

MALAYSIA: ENHANCING JOBS STRATEGY

**Ministry of Human Resources
Human Resources Policy Division
Level 7, Block D3, Parcel D
Federal Government Administrative Center
62503 Putrajaya
Malaysia**

Summary

This paper consists of five sections, including The Malaysian Population and Economy; Outlook on the Malaysian Labour Force and Market; Forecast of Human Resources Requirement; Approaches Adopted by Malaysia towards Job Strategy; Policies and Programs to Address HRD Issues; and conclusion.

Population in Malaysia was estimated at 27.2 million for the year 2006 and the average annual population growth rate, 1991-2000 was 2.6 percent. The growth was achieved with inflation averaging at low of 2.9 percent per annum, and similarly unemployment average 3.1 percent over the period.

The economic evolved from capital-led growth in 1991 to growth based more on capital, labour and total factor productivity in 2005. Economic structure continued to develop from manufacturing to services. Now Malaysia is going towards knowledge-based services, especially with the establishment of Multimedia Super Corridor (MSC) followed by National Biotechnology Policy launched in 2005.

The labour force estimated increase to 11.5 million in 2006 and unemployment rate at 3.5 percent. Employment increase at an average rate of 3.3 percent per annum with 1.6 million new jobs created during the period of 2001-2005.

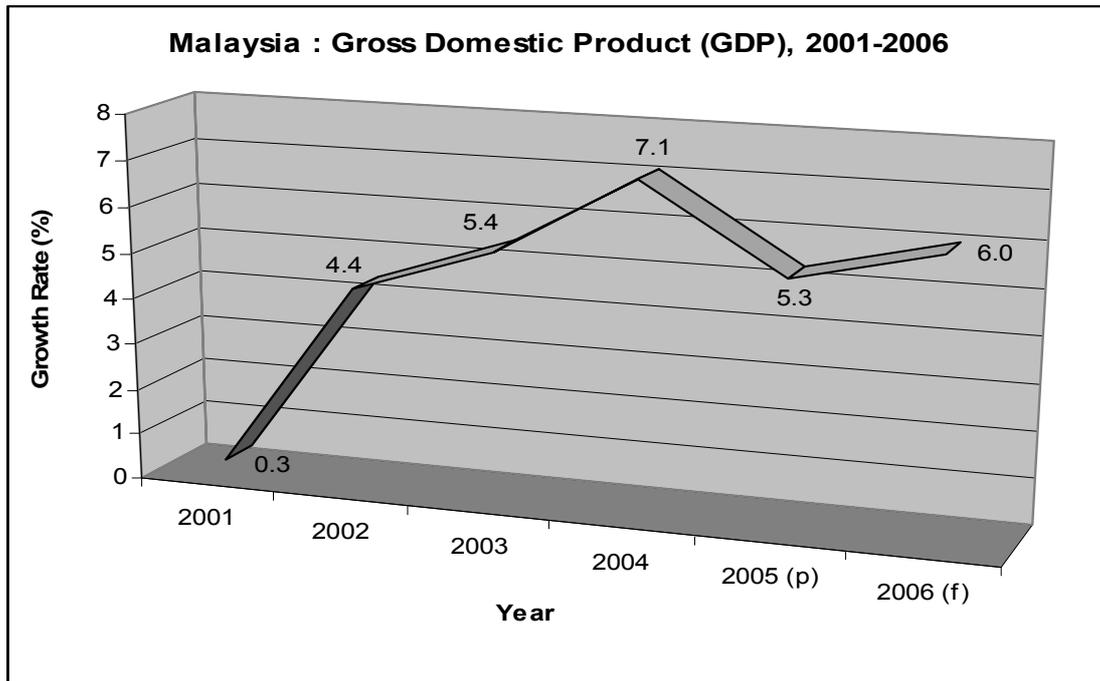
Total employment in the economy is projected to register an annual average growth of 1.9 per cent during the period 2006 – 2010, from 10.9 million in 2005 to 12.0 million workers in 2010. Sectors which are expected to absorb substantial shares of the employment by 2010 are services sector and manufacturing sector.

Malaysia adopted some strategies to create job such adopting new technology with high value-added in the Second Industrial Master Plan (IMP2) such as biotechnology, nanotechnology, photonics, ICT and advance manufacturing. Under the Ninth Malaysia Plan (2006-2010) Malaysia continued to develop and strengthen economic activities within the field of ICT. Other than that, Malaysia also increasing trade, enhancing the development of small and medium enterprises, recognizing the importance of self-employment and increasing public-private sector partnerships.

Policies that promote diversification of products activities has become an important key to enhancing job strategy and job growth, besides the commitment of Government to ensure that our people gain the benefit.

Section 1: The Malaysian Population and Economy

- 1.0 Population in Malaysia was estimated at 27.2 million for the year 2006. The average annual population growth rate, 1991 – 2000 was 2.6 per cent. The age structure of the population was 32.3 per cent for age group of 0-14 years, 63.4 per cent for age group 15-64 years and 4.3 per cent for age group 65 years and above for the year 2006.
- 2.0 The Malaysian economy managed to sustain growth during the 1991 – 2005 periods due to strong macroeconomic fundamentals. The economy grew at an average of 6.2 per cent per annum during this period. This strong rate of growth was achieved despite the challenges faced from events such as the 1997 – 1998 Asian financial crises, the September 11 incident in 2001, wars in Afghanistan and Iraq, outbreaks of severe Acute Respiratory Syndrome (SARS) and avian flu as well as increases in world oil prices.
- 3.0 Growth was achieved with inflation averaging a low of 2.9 per cent per annum and similarly low unemployment averaging 3.1 per cent over the period. There was a marked decline in poverty from 22.8 per cent in 1990 to 5.7 per cent in 2004.
- 4.0 GDP per capita in current prices grew at an average of 7.1 per cent per annum to US\$4,781 in 2005. When adjusted to Malaysia's cost of living, the purchasing power of parity (PPP) adjusted GDP per capita in 2005 doubled to US\$10,318.
- 5.0 The economy evolved from capital-led growth in 1991 to growth based more on capital, labour and total factor productivity in 2005. Malaysia's economic structure continued to develop from manufacturing to services. Growth of knowledge-based service industries was expanded with the establishment of the Multimedia Super Corridor in 1996, followed by other initiatives such as the National Biotechnology Policy launched in 2005.
- 6.0 The number of projects approved during the 1999 – 2005 periods was approximately 6,342 projects. The increase number of projects approved for the same period resulted in job creation or potential employment totaled 589,000 jobs.
- 7.0 The manufacturing sector continued to be a major growth sector during the 1996-2005 period, expanding 6.2 per cent while services sector was 6.0 percent. The major contribution to GDP during this period was from the services sector which increased from 50.7 per cent in 1996 to 58.1 per cent in 2005 and the share of the manufacturing sector to GDP increased from 29.1 per cent in 1996 to 31.4 per cent in 2005.

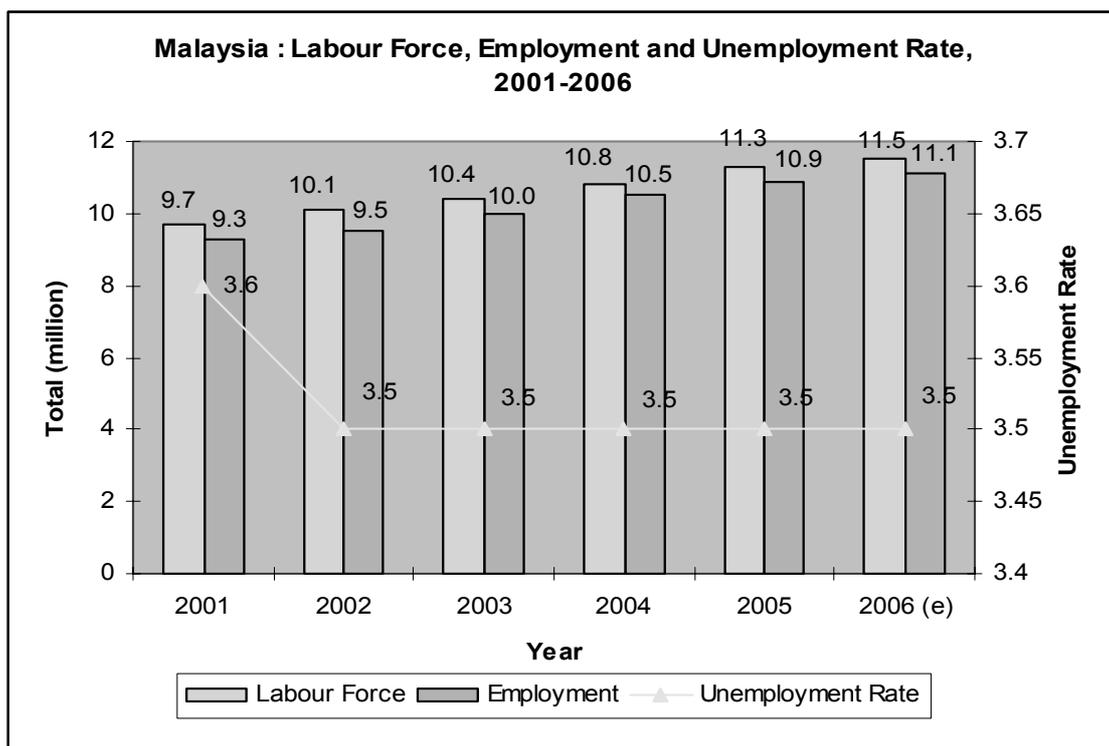


Section 2: Outlook on the Malaysian Labour Force and Market

- 2.1 The labour force estimated increase to 11.5 million in 2006. The quality of labour force improved with the share having educational attainment at tertiary level increasing from 13.9 per cent in 2000 to 20.0 per cent in 2005. The economy registered full employment with the unemployment rate at 3.5 per cent in 2005.
- 2.2 As industries shifted towards higher value-added products and activities, they faced a shortage of experts and specialist in specific areas. To overcome the shortage, companies engaged foreign experts and specialists. As at December 2005, there were 35,480 expatriates employed in Malaysia, with 52.6 per cent in the services sector and 40.6 per cent in the manufacturing sector. While a large number of foreign workers are employed in tasks which required lower skill. As at December 2005, there were 1.8 million foreign workers in the country, with 32.0 per cent in the manufacturing sector.
- 2.3 Employment increased at an average rate of 3.3 per cent per annum with 1.6 million new jobs created during the period of 2001 - 2005. The services and manufacturing sector generated 1,062,800 jobs and 566,300 jobs respectively. Majority of employment are in the services and manufacturing sectors. The contribution of the services sector to the total employment increased from 49.9 per cent in 2001 to 51.0 per cent in 2005, followed by the manufacturing sector with 26.4 per cent in 2001 to 28.7

per cent in 2005. The structure of employment by major occupational categories reflected the increased demand for highly skilled human resource.

- 2.4 Every year, it is estimated that 220,000 people will join the labour force. 44,000 of them will possess tertiary qualifications. It will indeed be a challenge to provide employment opportunities to this group without sound policies and strategies.
- 2.5 Unemployment is particularly severe among young and the educated (secondary and tertiary). The majority of those without jobs are in the age group of 15 – 29 years. Approximately unemployment rate in the age group is more than 50.0 per cent of the total unemployment.
- 2.6 The labour force participation rate had seen increase from 65.1 per cent in 2001 to 66.7 per cent in 2005. By gender, the participation rate of male in the total labour force is still high compared to female participation rate. In year 2005, there were 86.6 per cent for male and 45.7 per cent for female.



Section 3: Forecast of Human Resources Requirement

- 3.1 Total employment in the economy is projected to register an annual average growth of 1.9 per cent during the period 2006 – 2010, from 10.9 million in 2005 to 12.0 million workers in 2010. Sectors which are expected to absorb substantial shares of the employment by 2010 are services sector and manufacturing sector.
- 3.2 Employment in the services sector is projected to increase from 5.6 million in 2005 to 6.3 million workers or 52.1 per cent of total employment by 2010. The increase in the share of employment in the services reflects the progressive advancement of the economy towards the developed country status and the importance of manufacturing-related services industry in the next 15 years. Job creation will arise mainly from sub-sectors such as manufacturing-related services, infrastructure services, and social services.
- 3.3 The manufacturing sector is projected to increase from 3.1 million workers to 3.6 million workers or 30.0 per cent of total employment by 2010. The average annual growth of employment in this sector is projected to be 2.8 per cent during the period of 2006 – 2010. The electrical and electronic products (E&E) sub-sector is expected to absorb the largest share of employment with 26.2 per cent by 2010.

Projected Employment by Sector, 2005 – 2010 ('000 persons)

Sector	2005	%	2010	%
Agriculture	1,405.7	12.9	1,323.8	11.1
Mining	42.7	0.4	44.7	0.4
Construction	759.6	7.0	764.7	6.4
Manufacturing	3,132.1	28.7	3,596.7	30.0
Services	5,554.7	51.0	6,248.1	52.1
Total	10,894.8	100	11,976.0	100.0

Section 4: Approaches Adopted by Malaysia towards Job Strategy

4.1 Creating jobs in technology and knowledge-intensive sectors

- 4.1.1 New technologies with high value-added content have been identified under the Second Industrial Master Plan (IMP2) in the

areas of biotechnology, nanotechnology, photonics, ICT and advanced manufacturing. New job opportunities have been created in the fields of bio-process engineering, bio-pharmacy, genetics engineering, bio-informatics, micro and nano-fabrication, precision engineering, theoretical physics, flexible integrated computer manufacturing, communication, networking and software, design and technology, voice encryption technology, artificial intelligence, and speech and pattern recognition.

- 4.1.2 Under the 9th Malaysia Plan (2006 – 2010), economic activities within the field of ICT will be developed and further strengthened. Malaysia will continue to position itself as a preferred destination for shared services and outsourcing. In terms of new activities, the Government will develop the local digital content industry as well as bioinformatics. To support the growth of the ICT industry as well as bolster the general economic efficiency, an increasing number of highly skilled labour forces is required.
- 4.1.3 The promotion and development of new economic sub-sectors in manufacturing, services and agriculture will be undertaken with job creation as a priority. As Malaysia progresses towards developed status, protection of the environment through sustainable development and effective environment conservation and preservation has been imperative. Accordingly, new production technology that focuses on energy saving processes and utilization of new and alternative energy resources, such as bio-fuel, hydrogen, solar and wind energy has become increasingly important. Hence, job creation has arisen in areas such as environmental management, environmental engineering, pollution minimization, waste management and R&D.
- 4.1.4 As the new sub-sectors in the economy grow, so does the demand for experts and highly skilled professionals. As such, the training and retraining programs has been emphasized for both employers and employees to increase the mobility and adaptability of the nation's workforce towards knowledge-intensive and higher value-added activities. Employers are encouraged to redesign and improve selected job functions and work conditions to attract local workers, including women, retirees and disabled persons.

4.2 Increasing trade

- 4.2.1 There is strong evidence that trade boosts economic growth, and that economic growth translates to more jobs. Malaysia's larger current account surplus in 2005 was due mainly to a stronger goods surplus, reflecting sustained expansion in commodity exports

and continued growth in manufacturing exports. Receipts from manufactured goods rose by 10.1 per cent, while agriculture exports rose at a rate of 3.4 per cent.

- 4.2.2 Malaysia's total external trade in 2005 expanded by 9.9 per cent to US\$268.8 billion. Trade with regional countries (excluding Japan) grew and accounted for 44.4 per cent of Malaysia's export and 49.0 per cent of imports. Trade links with Australia and India strengthened, driven mainly by higher demand for electrical and electronics and petroleum-related products.
- 4.2.3 Therefore, it is not surprising that employment in the manufacturing sector will continue to grow in the region of 4.0 per cent for the next five years.
- 4.2.4 Private sector companies and Government-linked companies have always been encouraged to venture abroad to secure business and investment opportunities. This will increase access to new markets, create demand for domestically produced intermediate goods and components, help to create Malaysian multinational corporations, and more importantly help create more jobs in the longer term.
- 4.2.5 Malaysia's commitments under the World Trade Organization, the Association of South East Asian Nations (ASEAN) Free Trade Area, ASEAN-Free Trade Agreement and other bilateral FTAs will expand opportunities for trade and investments. This will also increase opportunities for job creation.

4.3 Enhancing the development of small and medium enterprises

- 4.3.1 The development of competitive SMEs is an important focus of the Malaysian Government policy. There is an estimated 519,000 SMEs employing an estimated 2.33 million workers.
- 4.3.2 To further enhance and promote the activities by SMEs, the National SME Development Council chaired by the Prime Minister was established. Efforts have been invested to strengthened enabling infrastructure for SME development, building the capacity and capability of SMEs, and enhancing access to financing by SMEs.
- 4.3.3 For 2006, a total of 246 programs involving financial commitments of more than US\$1 billion have been identified for implementation to accelerate the development of SMEs and hence create more jobs.

4.4 Recognizing the importance of self-employment

4.4.1 The Government recognizes the importance of self-employment in employment creation and economic growth. As such, efforts have been intensified to create more self-employment opportunities. Business opportunities for self-employment and entrepreneurship including in petty trading, SMEs, agriculture, and services have been promoted. The inculcation of entrepreneurship values and changing the mindset as to view self-employment as a viable alternative to salaried employment will be intensified including in institutions of higher education. In addition, entrepreneurship training programs have been implemented by various Ministries and agencies for unemployed graduates.

4.5 Increasing public-private sector partnerships

4.5.1 The growth of the Malaysian economy is private-sector driven. Public and private sector partnership will be further strengthened towards sustained economic growth. Therefore, the public and private sector will continue to collaborate particularly in the areas of R&D, human capital development, poverty eradication and equity and employment restructuring. New regional growth centers and growth corridors will be developed together by the Government and the private sector to promote investment and create jobs. The 9th Malaysia Plan will also see the introduction of the private sector initiative amounting to US\$5.6 billion under the privatization program, which will offer more opportunities for private sector participation in the development of infrastructure and utilities.

Section 5: Policies and programs to address HRD issues

5.1 The quality of a nation's human capital is the most critical element in the achievement of sustainable development in the economy. To position the nation for long term economic growth, greater emphasis should be placed on productivity led growth.

However, Malaysia needs to address the following issues:

- Increasing the number of highly skilled technical workforce;
- Reducing the shortage of labour in the manufacturing, manufacturing-related services and agro-based sectors;
- Overcoming the mismatch in the supply of and demand of human resources;
- Matching education and training providers with industry requirements;

- Enhancing human resource capacity for R&D; and
- Enhancing the competence and innovativeness of the individual to be better able to overcome the uncertainties brought about by the increasingly global environment.

In line with the greater focus on human capital development, a total of US\$11.4 billion is allocated during the 9th Malaysia Plan to implement the various education and training programs and address the above issues. Investment in human capital is given great emphasis during the 9th Malaysia Plan period to sustain economic resilience and growth, and drive a knowledge-based economy. Amongst the many policies and programs to achieve these objectives are as follows:

5.1.1 Lifelong learning

The implementation of lifelong learning programs will be accelerated to enable all segments of society to continuously learn and acquire knowledge and skills. Lifelong learning infrastructure such as community colleges will be expanded and upgraded. The use of schools and community centers for lifelong learning are also encouraged. In addition, e-learning and distance education are promoted to increase accessibility to education and knowledge. Public institutions of higher education will establish centers for continuing education and offer more places with flexible entry requirements up to 10.0 per cent of intake at diploma and degree levels.

Private education and training providers as well as non-governmental organizations are encouraged to provide lifelong learning programs. Employers too are encouraged to promote lifelong learning among their employees.

5.1.2 Retraining and skills upgrading

In order to enhance competitiveness and economic resilience, labour productivity will be increased through efficient utilization of labour, skills upgrading, improving management capabilities, intensifying R&D and innovation activities as well as increasing utilization of technology and ICT in all sectors of the economy. Firms are also encouraged to implement the productivity-linked wage system. The Human Resources Development Fund administered by the Ministry of Human Resources will widen the coverage of the fund for training to include industries such as port services, multimedia industries, automotive industries as well as accounting and audit firms

Private training institutes will continue to provide management and other specialized training to meet the demand for highly competent managers to

ensure that industries become more resilient and competitive in the global market.

An adaptable, trainable and multi-skilled workforce is required as industries leveraged on technological advancements and production methods to increase their competitive edge in the global market, attract foreign direct investment and encourage reinvestment. In this regards, access to industrial skills training will be increased to expand the supply of highly skilled human resource, particularly at diploma and advanced diploma levels. The capacity of advanced training programs will be redesigned to meet the increasing demand for skilled workers with entrepreneurial skills.

The quality of industrial skills training will be enhanced through accelerating the development of market-driven curriculum, which is based on the national occupational skills standards (NOSS), strengthening collaboration with the industry, improving the quality of instructors, reviewing the accreditation procedure of the training providers and assessment methods for trainees and expanding the application of e-learning.

Measures are being taken to enhance the quality of public and private institutions of higher education to be at par with world renowned universities. To achieve this objective, the quality of institutions of higher education will be benchmarked against international standards to enable these institutions to become globally competitive. Institutions of higher education will continuously audit their quality through a rigorous rating system to nurture competition in the pursuit of excellence. This will also enable Malaysia to be a centre of educational excellence and attract foreign students.

Institutions of higher education will design their academic programs and develop their curricula based on market requirements to ensure the employability of graduates. These programs will be implemented with greater collaboration and active support from industry and employer associations. In addition, students will be given early exposure to workplace environment through a minimum of 4 months of internship or industrial attachment. The number of academic staff with PhD qualification in public universities will be increased to achieve the target of 60.0 per cent of total academic staff by 2010. These institutions will also undertake measures to increase the proficiency of students in English and enhance their ability to access knowledge and undertake research. Languages such as Mandarin and other foreign languages are encouraged to be acquired by undergraduates in order for them to compete in the global market.

5.1.3 Improving capability in Science and Technology (S&T) and Research and Development (R&D)

The research and innovative capability of local institutions of higher education will be strengthened to develop capacity building, particularly in key technology areas and to nurture an innovative society with strong S&T capability. Towards this end, the enrolment of students in S&T programs at all level will be increased to facilitate the creation of a critical mass of research scientists and engineers (RSEs). This will provide the potential source for R&D activities and to meet the targeted ratio of 50 RSE per 10,000 labour forces in 2010.

Greater collaboration research will be undertaken between public institutions of higher education and the local industry and research institutes as well as with reputable foreign research institutions, universities and firms. Private institutions of higher education are encouraged to collaborate in research with public institutions of higher education.

5.1.4 Tax Relief

The Government proofs its seriousness in human capital development by also providing financial incentives to encourage education and training. They are as follows:

- Automatic child relief for each child studying in local or recognized institutions of higher learning;
- Extending the child relief to disabled child pursuing tertiary education;
- Extending the scope of individual tax relief of US\$1,390.00 for further education to professional courses, accountancy and law;
- Allowing tax deductions on expenses incurred for development and regulatory compliance of new courses by private institutions of higher education; and
- Double tax deduction to public listed companies on allowances paid to participants under the Unemployment Graduates Training Program.

5.1.5 Labour Laws and Practices

Rigid labour laws results in slow job creation. As such, the Malaysian labour law is reviewed from time to time to enhance job growth, promote employability among our labour force especially among women, people with disabilities and the older workforce and increase competitiveness of our labour force.

The challenge is also to ensure that the legal environment promotes human resource practices that are conducive to productivity improvement and the enhancement of competitiveness. Towards this end, our Employment Act is constantly reviewed with the assistance and input from the industry, employers association and trade unions.

5.1.6 Labour Market Information

Comprehensive labour market information is important as it provides vital information about jobs, skills and availability of workers. In this regards, measures have been undertaken to disseminate labour market information to stakeholders such as employers, jobseekers, government agencies and institutions of higher learning. The Ministry of Human Resources Malaysia has also implemented the Electronic Labour Exchange (ELX), linked to all Labour Office to register job seekers and vacancies and match the demand and supply of human resources. Recognize the importance role of the employment services in providing career guidance/counseling, information about available jobs, job search assistance and access to education and training programs, Ministry of Human Resources Malaysia and Labour Department will improve and strengthen the employment services. Its include improving the efficiency of job matching, develop a vision of the role of Labour Office as a provider of integrated employment services, upgrading the ELX infrastructure and establish more employment services.

Conclusion

The key to encouraging job strategy and job growth will come from policies that promote diversification of production activities into new areas that facilitate restructuring of existing activities, and foster coordination between public and private entities. A structured and integrated approach to job creation is vital in ensuring that our people benefit from strong growth and that growth is sustained.

Ministry of Human Resources
Human Resources Policy Division
Level 7, Block D3, Parcel D
Federal Government Administrative Center
62503 Putrajaya, Malaysia
13 October 2006
kamal_ah@mohr.gov.my
azura_ar@mohr.gov.my

Annex

Population	2001	2002	2003	2004	2005	2006 ^(e)
Total population (million)	24.0	24.6	25.3	26.0	26.7	27.2
Annual population growth rate (%)	2.1	2.5	2.8	2.8	2.7	1.9
Age structure (%)						
- 0-14	33.8	33.5	33.1	32.8	32.6	32.3
- 15-64	62.2	62.5	62.8	63.1	63.1	63.4
- 65 and above	4.0	4.0	4.1	4.2	4.3	4.3
Gross Domestic Products (GDP)	2001	2002	2003	2004	2005 ^(p)	2006 ^(f)
GDP growth rate (%)	0.3	4.4	5.4	7.1	5.3	6.0
Labour Force	2001	2002	2003	2004	2005	2006 ^(e)
Labour force (' 000 persons)	9,724	10,064	10,426	10,846	11,291	11,545
Employment (' 000 persons)	9,379	9,709	10,047	10,464	10,895	11,139
Unemployment rate (%)	3.6	3.5	3.5	3.5	3.5	3.5
Labour force participation rate (%)	65.1	65.2	65.6	66.1	66.7	66.9
- Male	84.7	84.8	85.4	86.2	86.6	86.7
- Female	44.4	44.7	44.7	45.1	45.7	46.1
Inflation	2001	2002	2003	2004	2005 ^(p)	2006 ^(f)
Inflation rate (%)	1.4	1.8	1.2	1.4	3	3.5~4.0
Approved Projects and Potential Employment	2001	2002	2003	2004	2005 ^(p)	2006
Numbers of projects approved	928	792	965	1101	1026	-
Potential employment ('000)	89	65	77	89	115	-

Note:

E estimated

P provisional

F forecast

Source:

The Malaysian Economy In Figures 2006 (2001-2006)