” **precludes interns from being protected** against unfair dismissal, rights to annual leave, deduction for the Employee Provident Fund (EPF) and Social Security Organisation, thus exhibiting the insufficiencies in Malaysia’s legislations.

Internationally

In the **United States (US)**, an internship is a form of experiential learning that integrates theory learned in the classroom with practical application in a professional setting (Prathamesh, 2021). In 2019, **60.8% of interns had paid internships** while 43% underwent unpaid internships (Zukerman, 2020). Unpaid interns were most common in social services as it was considered voluntary acts.

The non-profit organisation, **Pay Our Interns** made an appeal to provide pay for congressional interns based on a study in 2017. The study revealed that less than 10% of the House of Representatives actually pay interns (Hunter-Hart, 2019). As a result, **\$14 million has been allocated for government office interns** since 2019. House offices are allocated \$20 000 annually and Senate offices are allocated an average of \$50 000 per office. Interns receive a stipend of up to \$1800 per month.

In the **United Kingdom (UK)**, an intern’s right depends on their employment status, and will only be entitled to the National Minimum Wage if they are classified as a worker (Gov.UK, n.d.). **Student interns required to do an internship for less than one year** as part of a UK based higher education course, volunteering in the social sector and government employment programmes are **NOT entitled to National Minimum Wage**.

According to Prathamesh (2021), the **rate of unpaid internships has decreased** by 14% between 2018 and 2020. Interns are paid based on their age: those between the ages of 21 and 24 are paid £7.70(RM 38.20) per hour while those aged 25 and above are paid £8.21(RM 40.73) per hour. These endeavours to reduce unpaid internships in the US and UK have effectively removed barriers to social mobility.

b) Anti-discrimination Legislations and Policies

In Malaysia

There are **no written laws that explicitly prohibits pre-employment discrimination** in Malaysia. While Article 8 (2) of the Federal Constitution prohibits discrimination, it also issues an exemption:

“...except as expressly authorized by this Constitution, there shall be no discrimination against citizens on the ground only of religion, race, descent, place of birth or gender...”

Legislations that do exist are **insufficient to protect the rights of Malaysian workers** against discrimination. For instance, in the 2014 case of AirAsia Berhad v Rafizah Shima binti Mohamed Aris (Air Asia), an airline terminated a trainee due to her

pregnancy. However, the Court found that Article 8(2) had not been violated and emphasised that the constitutional law deals only with violation of individual rights by State agents, not by another private individual.

Additionally, Article 153, with its provision for pro-Malay and pro-Bumiputera reservation, authorizes **preferential treatment** in public education, employment, and licensing, and must be included in legal and policy deliberations. Nevertheless, these terms have exacerbated racial stereotypes and have intensified prejudice in the recruitment process.

Internationally

Contrarily, the Anti-Discrimination Act (ADA) 1977 in Australia addresses racial discrimination against applicants and employees. Section 8 of the ADA highlights that it is **unlawful for an employer to discriminate against an applicant or employee on the grounds of race**.

Furthermore, although Singapore does not have an official anti-discrimination legislation, it has a framework (Fair Consideration Framework (FCF)) that applies to employment practices such as recruitment and hiring, performance management, and dismissals. This FCF was updated in January 2020 to **enforce austere penalties on employers found to be engaging in discriminatory practices**. Therefore, these nations have demonstrated their interest to tackle anti-discrimination in the employment process.

Policy Recommendations

Feasible initiatives, amendments and additions can be made to existing Malaysian policies and legislations to effectively address racial discrimination and geographical labour mobility barriers in the hiring process.

1. The Employment Act 1955 **must introduce and define the term 'intern' and 'internship'**.
 - Interns will be entitled to company employment rights offered to full time employees (i.e. monthly leaves, protection against unfair dismissal etc.)
 2. Students who are expected to fulfil an internship requirement by a higher education institution **should NOT be exempted** from being paid and **must be eligible to minimum wage** in accordance with the Minimum Wages Order 2016.
 3. Similar to the US non-profit organisation, Pay Our Interns, Malaysian youth should **propose the introduction or tabling of a bill** in the Malaysian Parliament **for mandatory paid internships** in both public and private sectors to sustain cost of living expenses.
 - If paid internships CANNOT reflect the current cost of living, certain perks such as an all-paid public transport or lunch pass should be offered by the company to assist interns.
 4. The **Equal Opportunity Commission (EOC)** envisaged by the New Economic Model in 2010 that prohibits discrimination and unfair dismissal **must be re-established to protect the rights of jobseekers, employees and interns**.
 - Discrimination will not be permitted at all stages of employment which includes and is not limited to recruitment, promotion and dismissal.
 - Reports of discrimination by jobseekers, employees and/or interns will be documented by the EOC and like the Fair Consideration Framework in Singapore, strict penalties will be imposed to employers who engage in such practices.
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Conclusion

Racial discrimination and geographical labour mobility in the hiring process are barriers that need to be promptly addressed to effectively achieve upward social mobility in Malaysia. Private and public sectors that unashamedly recruit individuals based on their race will only deter the nation's resolve to become more integrated. Additionally, Malaysia's youth must be remunerated when doing internships to be able to support high living expenses in urban areas particularly for those who migrate in search for better professional experiences. Certainly, it will take time to fully dismantle these barriers; however, by incorporating the practical policy recommendations mentioned above in company policies, Malaysia will be seen as taking an affirmative step to promote social mobility.

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