

## **Skill formation, employment relations and institutional support. A comparison of emerging knowledge economies in East Asia with the Nordic countries.**

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### **INTRODUCTION**

*Skill formation has often been related to varieties in capitalism, different welfare or industrial relation (IR) systems and different national and local traditions for education, training and learning (Hall & Soskice, 2001). With globalisation and emerging knowledge dominated economies, multinational and national lead firms develop their own human resource management (HRM), in-house training, education and R&D. Similar quality standards, work norms and control systems point in direction of company level convergence of both standards and skills. In an article Lauder et al (2008) forward a thesis of 'a new global skills regime' and 'skills capture' by multinational companies (MNCs), cutting embedded bonds to labour, national or local traditions. They analyse skill formation on lead company level and conclude there is a new shift to skill capture and convergence of skills as a result of globalisation, off-shoring and MNC arbitrage of labour skills, which may profoundly affect different welfare systems.*

*In this article we will relate skill formation to HR and IR institutions not to welfare systems or varieties of capitalism as discussed by Lauder et al. However inspired by their thesis skill formation is analysed on company level as well as vocational and national educational level and compared to different HR and IR traditions.*

*In our view large-scale industrial manufacturing has had a tendency to converge and standardise work processes (e.g. auto industry platforms). Skill formation has been embedded in the 'machinofacturing' system with collective regulation of work discipline and IR system. Externally generated skills are used and controlled by companies - and in this way 'captured' also during the era of Fordism. But in a knowledge dominated economy, the competitive edge of knowledge-intensive work in companies is internal generation of skills, i.e. new knowledge, not control or use of existing, externally generated skills. Skill formation is embedded in workers intellectual capacity, 'captured', generated and globally converged by company HRM systems, but often without binding relations to industrial machinery or IR. National education and vocational training must support generation of knowledge on uniform, global standard levels to be attractive for leading MNCs. Skill formation is at the same time both more individualised or self-governed and more uniform, global and formalised (less tacit). Although the dominant discourse has its focus on individuals' free choice of education and job, individual performance and competition, is it possible that the knowledge economy implies a stronger convergence of skills than industrial capitalism?*

### **BACKGROUND. CASES. COMPARATIVE METHOD.**

The spread of knowledge intensive forms of production in services and manufacturing has increased in the last decades around the world. In most OECD countries, they represented more than a quarter of total employment in 2008. The share was even larger in northern Europe (39,6 % in Sweden, 39,1 in Denmark, 38,0 % in Norway, 34.2 % in Finland) (OECD 2009). In emerging economies like Singapore, Malaysia the share of professionals and technicians of total employment has also increased remarkably in the last decade. In Singapore and Malaysia, 28 % of the total employment is professionals and technicians (ILO 2009). It is above the average level of OECD countries. A particular characteristic of the knowledge intensive work is the increasing share of women. Both in the Nordic countries, Singapore and Malaysia the percentage of women

is higher than men. Another characteristic is the high union participation rate among workers in the knowledge intensive production in Nordic countries (Statistisk Årbog 2009). In Singapore and Malaysia, where the unions do not have the same stronghold the unionisation of knowledge workers is much lower but there are exceptions: Bank employees have high union participation.

The increase in knowledge intensive forms of production has changed governments' and companies' interest and focus on skill formation from an area of relative low priority to a high priority area (Brown, Green and Lauder 2001). This paper is concerned to examine to which extent the increase in knowledge intensive production impacts upon the skill formation agenda of companies, governments and trade unions. What impact does this agenda have on employment relations and working life culture? The agenda setting actors are government ministries and agencies; lead global and national companies; unions and employers organisations. They all are facing the challenge of preparing workers to the knowledge economy. But they place different emphasis on meeting that challenge. Lead global and national companies press governments to support and provide education and training of workers. Their argument for increased emphasis on skill formation is that skills depreciate much more rapidly in the knowledge economy than they once did. The governments in the Nordic countries, Singapore and Malaysia support that argument and have established partnership with lead global and national companies on developing education and training of workers. Most unions and employer organisations in the Nordic countries are supporting the upgrading policy while unions the Malaysian manufacturing industries are more hesitating to engage in policies supporting workers upgrading. They prioritise minimum wages instead of skill upgrading. The weak link in skills upgrading, however, is small companies. They have difficulty to take own employees out of daily work schedules and are concerned by short time cost effective considerations.

In this paper we focus on how the challenge of preparing workers to the knowledge economy is being met in Malaysia and Singapore, as representatives of the emerging South East Asian (SEA) economies, and in Denmark, as representative of the Nordic countries. As lead global and national companies are the main agenda setting actors we have examined to which extent they have made impact upon the national skill formation agenda (Lauder et al 2008). We will investigate skill formation institutions and lead companies' HRM and skills upgrading strategies in Malaysia and Singapore, on the one hand, and in Denmark, on the other hand. The comparative approach opens for highlighting how the same overall challenge of preparing workers to the knowledge economy is handled in different social and economic contexts with very different IR traditions.

### **THE SKILL FORMATION AGENDA.**

In Denmark, Singapore and Malaysia, lead companies and governments have set nearly similar strategic skill formation agendas, which aim at building human resources with capacity to navigate in a more knowledge based economy. Although there still are many companies that employ low skilled labour the strategy agendas are to shift the demand to high skills labour. The trend to offshore low skills work both in services and manufacturing to low wage countries underpins this strategy thinking. Neither has the new trend to offshore higher skills work to India and China changed the strategy. On the contrary, the three governments emphasise that small countries like Denmark, Singapore and Malaysia are compelled to climb up the ladder of skills upgrading higher than ever before. To do this the governments and the companies need to prepare the work force to mobility, flexibility and lifelong learning.

The multitude of training activities do not only inform us on important elements in the skill formation agenda, they also indicate a new perspective on labour. When employers invest in training of their employees they change perspective and perception of employees from a cost factor to an investment object. This change of perspective has an impact on employment relations. As a cost factor the aim is to invest as little as possible in labour and increase labour productivity. Investment in technology and reduction of labour cost is the main competitive factor. When the competition changes to higher quality and standards the emphasis becomes more

directed towards skills development and upgrading, and growth of employee skills is seen more as an investment than a cost of the company. Labour with skills becomes the most valuable asset and labour is expected to become part of a continuously learning process (life long learning). The higher the skills level the more important is the management of this resource. Thus, skills development and human resource strategies become the leading competitive factor. The individual employee becomes also more important to keep in the company because of the continuously investment in skills upgrading. Moreover, the individual worker has partly a management function through participation and delegation of decisions, and thus a collective and individual role, which gives more shared responsibility for the company. The sharp division and conflict between the interests of management and workers can easier be diminished (Fleming and Søbørg 2006).

The skill formation agenda is therefore not only a question about training of employees, it also is about managing the relation between employer and employees, so that the employees are feeling themselves as part of a corporate "us" that appreciate them as individuals with values and rights (Global Danfoss 2003). The strategies of HRM and corporate social responsibility (CSR) are closely linked. In many companies, especially lead companies, commitment to training becomes an important component in the labour contract between employer and employees. The employer expects that the employees are willing to attend required upgrading activities to keep up with firm internal mobility and flexibility. This HR policy is for some employees a window of opportunity while for others it is a constant stress factor. For the employer the risk is to lose investments in skills to competing firms due to 'job hopping'.

Trade unions in Denmark and Singapore - but much less Malaysia - are engaged in setting up these skill formation agendas. Their strategy is to incorporate skills upgrading as a right for the individual employee in the collective agreements. In Denmark trade unions in negotiation with employers' organisations have reached the agreement that the individual employee has a right to skills upgrading and each course is an outcome of a negotiation between employer and employee. In Singapore and Malaysia the employers have the rights to decide about the individual employee's training. We will later come back to this difference in IR and working life culture. But first we will outline how lead companies set up their institutional environment for high skills training and how the governments in Denmark, Singapore and Malaysia support skills upgrading by offering labour market related training courses.

### **SKILLS UPGRADING INITIATIVES IN PRIVATE COMPANIES.**

The skill formation agenda in national and multinational companies is an outcome of individual companies' production history, their position on the national and global market etc. In our study of skills strategies in national and multinational companies we have found that quality and standards norms are decisive for how the skill formation agenda is set in the individual company. We have seen that the stronger the focus is on high quality and standards the higher the company is prioritising skill formation, especially among their managers, professionals and technicians. Focus on quality and standards norms has also a great impact on skills homogeneity within a company and between companies.

We will present an outline of skills upgrading initiatives among leading companies in Malaysia and Denmark in order to show how these companies set the skill formation agenda. The institutional settings reflect their priority of high quality and standards. All want to show their high level by building own universities or academies.

In Malaysia large national companies like Petronas (oil and gas), Tenaga Nasional (electricity) and Telekom Malaysia (communication) are designated as drivers and role models in the national skill formation strategy. Petronas is government owned while the two others are privatised, but still with strong government influence. They are giving high priority to education and training of their employees. Petronas for instance has launched an "Education and Training Master Plan"

that aims to engage all employees in a continuous education and training program ([www.petronas.com.my](http://www.petronas.com.my)). As part of this plan technicians, middle managers and managers attend undergraduate and postgraduate courses at Malaysian and foreign universities or courses in leading multinational companies. Interestingly, Petronas emphasises the spreading effects of its education and training efforts not only to the oil and gas industry in Malaysia but to the whole East Asian region. There is no documentation of these effects on Petronas' company website but the intention fits well with the government's strategy of upgrading (Ninth Malaysia Plan, 2006: 252).

Tenaga Nasional and Telekom Malaysia are just as ambitious in their education and training programs as Petronas. In addition to their company programs they have established their own universities ([www.tnb.com.my](http://www.tnb.com.my) and [www.tm.com.my](http://www.tm.com.my)). Tenaga began already in 1976 to run its own institute. In 1997 it was upgraded to university status. Its main campus is in Kuala Lumpur and a smaller one in Penang. The university focuses on engineering, information technology and business management. In 1997 Telekom Malaysia established University Telekom in Malacca. Later in 1999 it changed name to the Multimedia University. It has established a campus in the Multimedia Super Corridor outside Kuala Lumpur. The Multimedia University is the biggest and most popular private university in Malaysia measured in number of students. Like Tenaga University it provides education in engineering, information technology and business management but it also provides education in creative multimedia science.

Although the last two universities are private they are important elements in the government's upgrading strategy and they are role models for partnership between the private and public sector. The former Prime Minister Mahathir Mohamad, who was the chief architect in developing the partnership model, considered the government's partnership with private universities as flagships in the Malaysian education policy (Mahathir 1998). In his book about the Multimedia Super Corridor he emphasised the Multimedia University as such a flagship. He looked at the relation between this university and the Multimedia Super Corridor as the relation between Stanford University and Silicon Valley. Since Mahathir published his book the number of students at the Multimedia University have increased to about 20.000. More than 2000 students are above Bachelor level ([www.mmu.edu.my](http://www.mmu.edu.my)).

The Multimedia University is path breaking within university teaching in Malaysia by emphasising student involvement in evaluations and group work with supervisors. It has a close collaboration with IBM, Microsoft, Intel, Cisco, Nokia who have donated laboratories. For the government this collaboration is a role model for networking with international lead firms within and outside the Multimedia Super Corridor.

The three companies have no doubt a great influence on the skill formation agenda in Malaysia by setting high international standards for skill formation of managers, professionals and technicians. They emphasised their collaboration with lead global companies and universities and their aim is to be at the same level. Although they are national companies with national values they are also strong proponents for international convergence regarding skill formation and quality standards. We have no data that prove a triggering down effect, but as we will show later several national and multinational companies have set up skills development centres, which build on the same partnership model as the three companies have with the Malaysian government.

Danish companies like Danfoss and Grundfos are following the same path as the leading Malaysian companies. They have close co-operation with local skill formation institutions both in Denmark and abroad. They have established academies in Denmark especially for managers, dealers, sales people and technicians. The aim of these academies is to reach homogeneity in production, sales and services in their subsidiaries and in the parent company. They are very focused on organisational arrangements that connect skills and competence development together with quality and standard norms. New communication systems enable them to set up organisational arrangements which link up all units in a company. Grundfos, for instance, has set

up a benchmarking system, in which couples of companies compare each other's performance regarding quality and standard norms in the company. According to the general manager in Grundfos Singapore this benchmarking has enhanced the awareness of quality and standard norms among the employees and put focus on the local strength and weakness of their skills and competences in a comparative perspective. Danfoss has set up similar organisational arrangements to support homogeneity in quality and standards. Moreover, the two companies use IT to provide on-line training courses in new products for sales staff and technicians before the products are launched. According to the 'Drivers', an on-line training provider group in Danfoss, these types of courses are new tools to break down technical and marketing knowledge differences in the company.

However, the two companies emphasise that the new communication systems cannot replace on-site training courses in the subsidiaries nor headquarters courses. On-line training courses are useful tools to transfer of technical and marketing knowledge but transfer of organisational practice and management knowledge need another format. Our findings in Danfoss and Grundfos prop up this viewpoint. Both sales people and technicians who were asked about their skills stressed that on-line information and training courses are useful but on-site training courses are more suitable for organisational issues like how to set up and manage team work and delegation of responsibility. Moreover, they emphasise the important of sharing experience with colleagues during these courses.

In Danfoss' and Grundfos' subsidiaries in Singapore and Malaysia we asked the employees in which of the following courses and educational activities they had participated:

- a New technology.
- b Quality control.
- c Teamwork and participation.
- d IT-courses.
- e Strategic planning, marketing, customer relation.
- f Leadership development.
- g Human resource and personnel planning.

The management/professionals group has participated in courses and educational activities covering all the subjects, while the supervisors, sales representatives and technicians group has participated in training activities covering new technology, IT-course and strategic planning. Clerical staff has mainly attended courses in IT and strategic planning covering marketing and customer relations. The skilled workers and semiskilled/ unskilled workers groups do not differ much in their training activities. They were typically only offered courses in teamwork and participation (c).

It is our impression that the managers, middle managers and technicians group is well equipped to receive new technological and organisational knowledge from the headquarters and to transform this knowledge into workable procedures in the subsidiaries. In this group there seems to be great homogeneity in skills between them and similar groups in the headquarters. Most of the employees in this group have participated in the two companies' training courses at their academies in Denmark. This group of higher core employees is an illustration of convergence of skills development in lead multinational companies.

When national and multinational companies like Petronas, Tenaga Nasional, Telekom Malaysia, Danfoss and Grundfos invest a lot of money in training their managers, dealers, sales people and technicians they also want to keep them. All five companies try to keep their employees through good salaries, benefits, social welfare schemes and corporate social responsibility policy. We have asked sales people and engineers in Danfoss and Grundfos (Singapore and Malaysia) why they wanted to work in the two companies. It was not so much because of the salary but more

because of the work climate in the companies. We cannot generalise from this observation but it is in line with the high priority that human resource management gives to soft values and corporate social responsibility.

Although many upgrading activities in larger companies are undertaken by themselves in internal courses they also send their employees to government offered training courses. We will in the following outline governmental skills upgrading initiatives in Malaysia and Denmark. We do not go deeper into Singaporean initiatives (except for a comparative table of statistics) because they are more or less of the same type as the Malaysian ones. Malaysia has borrowed the architecture in its skills development program from Singapore. Moreover, there are many analyses and accounts of Singapore skills development system (Ritchie 2009; Kuravilla, Erickson, Hwang 2002).

### **SKILLS UPGRADING INITIATIVES BY GOVERNMENTS.**

The Human Resource Development Fund in Malaysia was established in 1992 with the aim to support skills upgrading processes in the companies. A for runner for the Fund was the Double Deduction Incentive for Training (DDIT) scheme set up in 1987. Both initiatives were an outcome of the government's concern about human resource development investment in medium size and small companies (Abdullah, Rose, Kumar 2007) . The DDIT scheme invited the companies to deduct the double of the expenditure to training. Although it was a favourable offer it was a limited number of companies that applied in the first years. Between 1987 and 1993 the Malaysian Industrial Development Authority (MIDA) that was administrative responsible for the DDIT system only approved 591 in-house training programmes involving 3253 employees (Tan & Gill 2001). There were very few small companies that applied. According to a survey it was partly because of lack of information and partly because of little interest in training employees (Tan & Gill 2001).

The limited interest in the DDIT scheme paved the way for establishment in 1992 of Human Resource Development Fund (HRDF). The inspiration to the fund was from the Singaporean government who in the beginning of 1980s set up a similar fund. Unlike the DDIT scheme the HRDF is not a subsidy scheme. Employers who have contributed for a minimum of six months to the fund are qualified to apply for coverage of training expenditures up to the limit of their total levy (1 per cent of the payroll) for any given year. The Human Resource Development Council with representatives from the private sector and government agencies sets rates of financial assistance. The government stipulates by law which categories of employers are liable to pay Human Resource Development levy – paid for each working employee. Originally, the aim of the fund was to support training in companies with more than 50 employees. But under the Human Resource Development Act 2001 the government made new regulations. Still employers with fifty and above employees in the manufacturing sector are liable to pay levy for each working employee to the fund. But now the fund also covers employers with ten to forty-nine employees and a paid-up capital of RM 2.5 million and above in the manufacturing sector; employers with ten and above employees in twenty-one selected industries in the service sector. The rate of financial assistance is from 2008 on 100 per cent for most training activities, yet assistance to overseas training ranges from 50 to 100 per cent ([www.hrdf.com.my/wps/portal/PSMB](http://www.hrdf.com.my/wps/portal/PSMB)).

Table 1 below throws light on re-training and skills upgrading in the manufacturing and private service sector. The total employment in the manufacturing sector in 2007 is 1.977 million and in the private service sector is 1.601 million (laborsta.ilo.org). The number of training places in the manufacturing sector is 22 per cent of the total number of employment in the sector while the number of places in the private service sector is 17 per cent of the total number of employment in the sector. The places did not have equal prices. They are for instance more expensive in telecommunication and computer than in hotel.

Table 1

*Number of training places in Malaysia approved by the Human Resource Development Council, by manufacturing and private service sector (selected industries).*

<b>Manufacturing</b>	2006	Financial assistance per cent of sector total	2007	Financial assistance per cent of sector total
Food Manufacturing	27.149	6.11	26.397	5.87
Printing, publishing	11.505	3.48	11.253	3.22
Chemical products	17.479	4.86	20.079	5.22
Rubber products	17.346	3.65	17.586	3.75
Plastic products	22.628	5.41	24.950	5.17
Non-metallic product	13.408	3.16	14.021	3.00
Iron/steel industries	13.612	2.80	16.866	4.00
Electronics/electrical	135.865	34.75	145.241	34.62
<b>Private service</b>	2006	Per cent of total	2007	Per cent of total
Energy	27.749	12.40	35.670	15.90
Hotel	40.870	12.33	37.710	10.10
Postal/carrier	13.618	5.52	13.689	4.40
Telecommunication	17.485	10.73	20.546	10.34
Computer	17.556	13.84	21.935	15.28
Private higher learning	15.446	7.65	20.489	6.67
Private hospital	11.991	3.41	16.750	3.98

Source: Pembangunan Sumber Manusia Berhad (Human Resource Development Council) 2007.

Most of the training places are filled up with employees from companies with above 100 employees. In comparison with Denmark the number of training places is not so high. In 2008 about 755.000 training places were filled up with employees from the private sector attending re-training courses in the continuing vocational and training system in Denmark (AMU statistics. [www.umv.dk](http://www.umv.dk)). Each individual employee can attend more than one course a year. So the number of training places is not equivalent with the number of employees attending re-training courses. It is the same in Malaysia. According to a Statistics Denmark survey the actual number of employees attending re-training courses is lower than the training places (Nyt fra Danmarks Statistik 2007). However, viewed in the light of a total work force of 2.576.700 employees of which about 800.000 (28 %) are employed in the public sector the number of training places is high. It is about 42 per cent of the total work force in the private sector. Like in Malaysia there are not so many employees from small companies attending these re-training courses.

Although the number of training places in Malaysia is not as high as in Denmark the number indicates on the other hand that an active labour market policy and financial assistance to re-training has an impact on whether employers are investing in human resource development. As mentioned the Malaysian government is inspired by the Singaporean government to pursue such a labour market policy and institution building. There are many similarities between the two systems regarding funding training and re-training programmes. Table 2 below indicates that the Singapore skills development system is providing many more training places than the Malaysian system. In that connection it is important to emphasise that Singapore has run its system 10 years longer than Malaysia and that the Singaporean economy is more developed.

Table 2

*Proportion of Singapore employees provided with structured training in training providing establishments by occupation, industry and establishment size, 2008*

Industry	Overall	*PMET	Clerical, Sales & Services	Production & Related
Total	56.5	59.0	54.8	55.1
Manufacturing	55.8	57.3	33.5	57.9
Construction	51.2	31.1	15.0	57.7
Services	58.0	61.7	59.3	47.5
Wholesale & Retail trade	50.3	49.2	53.4	44.9
Wholesale trade	45.8	49.0	39.8	46.5
Retail trade	58.6	50.2	63.2	38.2
Transport & Storage	61.4	63.7	73.7	49.7
Hotels & Restaurants	62.8	61.3	66.9	47.2
Hotels	59.8	62.6	65.6	48.2
Restaurants	64.2	60.3	67.3	46.0
Information & Communication	55.4	58.3	44.6	38.5
Financial Services	73.0	75.2	65.4	19.2
Real Estate & Leasing	48.0	58.5	45.0	44.2
Professional Services	55.9	59.8	37.5	56.5
Administrative & Support	47.1	41.6	50.8	43.5
Community, Social & Personal Services	60.0	62.4	59.5	46.4
Others	67.8	73.3	70.4	65.9
Establishment size				
25-99 employees	44.4	44.6	33.2	49.4
100-249 -	48.2	49.1	36.7	51.6
250- or more -	63.1	66.2	65.2	58.7

Source: Manpower research and statistics, Ministry of Manpower, Singapore 2009. \*PMET; professionals, managers, executives, technicians.

Bryan K. Ritchie has made a comparison between the Singaporean and Malaysian skills development systems. He focuses on institutional capacity and bureaucratic efficiency, and he emphasises how much the Malaysian bureaucracy is lagging behind the Singaporean one (Ritchie 2009). In this comparison he is neglecting the achievement that the Malaysian bureaucracy has reached despite fragmented coordination and conflicting interest between the main actors in the education sector. Our comparison of the Malaysian re-training system with the Danish one shows that it is doing relatively well viewed in light of its new tradition of re-training and its problems of instigating small and medium size companies to invest in human resources (cf. later). The Malaysian case shows that an active labour market policy matters although it is not so co-ordinated and efficient as the Singaporean one.

### **THE DIFFERENCE IN GOVERNANCE OF RE-TRAINING SYSTEMS IN DENMARK AND MALAYSIA.**

In contrast to Denmark the labour partners do not play a crucial role in governing the vocational and training system in Malaysia. It is the government and the employers' organisations that are governing the system. In order to depict the characteristics of the Malaysian system we will compare it with the Danish one, which is a less government and employer governed system based on the Nordic tradition of tripartite agreement.

In Denmark the social partners (trade unions and employer organisations) play an institutional role at all levels in the vocational and training system (VET), from the national councils that



advise the Ministry of Education about VET, to local training committees which advise the VET providers about the local education plans. The Ministry of Education is responsible for providing education and re-training programmes.

In the continuing VET programmes (CVET) targeted primarily at unskilled, semi-skilled and skilled workers every individual employee has a right and obligation of up to 10 days training per year in courses matching the company's strategy for human resource development. In the training period the employee gets full wage compensation consisting of unemployment benefit and employer paid salary subsidy. After the collective agreement in 2007 employees in the private sector have a right to additional re-training up to 10 days. The social partners in several industries and branches agreed to set up competence funds covering the expenditures of these additional re-training days ([www.danskerhverv.dk/RAADGIVNING/OVERENS](http://www.danskerhverv.dk/RAADGIVNING/OVERENS)). The trade unions had for several years fought for additional re-training days in which employees can choose re-training subjects by themselves. The employers' organisations had been against because they did not want to fund re-training activities chosen by employees themselves. They argued for self-payment by the employees for these additional re-training days. The compromise in the 2007 collective agreement was that employers' organisations and trade unions stipulate in the individual industry or branch the range of courses and programmes that the individual employee is allowed to apply for. The agreement stipulates that after 9 months of employment every individual employee has a right (from January the first 2009) to apply the fund for coverage of re-training expenditures up to 10 days per year. In some industries the funds cover 85 per cent and in others up to 100 per cent of the lost salary during the re-training period ([www.selvvalgtuddannelse.dk](http://www.selvvalgtuddannelse.dk)).

The main difference between the Danish re-training system and the Malaysian one (and many other systems in Asia and Europe) is the involvement of the labour or social partners and the emphasis in collective agreements about every individual employee's right to re-training. In Malaysia the individual employee does not have a right to re-training. It is up to the individual employer to decide who of the employees are sent on re-training courses. Company loyalty may then be the governing principle.

The difference is rooted in different historical traditions of labour market institutions on and different management-labour relations. In Denmark the individual employee's right to re-training is as mentioned an outcome of the trade union's strong position and support to individual employees in negotiation of collective agreements with the employers' organisations. In Malaysia the trade unions are not in a similar strong position to put pressure on the employers' organisations. Therefore, the re-training policy is primarily in the hands of the Human Resource Development Council and the employers. They have built up an institutional capacity to support human resource development lacking trade union and small firm involvement. Also in Denmark there are problems of involving companies below 100 employees in training and re-training activities. But after the 2007 collective agreement statistics shows that more employers have accepted to send their employees on training courses (AMU statistik. [www.uvm.dk](http://www.uvm.dk)). So a pressure on the employers from the labour to prioritise re-training seems to have an effect. The Danish trade unions look at their upgrading initiatives as a lever to turn the decreasing trends in membership in recent years and to revitalise collectivism against the strong tendency to individualism in working life culture.

### **SKILLS DEVELOPMENT CENTRES AND THE PROBLEM OF INSTIGATING SMALL AND MEDIUM SIZE ENTERPRISES IN HUMAN RESOURCE DEVELOPMENT.**

Since the Malaysian government launched the Industrial Master Plan in 1986 it has aimed at pursuing an active labour market policy supporting innovation and development of new technology. It has emphasised to build up institutions that promote collaboration between companies and training providers. The problem has not been lack of institution building but motivating SMEs to invest in training and re-training of their employees. They are hesitant towards training. The reason for this hesitation is cost-effective considerations vis-à-vis actual

bottom-line result (Malaysia: Firm 2005), or, as explained in interviews, to run daily business without an employee who is the only one with the specific competence needed.

The main drivers in the upgrading process are larger national and multinational companies together with the government. Several of these companies have made partnership agreements with the government about upgrading initiatives. An example of such partnership is the skills Development Centres in which larger companies in cooperation with local governments set up training centres.

The first centre was established in 1989 in Penang. Later similar centres were established in other local states. The initiative to launch such centres was taken by multinational companies in Penang. They needed skilled workers to their more and more technological advanced productions and because the supply of skilled labour was limited they addressed the local government with a proposal of establishing a training centre based on a partnership construction. The companies delivered technical equipments and trainers to the centre. Later the partners have set up a Centre of Excellence. It provides training to small and medium size companies in a Global Supplier Program. Many suppliers to multinational companies have shown an interest in this program because they are facing problems delivering world-class products and services (ilo.org). The program consists of two initiatives. The first is about training employees in new technology. The second aims at establishing partnerships between multinational companies and local suppliers about knowledge sharing and upgrading. The trainers come from the involved multinational companies. Several of the courses in the program are spread over a two years period with current evaluations.

Employers' organisations are also engaged in providing short and long duration training courses, particularly for small and medium size companies. They are facing problems of instigating these companies to invest in human resource development. The barrier is often their short time cost effective considerations (Kian Aun Law 2008). Unlike many larger national and multinational companies they tend to think that training does not pay, or they think that they need not to send their employees on training courses as long as workers who possess the necessary skills are available on the labour market. Access to funding of training courses seems not to influence their view. The Human Resource Development Council's overview of distribution of funding shows that their share of the total annual funding was very little up to 2000. (Tan & Gill 2001). The above-mentioned survey of Kian Aun Law shows that small and medium size companies' hesitation towards investing in training has not changed much in the following years.

The picture is almost the same in Denmark. Although more small employers are sending their employees on re-training courses the number is still very low compared with larger companies' investment in human resource development. Employees in companies with above 500 employees are five times more on re-training courses than employees in companies with 5 employees ([www.danskbyggeri.dk.nyheder](http://www.danskbyggeri.dk.nyheder)). Approximately 90 per cent of the total 275.000 companies are in the category smaller than 10 employees ([www.StatisticsDenmark.dk/erhvervsbeskaeftigelsen](http://www.StatisticsDenmark.dk/erhvervsbeskaeftigelsen)). Just like in Malaysia most of the financial assistance to re-training courses accrues to the larger companies. It implies that many small companies often are lagging behind in industry skills upgrading. They are relying on the learning-by-doing skills formation in the company and on the general skills formation in the educational system.

However, if SMEs are forced by increasing competition to implement new technology or organisation their hesitation to upgrading is abating. Although rarely, we have seen that several SMEs have shown interest in being ISO 9000 certified in Malaysia. It is prestigious to document ISO certification. The ISO certification program sets quality standards for employees and enhance productivity. It has instigated SMEs to invest in upgrading. But we have also observed that the interest in upgrading is not deeply rooted in these companies. Their hesitation is difficult to break down. But the ISO certification program is anyhow an example of how SMEs' short time cost-effective considerations towards upgrading can be changed. Also the pressure from

multinational companies or larger national companies on local suppliers can instigate or compel SMEs to invest in re-training courses for their employees.

## **CONCLUSION.**

We have seen that the emergence of a more knowledge based economy in Denmark, Singapore and Malaysia has led to a skills upgrading divide between larger and small companies. Within the more knowledge intensive companies our findings indicate a divide between managers, professionals and technicians on the one hand and the other employees on the other hand as to participation in skills upgrading. The smaller companies are not against the skills upgrading agenda but they are hesitant to follow that agenda. Although they have access to government financial assistance as well as larger companies they hesitate to let their employees participate in skills upgrading courses. The barrier is often their short cost effective considerations underpinned by the perception that training does not pay as long as they can get workers with necessary skills on the labour market.

The governments in Denmark, Singapore and Malaysia are very aware of the skills upgrading divide between larger and smaller companies and as we have shown they try to alleviate smaller companies' access to funding assistance. Statistical data indicate that it has not help that much. Our Malaysian ISO 9000 cases shows that there are ways out of the divide, but the problem is that it is not a push that last so long. After ISO certification the small companies may relax again.

We have shown that that the social partners particularly in Denmark and to a lesser extent in Malaysia play a crucial role in carrying out the skills upgrading agenda. In Denmark the trade unions look at education and training as a lever to redefining their role and tasks. They believe that the skills upgrading agenda may help them to turn the decreasing trend in membership and revitalise collectivism in a historical period with strong individualistic tendencies in working life. In the redefining attempt they put emphasis on individual rights and formulate their policy as rights to education and training.

The skills upgrading agenda is also used by management as a lever. Their interest is to link skills upgrading with retention. When they invest a lot of money in training they also want to get something out of it. HRM tries to respond to this challenge by building up a corporate culture that emphasises commitment and social responsibility.

Our analysis has shown that Denmark, Singapore and Malaysia are handling the challenges of the knowledge based economy in building up similar institutions to support skills upgrading and they are partly facing the same problems of incorporating smaller companies in the skills upgrading agenda. The difference between Denmark as a Nordic case and Singapore and Malaysia as SEA cases is mostly rooted in different working life cultures and tradition of labour codetermination. All three national skills development systems are highly influenced by lead companies' skill formation agenda. The quality standards are the same in their global skill formation and HRM departments try to converge or homogenise job structures and performance incentives globally.

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