Labour and employment: Are existing statistics facilitate planning of human capital for economic transformation?

Anthony Raja Devadoss
Vice President, Asia-Pacific

November 2012
Objectives of Presentation

• Overview of labour supply and employment opportunities in Malaysia

• Key components in managing human capital planning

• Situations affecting the planning for human capital
Overview of labour supply and employment opportunities in Malaysia
## CEO’s Top 10 Global Challenges, 2011

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Business Growth</td>
<td>1.65</td>
</tr>
<tr>
<td>2. Talent</td>
<td>0.74</td>
</tr>
<tr>
<td>3. Cost Optimization</td>
<td>0.72</td>
</tr>
<tr>
<td>4. Innovation</td>
<td>0.70</td>
</tr>
<tr>
<td>5. Government Regulation</td>
<td>0.59</td>
</tr>
<tr>
<td>6. Corporate Brand and Reputation</td>
<td>0.42</td>
</tr>
<tr>
<td>7. Customer relationships</td>
<td>0.40</td>
</tr>
<tr>
<td>8. Sustainability</td>
<td>0.37</td>
</tr>
<tr>
<td>9. International Expansion</td>
<td>0.29</td>
</tr>
<tr>
<td>10. Investor Relations</td>
<td>0.09</td>
</tr>
</tbody>
</table>

*Source: Conference Board CEO Challenge, 2011*
YES, It is Hot here!
Talent scarcity remains an issue

We have about 12.5 mil labour force as of 2011, with an average increase of 2% per annum....

In 2011, it was recorded 2.259 mil new vacancies from approximately 829,000 in 2007.

There is an increase of about 43% per year in new job opportunities...

...except in 2011 where there was a growth of 9%

Source: Dept of Statistics, Malaysia; Employment outlook 2012 Malaysia, Kelly Services 2012
Employment rate remains at about 64% and unemployment rate average at 3.45%

Employment trend is moving upward, with a corresponding decrease in unemployment.

We are also facing issues – we have 3 times more inflow of low qualification labour than highly educated professionals.

20% of highly educated Malaysians opt to move overseas.

60% of immigrants have low qualification.

25% decrease in skilled expatriates since 2004.

Source: Dept of Statistics, Malaysia; Employment outlook 2012 Malaysia, Kelly Services 2012
About 24% of total labour force are tertiary graduates, remaining are secondary or lower

Majority of the labour force are secondary qualification holders, about 6.4 mil, followed by tertiary graduates, about 2.8 mil in 2010...

...and about 60% of the secondary qualification holders were unemployed in 2010, followed by 26% of tertiary graduates

Source: Dept of Statistics, Malaysia
Key components in managing human capital planning
Managing Human Capital Planning

**Workforce Data:** Demographics, Capabilities & Availability, Malaysian Diasporas Effect, Re-entry & Re-employment.

**Employment Opportunities:** Economic outlook, Investment growth, Wage trend.

**Talent Supply**
- Will we have enough people?
- Will we have the right capabilities?
- Where will we find the right capabilities?
- Movement and mobility...

**Talent Demand**
- What roles are most critical to achieving economic growth?
- How many people do we need?
- When do we need them?
- Where do we need them?
Situations affecting the planning for human capital
Economic Outlook

Reduced global demand will slow Malaysia’s export driven economy

However, continued deficit spending will seek to mitigate the impact of Malaysia’s reduced growth

GDP Growth Rate: Malaysia vs World

Employment rate seems to increase despite a slight dip in Malaysia economy

With the stable projected growth in world economy, it is likely that Malaysia economy will pick up hence the employment rate

Note: * refers to projected growth rate
Sources: **Department of Statistic Malaysia & **Economic Intelligence Unit
Understand Talent Demographics...
Approximately 950k new vacancies in addition to the 1.3mil elementary occupations, recorded in 2011...

New Vacancies Recorded (excluding elementary occupations)

- Managers
- Professionals
- Technicians & assoc. prof
- Clerical support
- Service & sales
- Skilled agri, forestry & fishery
- Craft & related trades

Sources: JobsMalaysia, Ministry of Human Resources; Statistics of graduates in the labour force 2011
...but we also have a record of about 383k of unemployed labour in 2011...

Out of 369k of active registrants with JobMalaysia, only about 6% are placed in 2011

There were about 228k vacancies for professional role in 2011 and 67k in 2010 ...yet

Approximately 34k graduates in 2011 and 31k in 2010 are unemployed

There were about 287k vacancies in semi-skilled positions in 2011 and 267k in 2010, ...yet

Approximately 32k of diploma holders in 2011 and 32k in 2010 are unemployed

Sources: JobsMalaysia, Ministry of Human Resources; Statistics of graduates in the labour force 2011
Detailed demographics indicators helps to plan the human capital better.

**DEMOGRAPHIC INDICATORS**

**PROFESSION**

- Competencies - qualification, skill & experience
- Age group, gender, locations
- Mobility & motivation

**Example: HR Profession: Demographics indicators**

<table>
<thead>
<tr>
<th>Payroll</th>
<th>Com &amp; Ben</th>
<th>Generalist</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000</td>
<td>800</td>
<td>2,000</td>
</tr>
</tbody>
</table>

- Undergraduate: 500
- Diploma: 500
- < 10 year: 300
- > 10 year: 200
- Female: 200
- Male: 100
- Central: 100
- North: 50
- South: 50
- Mobility
  - Yes: 50
  - No: 50
- Monetary
- Career advancement
- Family
Understanding key motivations of different generation groups is important for planning.

Based on our KGWI, some motivation indicators in driving career choice and career progression of Malaysian are:

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Gen Y</th>
<th>Gen X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience is more important for career development</td>
<td>$\approx 85%$</td>
<td>$\approx 72%$</td>
<td>$\approx 45%$</td>
</tr>
<tr>
<td>Career change within 5 years</td>
<td>$\approx 69%$</td>
<td>$\approx 72%$</td>
<td>$\approx 45%$</td>
</tr>
<tr>
<td>Start a business in 5 years</td>
<td>$50%$</td>
<td>$69%$</td>
<td>$45%$</td>
</tr>
<tr>
<td>Change career for monetary &amp; work life balance</td>
<td>$33%$</td>
<td>$34%$</td>
<td>$12%$</td>
</tr>
<tr>
<td>Training, health benefits &amp; retirement benefits</td>
<td>Top 3 outside salary</td>
<td>Top 3 outside salary</td>
<td>Top 3 outside salary</td>
</tr>
<tr>
<td>Profit sharing or employee ownership boosts performance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Kelly Services Survey - KGWI
Movement of labour, Malaysian diasporas...

The Malaysian diaspora is estimated, conservatively, at 1mil as of 2010, about 1/3 of all migration represents brain drain. 20% of highly educated Malaysians opt to move overseas.

Sources: Malaysia Economic Monitor April 2011; Young Skilled Kelly Infographic KGWI,
Movement of labour, re-entry & re-employment...

There retrenchment is moving down, but between 1 Oct 2008 to 16 June 2009, there was about 29k Malaysians retrenched...

...and every year since 2008 there are about 500k workers reach their retirement age.

These human capital who already have the experience and skill from the industry are valuable economic contributors...and most of them can still be productive workers.

Sources: JobsMalaysia, Ministry of Human Resources
Salary is one of the TOP 3 priorities of a Malaysians – key for talent attraction & retention

Average APAC: ~6%

- China - 8%
- Hong Kong - ~ 5%
- Singapore - ~ 4.5%
- Malaysia - ~4%

Sources: Malaysian employers lose out on skilled talent, HRM Asia, 13 Sep 2012, KGWI Survey
Other factors that affect the effectiveness of human capital planning...

Proper infrastructure to support the quality of statistical data on labour and employment is critical... system to ensure:

- **Timeliness of the information.** Potentially, “real-time”
- **Institute of Labour Market Information and Analysis (ILMIA)**

For NKEA sectors
- Relevant economic and investment forecast information
- Competencies of labour
- Time frame for each stage of the development
Conclusion

• Human capital planning is to ensure the labour supply meets the employment requirements

• Key components to ensure better planning include economic factors, demographics, Malaysian diasporas, re-entry & re-employment, wage trend...

• ...as well as timeliness of information
Thank You