

AMRO-MEA 2024 Roundtable

Malaysia's Skilled Talents: Are We Ready For The Next Structural Transformation?

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Agenda

01 Malaysia's Skilled Workforce Landscape

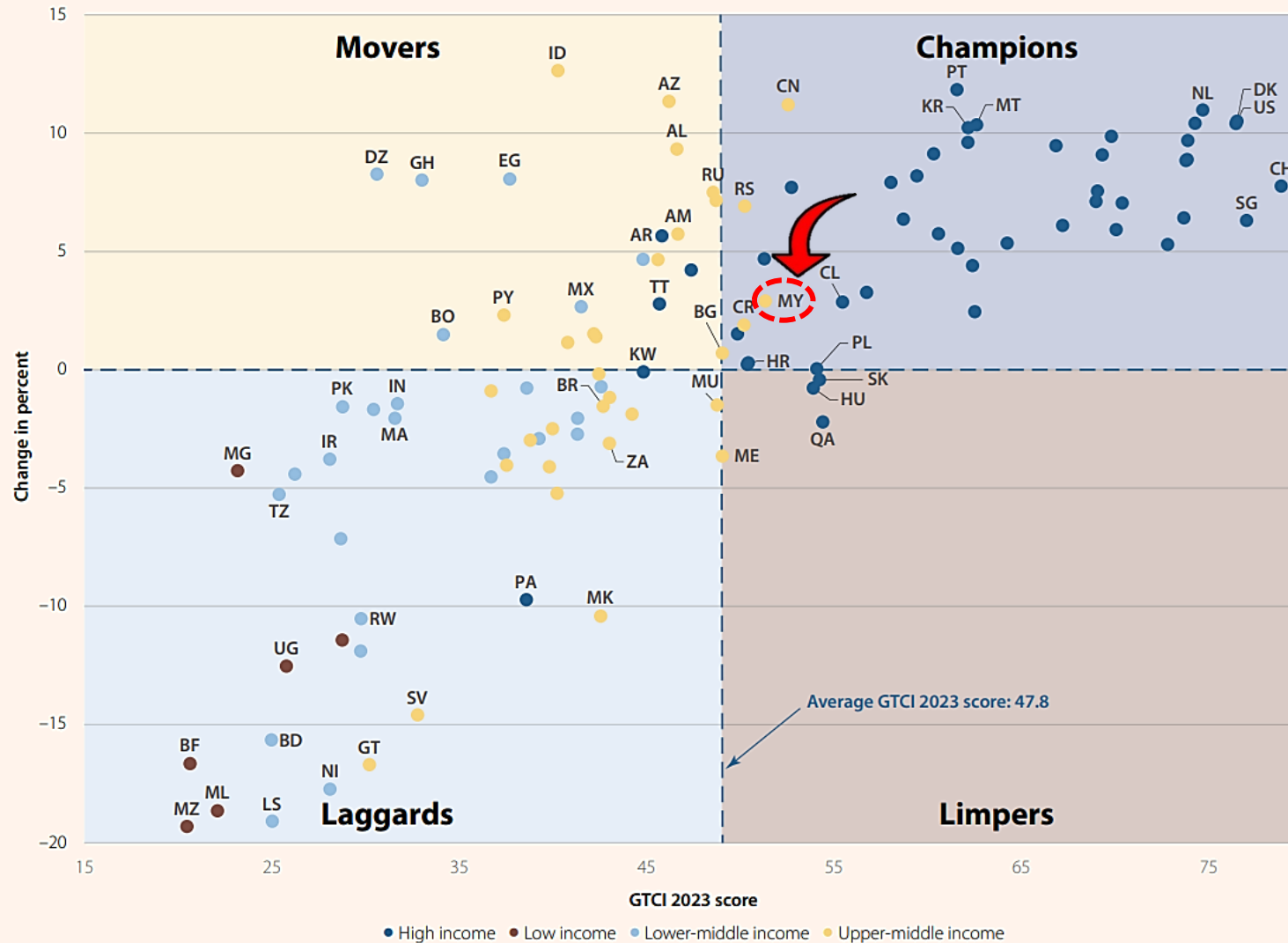
02 Skills Development Initiatives

03 Megatrend in Skills and Talent Management

04 Policy Options to Address the Skills Gap

Malaysia ranked 42nd in the Global Talent Competitiveness Index









Changes in score for 2013-2018 vs. 2019-2023 and score in 2023



- In the Global Talent Competitiveness Index 2023, **Malaysia ranked 42nd out of 134 countries (a score of 51.35), slightly above the average of 47.8.**
- Among the upper-middle-income countries, Malaysia relegated to a second place after China.
- Malaysia has performed well in two output-related pillars, i.e. **“Global Knowledge Skills” (ranked 34th, top quartile)** and **“Vocational and Technical Skills” (ranked 38th).**
- However, Malaysia ranked **71st (third quartile) in the “Attract” pillar.** It can be improved by encouraging greater tolerance towards skilled immigrants and fostering greater gender equality, considering its "Internal Openness" ranking of 98th.
- For the **“Retain”** pillar, Malaysia also performed somewhat poorly with a ranking of 66th.
- In the IMD World Competitiveness Report 2024, Malaysia ranked **49th for “Attracting and retaining talents”** under Business Efficiency Weakness and **28th for “Skilled labour”** under Business Efficiency Strength.

Source: The Global Talent Competitiveness Index 2023

Malaysia's overall ranking on a declining trend

Ranking		GTCI 2013-2018	GTCI 2019-2023	GTCI 2023
Singapore		2	2 =	2 =
South Korea		28	26 ↑	24 ↑
China		49	40 ↑	40 =
Malaysia		29	32 ↓	42 ↓
Vietnam		85	80 ↑	75 ↑
Thailand		74	70 ↑	79 ↓
Indonesia		89	75 ↑	80 ↓
Philippines		56	63 ↓	84 ↓

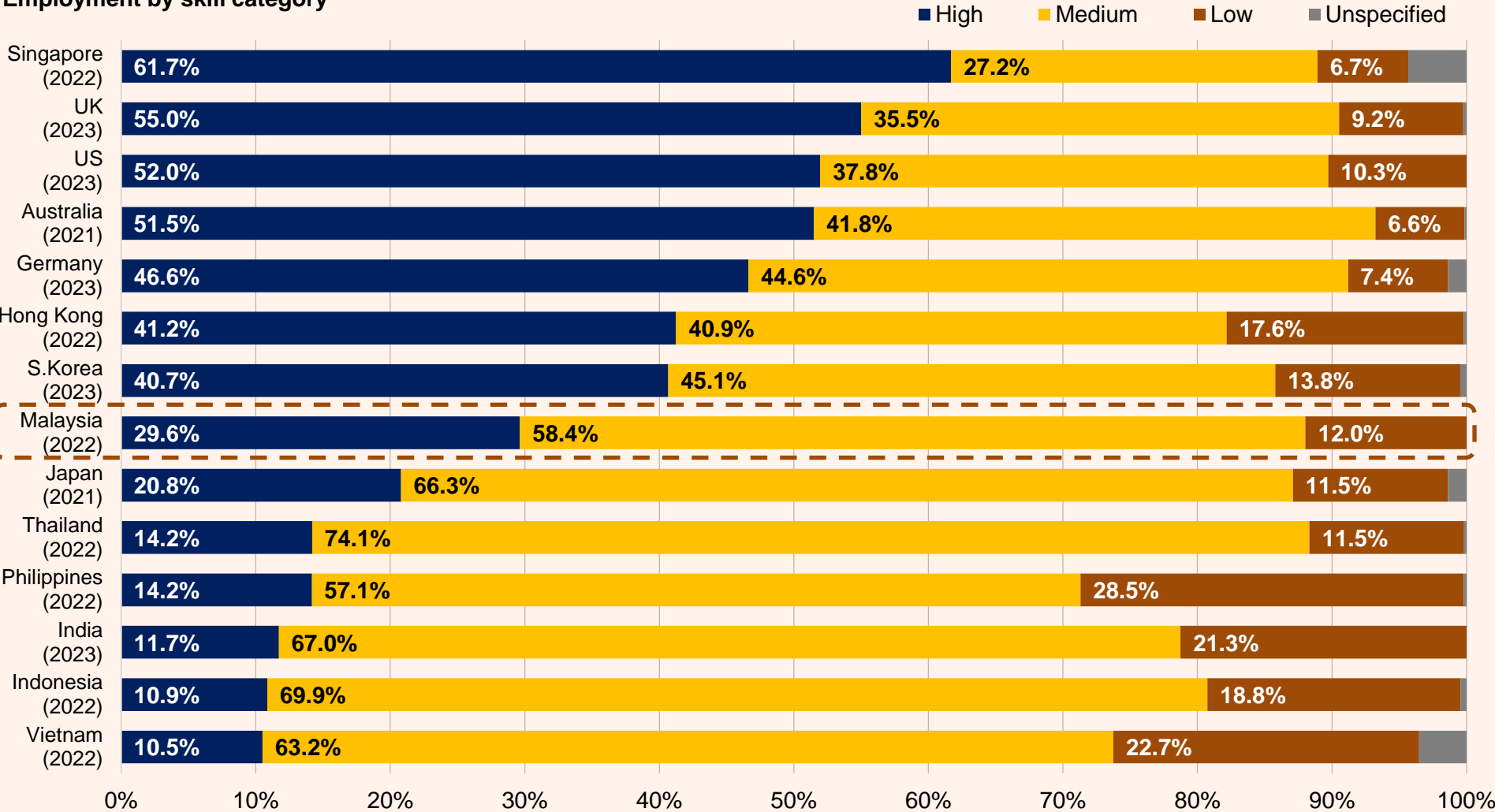
- Malaysia's ranking has been declining over the years.
- Other countries have shown notable improvement such as Vietnam and Indonesia.



Source: The Global Talent Competitiveness Index 2023, The IMD World Competitiveness Report, 2024

Malaysia's skilled workforce accounted for 29.6% of total employment in 2022, markedly below her developed peers in the region

Employment by skill category

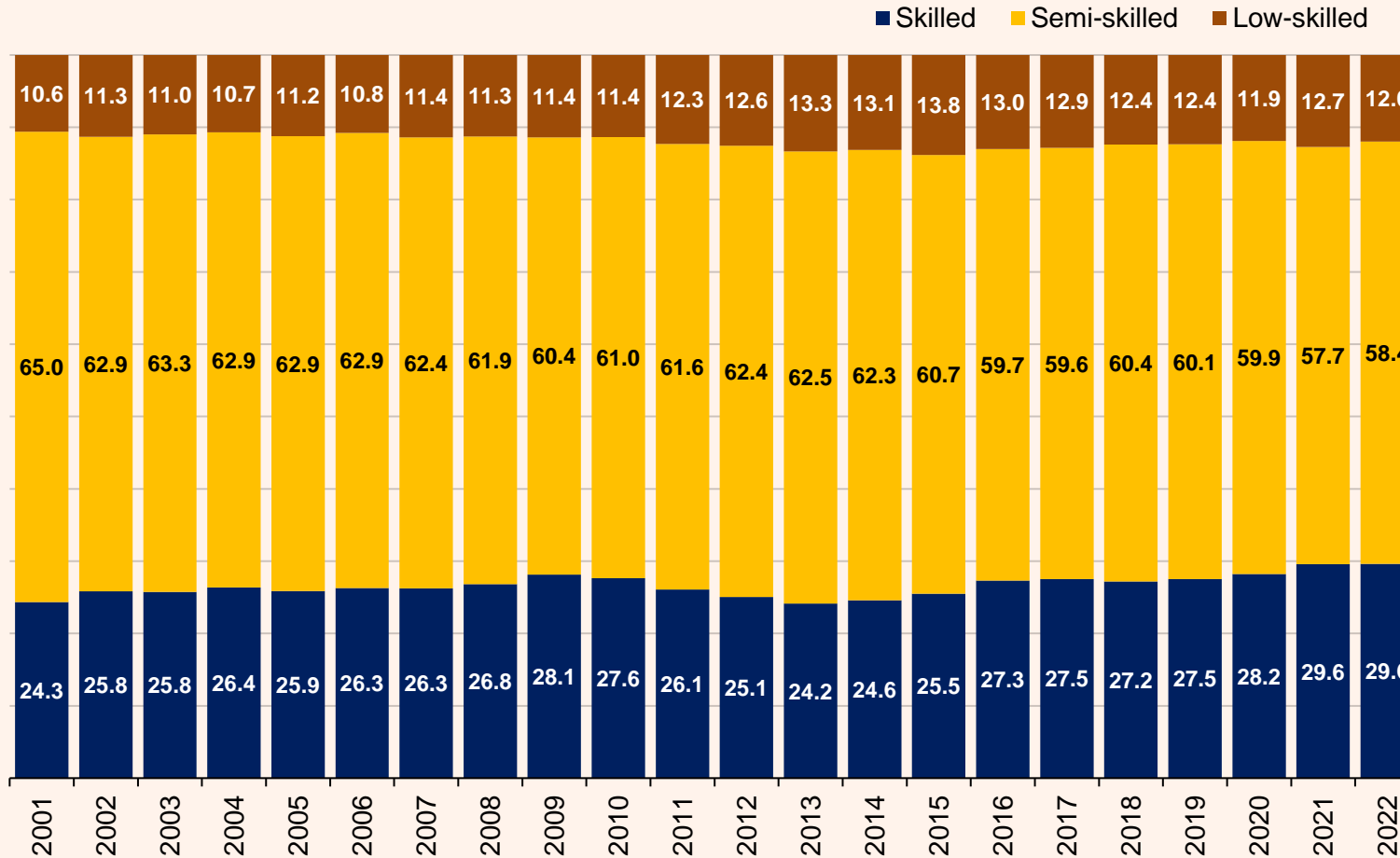


- Note**
- High skill**
 - Managers
 - Professionals
 - Technicians and associate professionals
 - Medium skill**
 - Clerical support workers
 - Service and sales workers
 - Skilled agricultural, forestry and fishery workers
 - Craft and related trades workers
 - Plant and machine operators, and assemblers
 - Low skill**
 - Elementary occupations

Source: International Labour Organization (ILO)

Mostly semi-skilled workforce, a hurdle moving into high value-added activities

Employment by skill category



As highlighted in the New Industrial Master Plan (NIMP) 2030:



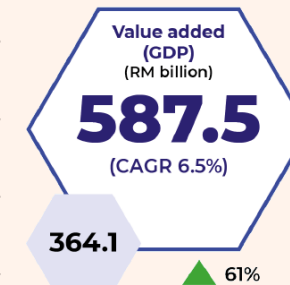
Labour Productivity Stagnated



Talent Shortage and skills mismatch

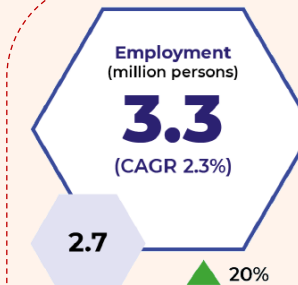
... are key challenges for the industrialisation today.

Top-line targets set under the NIMP 2030:



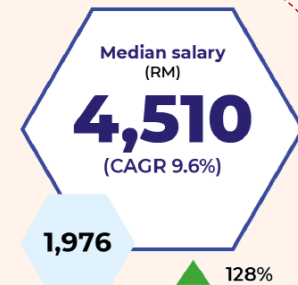
Derived from high-impact and emerging growth sectors, e.g.

- Chemical
- E&E
- Electric vehicles (EV)
- Aerospace
- Pharmaceutical
- Advanced materials



Creation of high-skilled jobs through higher value-added activities

Greater use of labour – enhancing automation and technological advancement



Shift of the industry towards higher value-added activities and high-skilled jobs created

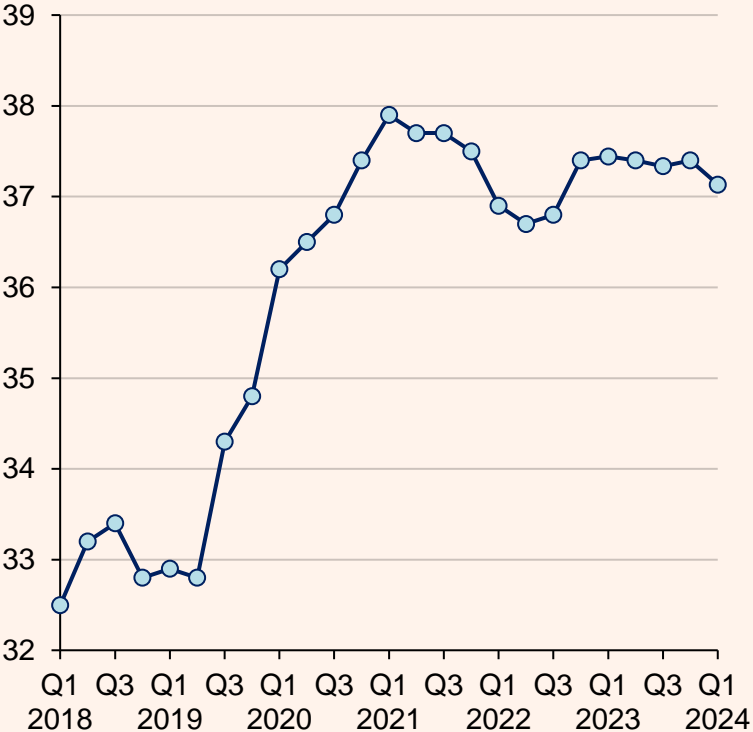
Legend: ■ Baseline (2021) ■ Baseline (2022) Target (2030) ▲ Value increase

Source: Department of Statistics Malaysia

Issues concerning Malaysia's skilled workers and productivity development

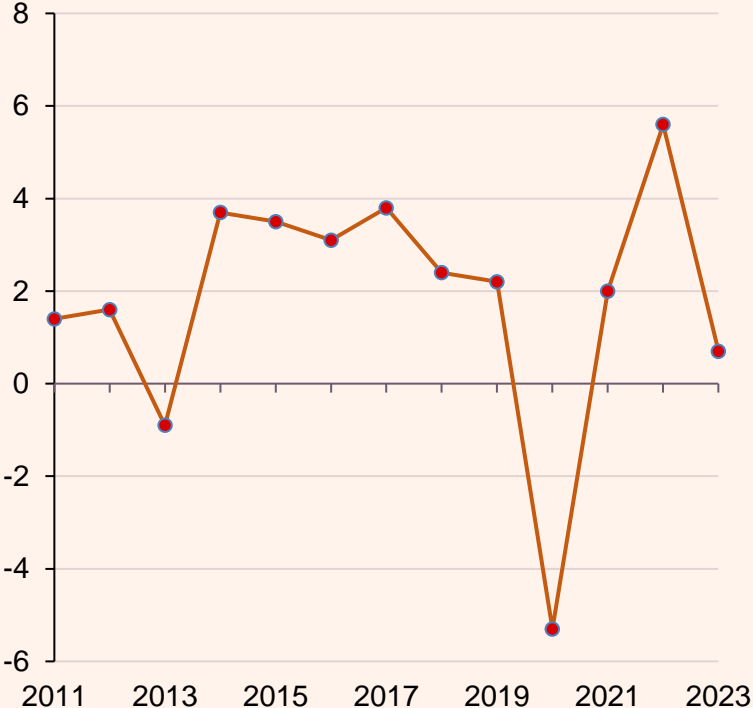
More than one-third of employees with tertiary education were underemployed

Skill-related underemployment
(% of employed persons with tertiary education but not worked for skilled jobs)



Productivity growth

Slowing labour productivity
%



Persistent brain drain to neighbouring countries

The United Nations International Migrant Stock showed that Malaysian diaspora is as high as

1.86 million
Persons

of which 1.13 million persons migrated to Singapore.

≈ 5.6% of Malaysia's population

Much higher compared to global international migrants of 3.6% of the world's population

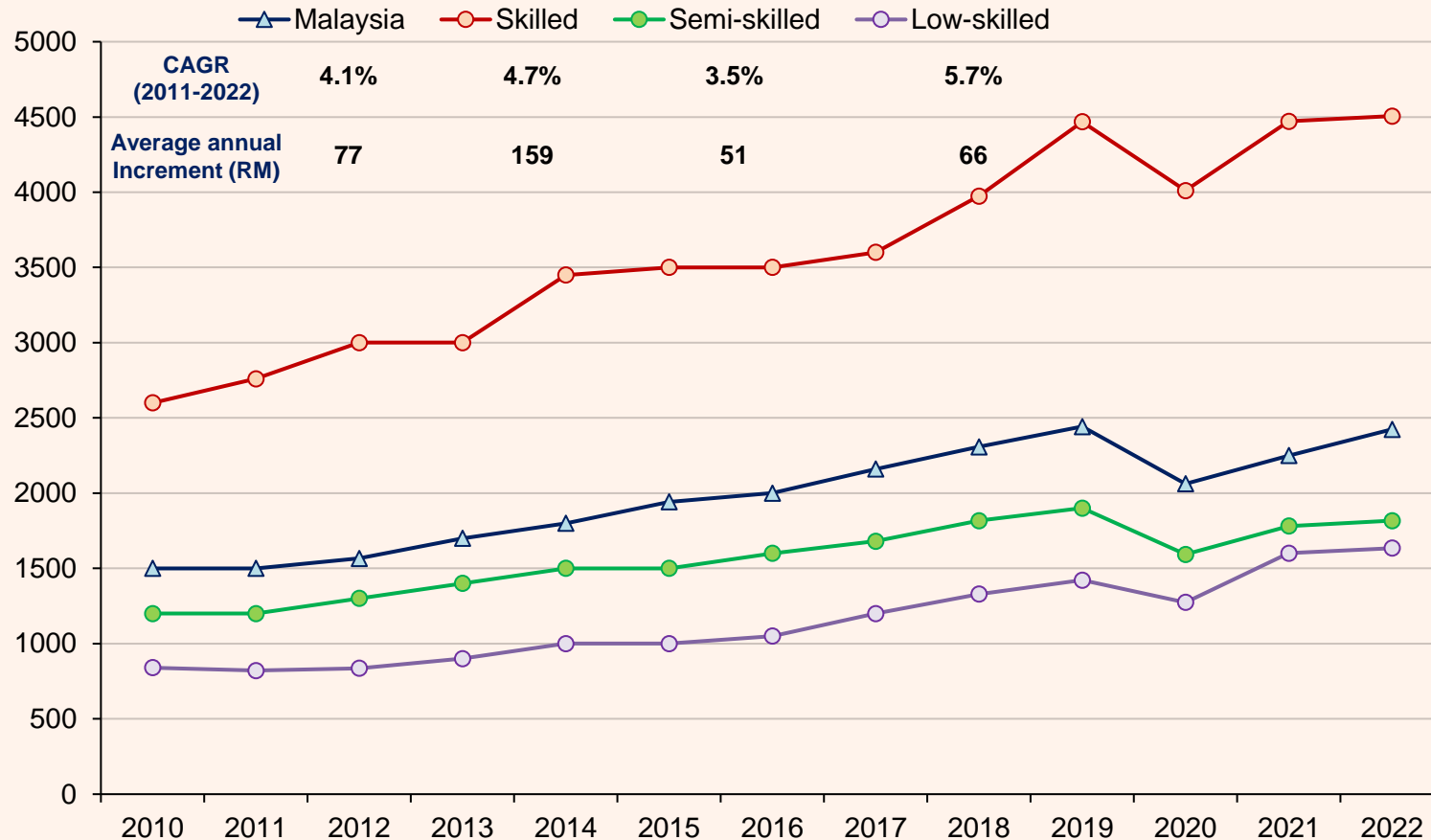
Worse still, Malaysian diaspora in:

	39% Skilled Workers	35% Semi-Skilled Workers
	68% Skilled Workers	24% Semi-Skilled Workers

Source: Department of Statistics Malaysia

Attention required on wage growth for semi-skilled manpower

Monthly median salary and wage (RM)



- **Low-skilled employees** registered the highest wage growth of **5.7% pa** (RM66 per year) in 2011-2022, helped by increases in minimum wage.
- **Semi-skilled employees** accounted for more than half of total employees; their wage growth was merely **3.5% pa** (or RM51 per year), lowest among other skill categories over the same period.
- Wage growth of **skilled employees** recorded **4.7% pa** with average nominal value increase of RM159 per year.
- **Median monthly wage of graduates** grew by 7.1% pa to **RM2,066 in 2019** (RM1,800 in 2017); declined by 11.3% pa to **RM1,624 monthly in 2022** (RM1,550 in 2020).
- **Widening wage gaps.** In 2010, the gaps between low-and high-skilled (RM1,760) and semi-skilled and high-skilled (RM1,400). In 2022, the gaps have widened to RM2,871 for low-and high-skilled and RM2,689 for semi-skilled and high-skilled.
- **Progressive Wage Policy (PWP)** pilot project in Jun-Aug 2024, to address the low wage growth among semi-skilled employees through skills upgrading and productivity improvement.

Source: Department of Statistics Malaysia

Malaysia's skills and talent development

General and specific skills development are carried out by several departments and agencies under the Ministry of Human Resources and various industry-specific Ministries, such as the Construction Industry Development Board (CIDB) under the Ministry of Works.

Ministry of Human Resources



Manpower Department (JTM)



Department of Skills Development (JPK)



Skills Development Fund Corporation (PTPK)

For the up-skilling and upgrading of the registered employees

➤ HRD Corp Claimable Courses

- Skim Bantuan Latihan (SBL)
- Skim Latihan Bersama (SLB)
- Computer Based Training (CBT)
- Recognition of Prior Learning (RPL)
- On Job Training (OJT)

For future workers training

- Industrial Training Scheme (ITS)
- Future Workers Training (FWT)

For the setup of internal training facilities

- Information Technology (IT)
- Training Facilities & Renovation (ALAT)

E-LATiH (Premium and free courses) and many more HRD Corp's strategic initiatives

For 2024, RM2.56 billion has been set aside for skills training initiatives, covering diverse fields such as artificial intelligence (AI), robotics, green economy skills, and 5G technology.

Some highlighted initiatives:



13 local and international partners to provide 160,000 world-class courses



Up to 50% of levy balance for the payment of internship programmes



Double tax deduction incentive for related expenses incurred on interns



Maximum of 50% of the levy to purchase of training aids



RM30 million allocation, paying employers to pay interns

Industry-participated initiatives to develop the right talents



The **Academy in Industry (AiI)** program is a work-based learning program under the Malaysian Productivity Corporation (MPC) with innovative collaboration between the Government, industry and academia in developing local talent.

Incentives

Month 1
(1st payment)

Month 9
(2nd payment)

Month 18
(3rd payment)

RM1,500	RM200	RM300
RM500	RM200	RM300
RM500	RM200	RM300
Talent	Companies	Training Centre



The PSDC (Penang Skills Development Centre) was established in 1989 and is the first and largest tripartite, industry-led skills training and education centre in Malaysia.



School Leaver

- ❖ Certificate & Diploma in Engineering
- ❖ Technical & Vocational Education and Training (TVET)
- ❖ German Dual Vocational Training (GDVT)
- ❖ Scholarships



Working Adult

- ❖ New Programs Introduction
- ❖ Penang GBS Industry Academy (PGIA)
- ❖ Program Categories
- ❖ City & Guilds
- ❖ Funded Programs

Megatrend of skills and talent management – How do we prepare?



Talent War on All Fronts

- Increasingly competitive job market, especially for high skilled manpower.
- Organisations and employers enhance branding, offering competitive compensation packages (e.g. remote working), and creating compelling employees' value propositions to stand out.



AI and Interdisciplinary Skills Shaping Talent Demand

- Use of artificial intelligence (AI) and automation in human resources is transforming talent demand. Employers also can utilise data analytics to make informed HR decisions, from recruitment to employees' development and retention, ensuring a more strategic approach to talent management.
- Demand for interdisciplinary and cross-functional skills is growing, employees who can work across different domains and bring a diverse skill set are highly valued.



Statistics on Higher Education 2023:

Student output under STEM field* was **38.9%**, lower than the aspired 60%.

* Including ICT, agriculture and veterinary, health and welfare.

TVET stigmatisation still exist!



Needs and Expectations of Young Generation

- New generation prioritises **work-life balance** and seeks **meaningful work** that aligns with their values, e.g. companies with **Diversity, Equity, and Inclusion (DEI)** agenda.
- Employees expect a personalised experience at work, such as flexible work arrangements, opportunities for personal growth, and a sense of purpose in their roles.



Continuous Upskilling and Reskilling

- Technological advancements and automation reshape industries, **continuous upskilling and reskilling** is a norm.
- Employees need to stay relevant to enable them to adapt quickly to market changes and maintain a competitive edge.



Gig Economy and Freelance Workforce

- Rise of the **gig economy** is leading to an increase in freelance and contract work.
- Companies can leverage a flexible workforce to meet project-based needs and access specialised skills on-demand.

Policy options to address the challenges

Stagnating or moderate wage growth, low productivity, underemployment or skills mismatch, reliance of foreign workers, talent retention and brain drain.

Wage Stagnation or Moderate Wage Growth

- Minimum Wages Policy (MWP), Productivity-linked Wage System (PLWS), and Collective Wage Agreement did not yield a significant impact on overall wage structure and productivity of the employees.
- **MWP > wage compression > wage stagnation for semi-skilled workers > benchmarking the starting pay of fresh graduates.**
- Median monthly wage of graduates: **+7.1% per annum to RM2,066 in 2019** (RM1,800 in 2017) before **declining by 11.3% per annum to RM1,624 monthly in 2022** (RM1,550 in 2020).
- **Progressive Wage Policy (PWP) to incentive employers to increase the wages of their employees through skills upgrading and productivity improvement** for employees earnings RM1,500-RM4,999 per month. The pilot project started in June-August, with an allocation of RM50 million.
- An evaluation of the effectiveness of PWP will be made in September 2024.

Reduce Reliance on Foreign Workers

- **Reevaluate the effectiveness of existing industry-academia collaborations.** It is industry-led, particularly technical and vocational-related, as the industry knows best.
- The **National Human Resource Policy Framework** was launched on 1 May - to address crucial issues such as fair compensation, job welfare, labour union movements, job mismatches and foreign labour.
- **Tiered-levy to reduce over-dependency on foreign workers.** The collected foreign levies will be ploughed back to support the industries on skills training and automation.
- **Targeted subsidies and incentives to the high-value added industries.** The proposed consolidation of about 30 investment promotion agencies (IPAs) need to be expedited, in order to optimise the resources.

Policy options in addressing the challenges (cont.)

Stagnating or moderate wages, low productivity, underemployment or skills mismatch, reliance of foreign workers, talent retention and brain drain.

Underemployment and Skills Mismatch

- **A transformational shift in economic structure** - promising sectors that are experiencing high growth and have high-skilled labour demand like technology, green energy, and advanced manufacturing.
- **Introduce upskilling and skills-matching schemes for youths** through public-private partnership programs.
- **Mandate year-long internships for undergraduates** to ensure that they meet industry standards,.
- **Industries to collaborate and establish labs in universities to produce jointly researched products** that emphasize high-technology applications.
- **Establish a robust quality assurance and accreditation system** to ensure that higher education institutions are delivering high-quality education and training.
- Ensure the **effective functioning of a single accreditation body for Technical and Vocational Education and Training (TVET)** programmes.

Talent Retention and Brain Drain

- Employers should enhance the **career development prospects, job satisfaction, and work-life balance** to retain local talent.
- Encourage companies to **embrace strong Diversity, Equity, and Inclusion (DEI) agenda or sustainability practice**.
- **Provide incentives for companies and employers** who are able to prove the inclusion of future-talent-need practices.
- Competitive exchange rates in Singapore are not the only determinant for some talents, **work-life integration matters more**, and under certain conditions, Malaysia's companies can offer attractive remunerations too.
- The DOSM and PERKESO surveys indicated that **“Better salary”** and **“High SGD Currency Exchange Rate”** received **31.4% votes**, and the remaining votes were mainly not direct salary-driven, such as “Good job opportunities” (25.9%), “Stable work” (7.6%), “A better standard of living” (6.2%), “A good working environment” (5.9%), “More opportunities for career development” (5.7%), etc.

THANK YOU

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