

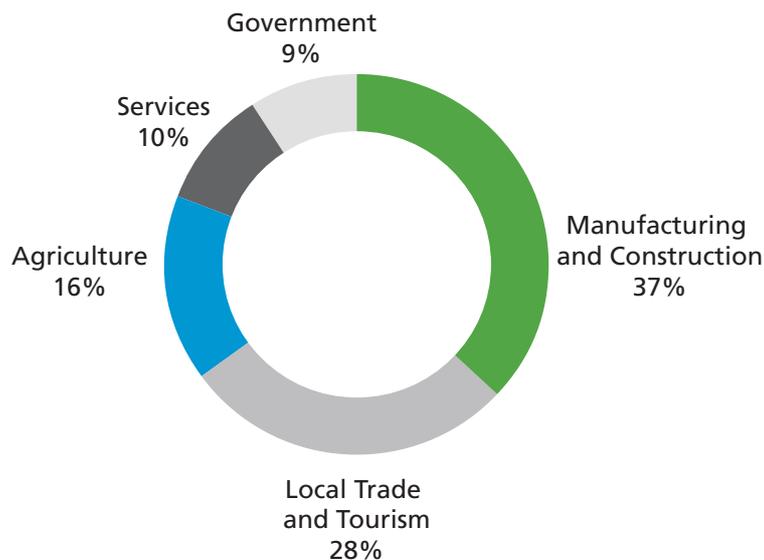
LABOUR AND EMPLOYMENT: DO EXISTING STATISTICS FACILITATE PLANNING OF HUMAN CAPITAL FOR ECONOMIC TRANSFORMATION?

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1. Introduction

Talent scarcity remains as an issue the economy has to contend with. The country's unemployment rates averaged below 3.5% over the past 14 years. However, 2012 could see a slight increase due to slower industrial output growth. Literacy levels are high and those leaving school to enter the job market have at least 11 years of basic education, but 20% of highly educated Malaysians opt to leave for either OECD countries or Singapore. Further factors contributing to the skills shortage is the reality that 60% of immigrants have only primary education or less, the number of skilled expatriates has declined by 25% since 2004, and official campaigns have recently rid the country of thousands of illegal foreign workers.

Figure 1: Malaysia's Workforce Distribution²



Unemployment rates have been relatively stable, averaging at 3.45% between 2001 and 2010 as depicted in Table 1. However, despite the huge increase in job vacancies and low unemployment rates, almost a quarter of graduates were unemployed in 2010 as observed in Table 2. The percentage of unemployed graduates does not decrease despite

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² IHS Global Insight & Employment outlook 2012 Malaysia, Kelly Services 2012

an increase in job opportunities. This could signify the possible issue of mismatched skill sets between graduates and the job market in Malaysia. Most of the vacancies are in the Services and Manufacturing industries. With the current economic goal to be a high-income nation, vacancies in the services industry will most likely continue to grow. It is important to ensure that future graduates have the necessary skills, both soft skills and hard skills, for the industry.

Table 1: Unemployment rate by gender³

| Gender | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total | 3.5 | 3.5 | 3.6 | 3.5 | 3.5 | 3.3 | 3.2 | 3.3 | 3.7 | 3.4 |
| Male | 3.4 | 3.3 | 3.6 | 3.4 | 3.4 | 3.3 | 3.1 | 3.2 | 3.6 | 3.3 |
| Female | 3.8 | 3.8 | 3.6 | 3.8 | 3.7 | 3.4 | 3.4 | 3.7 | 3.8 | 3.6 |

Table 2: % distribution of unemployed persons by educational attainment⁴

| Gender | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total | 100.0 |
| No formal education | 2.8 | 4.0 | 3.6 | 3.0 | 2.6 | 3.0 | 2.2 | 3.9 | 3.1 | 3.8 |
| Primary | 13.4 | 13.5 | 12.4 | 13.3 | 11.5 | 11.6 | 11.1 | 10.4 | 11.6 | 10.0 |
| Secondary | 68.9 | 64.2 | 65.1 | 62.8 | 62.4 | 60.8 | 61.6 | 60.9 | 60.7 | 60.1 |
| Tertiary | 14.8 | 18.3 | 18.9 | 20.9 | 23.6 | 24.5 | 25.1 | 24.9 | 24.7 | 26.1 |

In terms of employment opportunities, the Economic Transformation Programme (ETP) expects to create 3.3 million jobs by 2020.

- Renewable energy plants – 50,000 jobs
- Oil, gas and energy – 52,300 jobs; with an estimated 21,000 (40%) for qualified professionals such as engineers and geologists
- Information and communication technology (ICT) – 43,162 jobs; with more than 75% of those for high-skilled workers
- Electronics and Electrical – 157,000 jobs
- Healthcare – 89,000 jobs
- Financial Services – 45,000 jobs, with strong demand for specialised talent in Islamic Finance; business opportunities and baseline growth will result in a further 229,000 jobs created.

³ Department of Statistics Malaysia, June 2011: Key Indicator of the Labour Market, Malaysia, 2001-2010

⁴ *Ibid.*, p.12.

In the short term, infrastructure construction is ramping up, and areas such as tourism, palm oil, agriculture, oil and gas, education, manufacturing and logistics, are expected to create 150,000 jobs in 2012. Hot jobs for 2012 include call centre professionals such as senior customer service officer, call centre team leader, outbound agent; and sales and marketing professionals in the services sector. The oleochemicals industry aims to create 86 highly-skilled jobs by 2015.

2. Statistics that Facilitate Planning for Human Capital

Labour in this context is effectively referred to supply of talent, whereas employment is referred to demand for labour or job opportunities. With the strong and aggressive Government initiatives to boost the economy, we need to ensure that there is enough supply of labour to the economy. As such, it is inevitable for the Government to develop human capital (HC) plan and this plan has to be robust, comprehensive and relevant in helping to forecast the supply of labour and the employment opportunities. Factors that affect the economy, population demographics, industry outlook and growth, wage trend and statistics related to them are useful for HC planning.

3. Economic Outlook

The global economic outlook and trend impact the labour and employment market. Reduced global demand will slow Malaysia's export-driven economy, as growth slackens from 5.0% in 2011 to an estimated 4.0%–4.5% in 2012.⁵ Continued deficit spending will seek to mitigate the impact of Malaysia's reduced growth, with the Government focusing on more infrastructure development and higher wages for civil servants to boost domestic consumption. The adjustment between the global and local economic impact will affect demand for resources, including HC.

4. Population Demographics: Specification

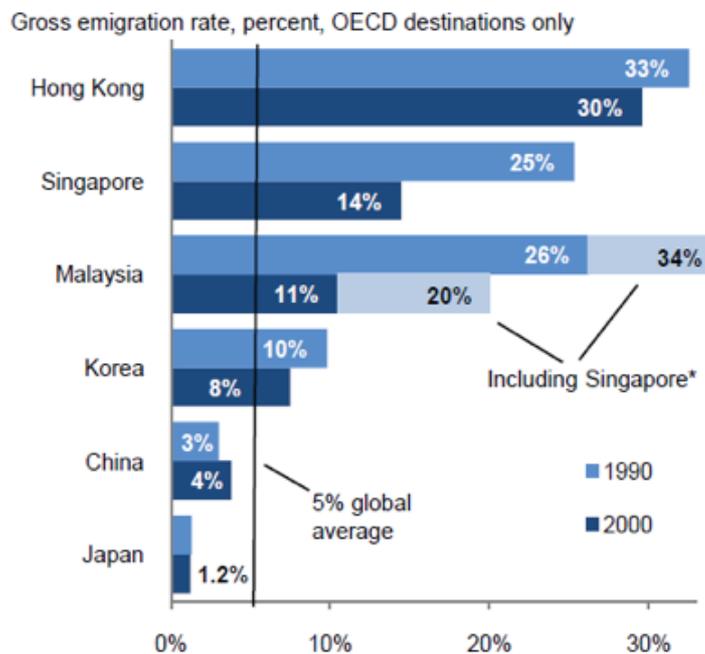
Population demographics such as age, gender, education and key professions form part of the planning for HC. Statistics that show the four categories (age, gender, education and profession) in matrix format, such as key professions for each working age group and genders; and gender for each age group and education, would further enhance the planning. Having an indication of the quality of our labour force (such as their education level, qualification and current profession) and correlate them with age and location, will be useful and relevant for the planning process. This information would give a more structured planning for industry development in alignment to labour availability and their skills for the specific region. It also allows necessary planning for infrastructure or facilities to encourage talent mobilisation, should they need to relocate specific skilled labour to another region.

⁵ Global Market Brief and Labor Risk Index 2012

5. Malaysian Diasporas Effect

The Malaysian diasporas is estimated, conservatively, at one million as of 2010, of which about one-third of all migration represents brain drain.⁶ For every ten skilled Malaysians born in Malaysia, one of them elects to leave the country. This is double the world average. It is important to study the brain drain trend, including the profession and industry that these diasporas are in. This helps to identify professions or skills that the country require to develop further in anticipation of brain drain and plan to retain them (See Figure 3).

Figure 3: Brain drain intensity fell, but remains high⁷



6. Re-entry into Employment and Re-employment

The country has recently begun registering up to 2 million illegal immigrant workers in an amnesty programme aimed at managing waves of foreigners seeking unskilled jobs not being filled by Malaysians.⁸ Could this situation be improved should we be able to help Malaysians who are retired from services or retrenched workers who are seeking for job to be re-employed? When there is a correction in the economy, there will be a number of workforces 'released' back to the labour market, and there will be a substantial number of labour who retire each year but they

⁶ Malaysia Economic Monitor, April 2011

⁷ Malaysia Economic Monitor, April 2011

⁸ Employment Outlook 2012 Malaysia, Kelly Services

are still in the productive age group. Hence, having the statistics for re-entry into employment (workers who are retrenched) and re-employment (retired) groups would be essential to improve the planning, in areas such as matching these groups with the available jobs, and providing training for re-skilling to reduce the need of recruiting foreign labour.

7. Investments Growth

Malaysia has low macro risk with positive investment trend, and hence, has been a favourite country for foreign investor. To encourage investment in Malaysia, authorities will continue to expand the ETP, which seeks to attract nearly \$440 billion in foreign direct investment (FDI) in key areas such as energy and financial services, while adding 3.3 million jobs by 2020. In an effort to attract foreign investment, Malaysia will liberalise 17 currently closed sectors to 100% foreign ownership in 2012, including telecommunications, healthcare and accounting services. However, from the labour aspect, there is a possibility that we may fall into the 'risky' state.⁹ As such, it is critical to ensure that there will be adequate talent with the right skill set available for these industries as they are developing. In order to have progressive planning for human capital, it is important that qualitative information pertaining to trend and scale of investment, industry types and respective locations, implementation timeframe, as well as qualification and quality of labour required are available. Figure 4 illustrates the macro and labour risks in Malaysia as well as Pacific and Asia Pacific.

Figure 4: Macro and Labour Risks Comparison: Malaysia vs Pacific and Asia Pacific¹⁰



⁹ Global Market Brief and Labor Risk Index 2013

¹⁰ *Ibid*

8. Wage Trend

Salary is one of the top three priorities people look at when considering a job, beyond training, development and mentoring programmes. Malaysia's employment outlook for 2012/2013 remains optimistic despite lack of top talents. The employment opportunities or demand for talent was especially apparent in the banking and financial, information technology, business services and engineering industries. In these high growth industries, salary increase can be as high as 12% for a skilled talent with about 8 years experience.¹¹ Understanding of the regional wage trend is important to attract and retain skilled talent, and hence, planning for the key expertise is required. Refer to Figure 5 for wage growth trend 2011 and 2012.

Figure 5: Wage Growth 2011 - 2012¹²



9. Quality of Statistics

Obtaining the key statistics related to economic and social demographic is important for HC planning. The timeliness, integrity and reliability of these statistics are equally critical for policy makers and investors, particularly to utilise this information for subsequent planning and execution.

Industry developments are getting more dynamic and effective business management requires quick and right decisions to be made. Planning and execution period in current business dynamic can be as short as 3 to 6 months. As such, decision makers need to access to timely and high quality economic statistics. More short-term statistics releases to assist incremental planning and execution would be highly helpful in the current fast changing business environment.

¹¹ Malaysian employers lose out on skilled talent, HRM Asia, 13 September 2012

¹² APAC Talent Market Update, 2012/2013, Kelly Services

Accessibility to real-time information would be a standard moving forward. Real-time statistics on labour availability and shortage, and employment opportunities in different locations would be an ideal situation in narrowing the gap between demand and supply of labour. Realistically, if we could achieve the 'real-time' standard by providing updated information with one day to a week lapse, it will help to address gaps swiftly.

10. Non-qualitative Factors

HC planning should be a 'living' plan that allows adjustments from time to time to suit the socio economic environment, without changing the long term goals. Non-qualitative information related to politics, legal and technology will also impact HC planning. Legal enforcements such as minimum wage and retirement age, political stability and advancement in technology in replacing manual work, will have a direct impact on HC requirements. Major natural disaster, such as the Japan earthquake and tsunami in March 2011, will also have significant implication.

11. Conclusion

There are at least two aspects of information which are necessary for HC planning:

- (i) Factors affecting the supply of labour and, employment or demand for labour. This would refer to economic outlook, population demographics, industry outlook and growth by industry, re-entry and re-employment, Malaysian diasporas, and wage trend; and
- (ii) Relevance of the data and information available. Timeliness, integrity and reliability of the statistics. 'Real-time' information would be ideal especially for short-term planning.

Non-qualitative factors relating to politics, legal and technology as well as natural disaster would also have significant impact to HC planning.

Based on Kelly Services' survey¹³, talent and employment opportunities for 2012/2013 include:

- (i) Accounting and Finance: middle to senior levels of auditors, accountants and credit managers, and business partners who push for profitability;
- (ii) Banking and Financial: expertise in niche banking areas such as Islamic Finance;

¹³ APAC Talent Market Update 2012/2013, Kelly Services

- (iii) Engineering and Technical: expertise in new growth areas encompassing renewable energy, oil and gas, utilities, and advanced electrical and electronic products;
- (iv) Human Resources: professionals with a focus on compensation and benefits, learning and development, and talent acquisition and retention;
- (v) Information Technology: hiring demand for ICT job positions, IT professionals in the middle level for e-payment, and mobile banking;
- (vi) Procurement, Supply Chain and Logistics: expertise in improving processes and productivity, middle and senior management positions such as project managers, operations directors and supply/demand/inventory planners; and
- (vii) Sales and Marketing: sales talent with strong performance, brand managers, marketing directors and channel managers.