HUMAN CAPITAL DEVELOPMENT FROM ISLAMIC PERSPECTIVE: MALAYSIA’S EXPERIENCE

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ABSTRACT

Human Capital (HC) is a term used to describe intangible resources which create company value, or in the word of the inventor of the term in 1954, Theodore Schultz who has won Noble Prize in 1979, he defined the human capital (HC) as: “all human abilities to be either innate or acquired. Every person is born with a particular set of genes, which determines the innate ability. Attributes of acquired population quality, which are valuable and can be augmented by appropriate investment, will be treated as human capital”. This human capital has been regarded as one of the three main categories of intellectual capital(IC), and in the global era such as today, it is essential to recognized that human capital is the coming competitive advantage in the modern knowledge economy, and measuring and reporting human capital is essential to nation building as well as to the building of sustainable economic success. The main objective of this article is trying to address of what constitutes human capital and its role in nation-building, and how Islam look at this juncture, and what is the relationship between the human capital and human resources development, and the last point will be an elaboration on how the Malaysian government has designed the human capital development to make Malaysia as a fully developed nation by 2020.

Key words: Human Capital, Knowledge Economy, Nation Building, Islam, Human Resources Development, Malaysian Government

INTRODUCTION

A country's economic growth is closely linked to the existence of what types of human capital (HC) within a society or a country, this is because human capital has a large influence on the earnings and income distribution of an individual in a society or a citizen in a country. Thus, the key to the success of a development program in a community or in any country is highly dependent on the ‘quality of human capital’ which is owned by the people in the country itself. For the achievement of objectives of economic development in a country, the government and all other relevant agency require to prepare a program and to take measures that can speed up the process of human capital development by providing an adequate cost allocation based on adequate knowledge about the existence of the human capital level existing in the country. Precise knowledge of the skill level of the existing human capital is very important in planning for economic development to make a country as a developed country.

One of the characteristic of the developed nation is the existence of the country’s human capital which is based on high levels of its education, especially in the field of modern technology. It is
clear that there is a close link between the ability to manage high-tech equipment with the situation of a country's economic health. With that in mind, its efforts to ensure that the economic growth of a country is able to maintain its competitiveness in the global market, the government should create a number of initiatives and policies that are followed by several projects designed to promote the use of science and technology for economic growth in a country. For the purpose of reaching the mentioned objective the public and private sector should be encouraged in the use of knowledge-oriented services and also have the value-added to allow competing and surviving in the new economic era in this age of globalization, with the planning related to the development of human capital as a key strategy in achieving to make a country as a developed nation.

**DEFINITION OF HUMAN CAPITAL**

The word capital is often defined as a group of funds, assets and property which can be used in a variety of activities to produce a profitable product. According to the Dewan Bahasa dictionary, capital means something that used to achieve or to get something else (Kamus Dewan. 1994:74). While the discussion related to the economy, capital is often defined as a group of funds that can be mobilized in a variety of activities to produce a profitable product (Rahmah I. 1996:1). This concept is referred to the physical capital only. While the human being (Insan) is a different word with the commonly used for man which called by basyar (Beings). The human being (Insan) is a creature which continues to move forward towards perfection (becoming). With that the word of human being (Insan) quite different with the word of man (basyar). In the Dewan Bahasa dictionary, the word human being (Insan) means the creatures which has the noble character (akalbudi) (Kamus Dewan. 1999: 76).

In the context of this paper, what we mean by human capital (Modal Insan) is the human ability to maximize the use of them in order to achieve something great in all aspects of life based on human values (Ratna R. 2006: 171-183). Or in other words we can say as characteristics possessed by the employees that make them more productive. With the concept of capital in economic terms, it usually just refers to physical capital, but unlike the Human Capital, it’s defined as the characteristics possessed by an employee that make them more productive. Human capital is usually developed or nurtured through investments in education, training, either before or during work, as well as the search for information that will improve our lives. Through the latest value of investments, we can determine the human capital level that is in person. Human capital concept is something that cannot be transferred from one person to another, but one must invest to get it. Usually formed through investment in education and various forms of training, either before or during work, so through that investment we can determine the status of human capital available to the person (Rahmah I. 1999:1).

With the concept of human capital, it is a concept that is based on human activities in an effort to get the education and training to capitalize them in order to increase productivity. As such they are the only considered highly productive if they receive a higher salary or wage rate, while also contributing to the increase of the production, prosperity and well-being of society. To maintain and enhance human capital, one that requires great sacrifice and it is very different from the needs of the normal working capital, the disadvantages can be overcome through loans or grants, while the development of human capital requires an individual who is willing to risk to...
bear acquitted income (earning forgone) due to investments made in order to have a Human Capital. While the return on investment cannot yet be ascertained as it is highly dependent on the changes in the field of technology as well as the occurrence of structural changes in the economy of a country as well as changes in global economic conditions led to changes in the requirements on the types of skills and human capital skills required by a condition of the economy of a country.

In summary we can say that the development of human capital requires a systematic planning to be able to form a good quality human capital through education and the types of training appropriate to the needs of a country's economy in the future can be determined well. This is for the macroeconomic growth in a country, where it’s closely related to the form of human capital that exists in the country. With the existence of human capital, this will enable the development activities to go well until the members can have a positive impact on the growth and economic development of a country.

ISLAM AND HUMAN CAPITAL DEVELOPMENT

One thing cannot be denied that the policy in the construction of a nation-state is related to the human condition itself, and is referred to as the 'Human'(Insan). It’s an element of human life that cannot be ignored in any development program, in other words, it’s the goal and also a human factor in development. Even the collapse of a civilization cycle is dependent on the human role itself. With that Islam considers human capital(modal insan) assets is not merely a matter of religion, society and country, but also is conducive to the creation of a civilization. Because of the important role of humans being(insan), Islam believes that people need to increase the quality of their skills in order to make a positive contribution to the development and put the interests of their own personal interest in the limits of social welfare. This issue is also discussed by western scholars such as Arthur Cecil Pigou (1877-1959), Jacob Mincer and Gary Becker because of the important role of human capital in the development of a nation. Carlo M. Cipalo also recognizes Ibn Khaldun's theory that gives priority attention to the role of the human being (Insan) in shaping the civilization of the nation through the development of economic, social and political stability in a country( Wan Kamal M. 2006:76-88). However, from the western perspective of human capital development, it is more focused on the development of human resources in terms of knowledge and specific skills that can provide economic returns to a company, to a country.

In the Islamic perspective, human capital development is not merely a matter of emphasis on intellectual and emotional development only, but it involves spiritual development as well (Azmi Shah &Nurazmalail M. 2006: 1). Islam considers specifically humansbeing and human capital in general as a catalyst for progress and development. The needs of the nation for human capital is a matter that has not ceased as even when man himself was confronted with sophisticated machinery, the progress of a nation is still dependent on the people’s own capital in order to achieve success, especially in the construction of a civilization.

Islam regards humans being (insan) as an objective and as a major factor in the development process of a country. The most challenging task for Islamic countries in particular, is how to drive the human factor itself to be able to do all things necessary in the interest of fair
development which includes changing the way money, savings and investments are used to suit the objective of enhancing the economic growth rate while reducing imbalances in property ownership between members of the community.

The Qur'an which we consider as a reference point in any discussion about Islam also proves that the human being (insan) is the main driving force in the management of the affairs of the world with all its contents. God in chapter 2 verse 30 says: "Waiz kala Rabbuka lilmalai kati inn i Ja'ilan fi ardhi khalifah", which means when your Lord said to the angels, " Verily, I am going to make humans being as rulers (Caliphs) on the earth " (al-Qur'an: 2:30). From this verse it is clearly shown that the humans being (Insan) have important duties and responsibilities in the world, that is to act or function as representative of God (Khalifah), responsible for managing and prospering the universe for the benefit of the public. The endowment of intellect given to humans being (Insan) makes them the most superior beings amongst all of God's creation, thus making them as the only beings ready to become a trustee of God on earth. Because of this, humans being (Insan), in the Islamic perspective, are people who have superior personality, with the mastery of knowledge and skills in the context of the duties and responsibilities entrusted to the representative of God for the prosperity of society and also for the management of the whole universe, as mentioned in chapter 12 verse 61: "Huwa Ansya akum Minal-Ardhi Waasta'marakum Fiha", which means: "He (God) that makes you from the earth and settled you therein."(al-Qur’an. 12:61).

To realize the achievement of objectives, quality human capital must be shaped and enhanced through the process of human resource development. Human capital is a very important component in the planning and development of the human resource framework. A leading resource in the development of Human capital is education. Therefore, in line with the success and efforts in developed countries, education is the key area that needs to be addressed in the efforts of a government to produce quality human capital capable of developing excellent minds that would avoid thoughts and actions that may damage themselves and others, as well as prioritize the best in all decisions, as Mike Chrishnan mentioned that: "First class mentality is a mental attitude which accepts nothing less than first class performance in all things "( Mike Chrishnan. 2007) , and this is also in accordance with what is stated in a hadith of the Muslim ‘s Prophet which means:" God will love someone who, when he does something, does it excellently"( KPT.2008:5). Human capital with brilliant minds have the following characteristics: a. High cultural value, b. Integrity and moral strength, c. Dignified action d. Mastery and high value of knowledge, e. Proactive attitude, f. Noble character, g. Selfless attitude, and h. Commitment to make a meaningful contribution. According to the Malaysian Ministry of Education, human capital with excellent minds are: "People who have extensive knowledge and are highly skilled, capable of critical thinking, creative, able to create new opportunities and have the endurance to deal with the global environment, able to compete in the fierce competition of globalisation and uphold the values, self-esteem, noble personality and be a good leader"(KPT.2008:5-6).

In the classic economic system, the earlier economists were more concerned with mere physical investments such as investments in machinery and equipment, which is commonly used as a tool to increase revenue yields in the future(Muhammad H &Tajuddin M.2008:175-193). However, in the 60s they began to turn their attention to a form of formal education that was considered as a
form of investment in human capital as a sector which can increase productivity and subsequently increase an individual's income in the future and also throughout their lives (Muhammad H & Tajuddin M. 2008:175-193). To put it simply, we can consider that human capital is a concept that is based on education and formal training that will serve as a basis for them to improve productivity, and whosoever among them is more productive will receive a higher wage or salary rate and also directly contribute to the increase in national production as well as the creation of prosperity and well-being of society.

THE IMPORTANCE OF HUMAN CAPITAL IN HUMAN RESOURCE DEVELOPMENT (HRD)

Actually the term human capital is a term introduced by Professor Theodore Schultz in 1954 (Theodore S. 1961: 73), Nobel prize winner of 1979. He had used the term human capital in a discussion about 'capital investment' which dealt with but was not limited to physical capital alone but also paid attention to the capital that cannot be perceived by the naked eye (intangible resources). In discussing the condition of the economies of developing countries in their efforts to get out of backwardness and the poverty spiral, most classical economists in their discussion related to economic development in underdeveloped and poor countries, do not touch on the development of human capital. According to Schultz efforts to improve the living standards of the poor should not only depend on the land, equipment (machinery) or natural resources like mining and energy that exists in a region or country, but the country should be more dependent on the development of knowledge which he referred to as 'Qualitative Aspect of Economics (human capital). In connection with the above discussion he defined human capital as: "all human abilities to be either innate or acquired. Every person is born with a particular set of genes, which determines his innate ability. Attributes of acquired population quality, which are valuable and can be augmented by appropriate investment, will be treated as human capital (Theodore S. 1961: 3)."

At the end of 2000, the term human capital, was in popular use in describing the human resource management in an organization, even for some scholars recognize this human capital as one of the three categories contained in the concept of 'Intellectual Capital (IC)' (Warter P.B & Rubinson R. 1983.48:480-493). In summary Human capital has been used as a term in describing the strength of human resources that exist in an organization where an employee would bring with it the expertise, skills, experience and ability he had when he left an organization or where he/she worked. Because of the important role of human capital in the development of an organization and a country's economic growth, Graham Ward, President of the Institute of Chartered Accountants for England and Wales (ICAEW), says: "human capital is the coming competitive advantage in the modern knowledge economy, and measuring and reporting human capital is essential to building sustainable economic success". (ICAEW. 2007: 12).

There are two key principles that are very important in any discussion related to human capital. First: the employee is considered as an asset to an organization whose value can be enhanced through investment. As in any investment whatsoever, the purpose is to maximize the value of investments (value) while managing or reducing risk. As the value of the employee increases the work motivation will also be higher. Through training provided by the organization to an employee while at work, the employee would be motivate them to work more effectively whether
in relation to the user (clients) or on behalf of the stakeholders in an organization (Bartel. A. 1989: 25). Second: Organizational Policies related to human capital should be in accordance with the 'organization vision ' shared between the interests of the organization and the employee, concerning the mission, vision for the future of the organization, core values shared by employees, objective, purpose to be achieved and the strategies through which organization outlines the direction and what we want to achieve as an organization as well as for the organization’s employees. So practically all policies and practices and the implementation of matters related to human capital should be made, implemented and evaluated through the use of standards which can provide insight into how a policy can help organizations to achieve shared objectives.

From the above description it can be said that human resource development is a process of enhancing human capital. Human resource development is very important as human are considered as a capital that will accelerate the economic growth of a nation, so much that major obstacle in the implementation of development projects and the activities of dynamic economic growth is due to the lack of skilled labor, as well as lack of expertise in the use of high technology. Also In this regard, some economic scholars mentioned that: "the development of human resources is a prerequisite to achieve political stability, social justice and economic growth." (Harbinson FH and Myers C.A. 1969: 67). They felt that if a country is not able to develop its human capital, then the country is not able to develop successfully. So human capital development is an important feature in the economic development of a country, especially when there is a lack of physical capital in the country. In line with the importance of the development of Human capital we also saw a number of countries in East Asia and Southeast Asia, such as Korea, Hong Kong, Taiwan and Singapore, which have achieved rapid economic growth due to their human capital development strategy well organized, despite facing a shortage of physical capital and natural resources.

As human capital is a very important component in the framework of planning and human resource development (human resources development), the planning and development of human resources is not merely a matter of making use a person as an employee but it will also consider how the institutions or organizations concerned can function in a more beneficial way to an employee. Among the benefits accruing to the workers between job satisfaction, security and personnel development, all of these things can contribute to the achievement of a higher income. In the interests of the institutions and organizations, among the benefits that may be obtained from program planning and development of human resources is an increasing employee creativity, increase in productivity, and to enhancement employee's ability so as to increase the profitability of an institution or company. To measure human resource development usually two factors are used, first: by using Human capital supply (stock of the existing human capital) existing in a country and the second is the rate of formation of Human capital in a given time.

MALAYSIA’S EXPERIENCE IN HUMAN CAPITAL DEVELOPMENT

Malaysia gained its independence in 1957 and during this period, the economic activities of the country was depended on commodities such as rubber and tin in which it soared the economic growth of the country. Being a country having various races and ethnic groups and most of the native bumiputra living below poverty triggered a racial antagonism in 1969. The government
then structured a policy to reduce and eradicate poverty and to reduce social disparities in which the plan covered a span of twenty years beginning from 1970 to 1990. And during this period, the economic of the country showed a steady growth from being an agriculture-based economy in 1970s to industrial-based economy in 1980s.

With the economic activity influenced by industrialisation, the Government realised that human capital in industrial sector are the major driving factor for the country’s social and economic growth. Hence the Government began planning a strategy to develop human capital to support the country’s socio-economic activities. Thus this section of writing aims to highlight Malaysia’s HCD plans, policies and strategies in her move to develop human capital to sustain economic growth and compete in the global market. The country’s development plans and policies as well as the economic development which lead towards the country’s plan for a knowledge-based economy which knowledge-based workforce were studied.

A. Development Plans

Malaysia began formal planning for development in 1950 with the publication of the Draft Development Plan of Malaya. There are two types of development planning document to date. There are one twenty-year and two ten-year outline prospective plans and eleven five-year development plans including the Draft Development Plan of Malaya which was or six-year duration. (EPU Report, 2001). The five-year plans incorporate the strategies, programmes and projects designated to achieve the objective of the long-term strategic plans.

All the long term strategic objectives of the long term plans are essentially the same, that is to achieve rapid economic growth and attained significant improvements in its socio-economy, especially in alleviating poverty and society restructuring. And these long term plans are designed to achieve the objectives towards becoming a united and fully developed nation status in the year 2020 under the country’s ‘Vision 2020’.

The specific objective of the Vision 2020 is to accelerate industrial restructuring, technological upgrading, human capital development and industrial linking. Malaysia’s Eighth Development Plan emphasises on shifting the growth strategy from input-driven to knowledge-driven in order to enhance potential output growth to accelerate structural transformation within the manufacturing and services sectors and to strengthen socio-economic stability. The plan also focuses on providing initiatives to the private sector with the public providing the institutional framework and quality service. Special emphasis is also given on increasing productivity and efficiency through HCD, encouraging research and development activities as well as utilizing the latest technologies, particularly the use of information communication technologies (ICT). (The Eighth Malaysian Plan, 2001-2005). And the latest Ninth and Tenth Malaysian plans has placed investment in human capital as the main thrust as its strategy. The aim of the 9 and 10 MP are to develop an efficient and talented workforce to increase overall productivity and growth. In addition, incentives and support towards the private sector to increase productivity, enhance human capital and technology development continues from the 8 MP (Malaysia, New Straits Times. Ninth Malaysian Plan thrust on human capital. Retrieved 2006, from http://www.nst.com.my/Current_news/NST/Friday/National/NST32232492.txt/Article/indexb_html.04/02/2005).
B. Economic Development

From independence in 1957 to 1971, the economy of Malaysia was previously subjugated by commodities such as rubber and tin. The export of these primary commodities contributed to the steady economic growth of the country. Being a country having multi-cultural and multi-ethnic groups, the Bumiputra forms the largest groups, and around half of the Bumiputra households are living below the poverty line. The economic and social disparities fuelled racial antagonism and misunderstanding occurs. The ethnic riots in 1969 led to a review in the national development policy. A structured episodic plan known as the First Outline Prospective Plan (OPP1) was introduced, covering a span of twenty years from 1971 to 1990. The OPP1 was formulated to form as a substructure for policies and strategies formulation for the New Economic Policy (NEP).

With the implementation of the NEP, the Malaysian economy showed a dramatic growth. From 1971 to 1990, the country’s annual average growth in GNP was 6.8 per cent with the major export of palm oil, timber, rubber, tin and oil. With the Prime Ministership of Tun Mahathir in 1981, the NEP saw the creation of significant increase in bumiputra commercial, industrial and professional communities. The NEP saw the Government encouraging the growth of private enterprises and incentives such as investments credits, tax exemptions and credit subsidies were provided to develop export manufacturing and the Government began emphasising development in the manufacturing sector. Hence, the development of free industrial zones (FIZ) attracted foreign direct investments (FDI) particularly in the electronics and electrical industries. By late 1980s, manufacturing dominated Malaysia’s export. Major exports included electrical and electronic products, chemicals, processed foods, textiles and processed timber and rubber products.

At the same time, Steel, automobile and heavy industries were also established. Heavy industries Corporation of Malaysia (HICOM) was set up to encourage industrial diversification, generate modern manufacturing activities, and fostering upstream industrial activities. With the support and incentives from the Government, was able to set several automobile companies. One such company is Proton, Perodua and Modenas, the national car project (Haslinda, 2007: 214).

In June 1991, the Second Outline Perspective Plan (OPP2) was established. OPP2 is the first phase of the nation’s journey to realise the country’s Vision 2020 to achieve a developed nation status. The OPP2 provided the platform for the implementation of the New Development Policy (NDP) upon expiration of NEP in 1991. The NDP still retained the broad goals of NEP but it is also focus on hardcore poverty, emphasise on the rapid development of an active Bumiputra Commercial and Industrial Community (BCIC), greater reliance on the private sector to achieve the restructuring objective and the strengthening of human capital development (Second Outline Perspective Plan, 1991-2000).

The shift from an input-driven strategy to a productivity-driven strategy during the OPP2 period was affected by the economic crisis in 1997. However, the OPP2 saw success in achieving its goals with strong fundamental despite this crisis and enabled the country to recover and grow at an annual average rate of 7 percent per annum from 1991 to 2000. The growth was based on input-driven, particularly from capital as the Total Factor Productivity (TFP) was 28.4 percent of
GDP growth, the contribution of labour was 25.9 percent and that of capital was 50.2 percent. During the 1996-1997 period, export grew by 7.3 percent per annum but subsequently slowed down to 0.5 percent in 1998 due to economic contraction but a higher export growth of 14.1 percent per annum was achieved during the 1999-2000 period largely due to the growth in world demand for electronic products and the recovery of the regional economies. And also, during the 1998-2000 period, the government adopted additional to increase productivity, which included the allocation of more resources for research and development(R&D), expansion of education and training and technology improvements.

OPP3 can be regarded as the second phase effort in achieving the Vision 2020 objective. And under the OPP3, the National Vision Policy(NVP) forms the basis of the strategies and programmes under the OPP3. The objective of the NVP are to develop Malaysia into a knowledge-based society; generating endogenously-driven growth through strengthening domestic investment and developing national capabilities, while continuing to attract FDI in strategic areas; increasing the dynamism of agriculture, manufacturing and services sectors through greater infusion of knowledge; addressing poverty and equity ownership of Bumiputras in business sectors; and finally, reorientating human capital development to support knowledge-based society(Third Outline Perspective Plan, 2001-2010).

Under the ongoing OPP3, in 2001, the GDP grew an anemic 0.5 percent due to the global uncertainties but a better expansion was seen in 2002 with 4.1 percent increase in the GDP and subsequently rises to 5.3 in 2003. The positive expansion was due to the growth in the manufacturing sector particularly in the electronics and chemical industries, coupled with the increase in FDI and tax exemption. The implementation of the Asean Free Trade Area(AFTA) in 2003 also helps in thrusting the economic expansion. Hence, the economy continues to grow by an approximate 0 of 7.6 percent in 2004. In addition, this is due to the strengthening of macroeconomic fundamentals and the financial sector together with the strong performance of the economy during the OPP3 period, particularly in 2000 (The Economic Report 1999-2000).

Under the leadership of the sixth Malaysian Prime Minister, Dato’ Seri Mohd Najib, since he took the office of Premiershiop on April 3, 2009. (Thaib. 2012: 41), as a pragmatic leader, and as a continuous effort to achieved the Vision of 2020 he believed that with the increasing challenge in the global environment, the elements of Malaysia’s economy will need to be structurally upgraded in order for the country to avoid the middle income trap and to increase the growth rate. According to him Malaysia needs a model which is more relevant to current times. For that reason he introduced the ‘Economic Transformation Programme (ETP)’.

This ETP is a comprehensive effort that will transform Malaysia into a high-income nation with a per capita income of about RM 48,000 or USD 15,000 in 2020. (ETP. 2010:5). To achieve high-income status by 2020 the country will require an annual real growth rate of about 6 percent in the next ten years. Since the objective to make Malaysia a high income nation is not just a quantitative target only, but also how to make Malaysia an advanced, developed nation with high-income economy characteristics, the way in which the country grows to achieve this objective will be inclusive in nature which will provide opportunities for all Malaysian to share in the benefit by encouraging employment rich growth that can create 3.3 million new jobs. (ETP. 2010:7).
Looking at the growth rate of the Malaysian economy in the third quarter of 2012 was better than expected at 5.2 per cent between July and September 2012 amid challenging global economic conditions. Again, the new measurers to speeds the economic growth and creating more jobs opportunities for Malaysians was announced on November 16, 2012. The Prime Minister Mohd Najib unveiled another 20 ETP new projects that will result in RM 26.1 billion to the country’s Gross National Income and create 64,284 jobs by 2020. These includes a RM 5.23 billion plan by developer Nusa Gapurna Development Sdn Bhd, and the construction of a RM 1 billion petrochemical and maritime industrial centre in Tanjung Bin, Johor by Seaport Worldwide Sdn Bhd. While eleven of the projects which amounted RM 6.68 billion was fell under the National Key Economic Areas (NKEAs) while the rest were under three economic corridors, including the Sabah Economic Development Corp (NST Business Times, Nov 17, 2012: B1).

Meanwhile, of the projects announced by Prime Minister, five were healthcare-related. They include the construction of a RM 40.3 billion, 108-bed “green” hospital by Amanjaya Specialist Centre Sdn Bhd, which is expected to be operational in the first quarter of 2014. In addition to this, there is also a RM 68.5 million project known as KASIH, which will be undertaken by Love On Wheels Healthcare Services Sdn Bhd, that will see senior citizens receiving post-hospitalisation care in the comfort of their own homes. According to Prime Minister despite continuing global uncertainty, Malaysian remains an attractive destination for investment. As he said that “Our growth remains strong, the fundamentals of our economy are sound and our commitment to structural change encourages investors to see Malaysia as a country that looks to the future” (NST Business Times, Nov 17, 2012). It is believed that with the 20 more ETP mentioned projects certainly would improve further the job market because of an expected increase in the number of jobs generated by the projects, and at the same time also the businesses supplying goods and services would also benefit from the ETP project, as suppliers of good and services for the ETP projects would benefit in terms of higher sales as well as revenue growth, and in turn, these businesses will be able to remunerate their employees better and hire more workers. According to the RAM Holding chief economist ,Yeah Kim Leng that the ETP projects affirmed Malaysia’s attractiveness as an investment destination (NST, Nov 17, 20012: 2).

C. Human Capital Administrative System in Malaysia

The administrative system of human capital development (HDC) in Malaysia is governed by the Ministry of Human Resources. The objective of the Ministry is to develop a competitive workforce on industrial harmony and social justice. This objective is keeping with Government’s policy under National Vision Policy (NVP). There are several departments, statutory bodies, company and Advisory Council under the Ministry of Human Resources. There are nine departments, two statutory, one company and four Advisory Councils. These authorities are responsible for a whole range of activities related to human capital.

For instance, Human Resources Development Council (HRDC) is involved in the development and upgrading the skills and workers in the manufacturing and services sector. And the National Vocational Training Council (NVTC) is involved with the development, training and education of human capital in specialised technical skills (Ministry of Finance 2001. The Econ Report 1999-2000). Broadly, the departments, statutory bodies, company and advisory councils that falls under the hierarchy of the Ministry of Human Resources, governs the country’s employment
systems and functions such as recruitment, selection, industrial and employment relations, training and development and also the safety and health of human capital in the working environment.

In addition to the governing authorities and bodies under the Ministry of Human Resources, other Ministries are also part of the system in the development of human capital. For instance, the Ministry of Education, Ministry of Entrepreneurship and Ministry of Youth and Sports. These ministries play a major role in supporting the development of human capital in Malaysia by providing the human capital with pre-employment knowledge and skill required by industries.

CONCLUSION

The role and function of HCD is increasingly vital at the organizational and national level as well as in the global context. Researching and studying HCD in Malaysia is challenged by the lack of empirical studies in the field of HCD. Hence, in understanding Malaysian national strategies towards HCD, will assist academicians and researchers with literature and further research to add justice to the lack of empirical literature in Malaysia.

In short, it is possible to say that the HCD in Malaysia has different categories of training and education. First, is the formal academic education obtained from the universities, and other institutions. Secondly, is the formal training and education from the technical and vocational institutions obtained from polytechnics all over the country. And finally, for working individuals, there are informal training and development obtained from various programmes offered by the workplace.

In conclusion, it is possible to say that Malaysia provides an interesting case study of HCD as a national strategy. The human capital strategy is integrated with the economic and national strategies for the nation, contributing to Malaysia’s economic development. Although it may not be possible to show a cause-and-effect relationship between the HCD strategies adopted in Malaysia and their contribution to Malaysia’s economic growth, HCD strategies have played a critical role.

When the country became independent in 1957 the economic activities was dependant on commodities. The Government then came up with a strategy to reduce poverty, and with the economic activity influenced by industrialisation, the Government came to the conclusion that human capital in industrial sector would be one of the driving forces for the countries socio-economic growth. The countries development plans and policies as well as the economic development lead to the country being knowledge based economy.

The notion of knowledge-based economy is ability for the human capital to create, innovate, and generate new ideas, as well as apply technology and exercise superior entrepreneurial skills. Organizations are to become more knowledge-intensive when more industries are adopting the concept of knowledge-based workforce. Accordingly, the economy will be characterized by knowledge-based activities and high-technology industries accounting for a significant share of employment, GDP and exports. Hence, knowledge will become a commodity to be traded, besides being a factor of production.
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