Challenges Faced by Employers in Human Capital Development

by

Dr Michael Chiam Tow Hui

Council Member, Malaysian Employers Federation
Full Employment!

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Jobless rate down to 2.9%

It is almost as if everyone has a job, says deputy minister

By LEE YEN MUN
yennmun@thestar.com.my

SERDANG: The unemployment rate in Malaysia has dropped from 3.1% to 2.9% so far this year, said Deputy Finance Minister Datuk Donald Lim Siang Chai.

Lim said that this had surpassed the employment performance in places such as the United States and Europe, where unemployment hovers at 9% and 11% respectively.

He added that Malaysia had managed to soar above the eurozone economic crisis due to the level of investor confidence in the country.

“In the first five months of this year, the unemployment rate was 2.9%.

“(To look at it simply) at a 3% unemployment rate, it is almost as if everyone has a job,” Lim said after launching the Malaysia-Seri Kembangan 10,000 Healthy Steps community programme at Taman Universiti Indah here yesterday.

Lim, who is also Selangor MCA chairman, said the level of investor confidence in Malaysia was reflected in the surge of inflowing foreign direct investments (FDI).

According to the United Nations Conference on Trade and Development 2012 World Investment Report, the country’s FDI had leaped to US$11.97bil (RM35.7bil) compared to US$9.1bil (RM28.8bil) in 2010 and US$1.45bil (RM4.59bil) in 2006.

Meanwhile, the International Trade and Industry Ministry reported that the manufacturing sector accounted for the largest share of FDI and that 72% of total trade came from Asian countries.

“It shows that foreign investors are comfortable and confident with the business climate in Malaysia, which is facilitated by programmes endorsed by the Federal Government, such as the Economic Transformation Programme.

“With these programmes, more than 300,000 job opportunities will be created for the benefit of all Malaysians,” he said.
Recent Developments

- A slew of labour law amendments
  - Competitiveness
  - Cost of doing business
  - Economic Scenario – cascading effect from EU
  - Job Creation
- Challenges to employment
  - Productivity
  - Performance – MOH proposal for incentives
- Foreign Workers
- Green Jobs
Skills gap widened in 2010
  ▪ Skill workers 27%
  ▪ Semi-skilled and unskilled workers 73%

Highly dependent on unskilled foreign workers (2.2 million)

Relatively low wages

Hence, Malaysian economy caught in the middle income trap
HUMAN CAPITAL DEVELOPMENT IN MALAYSIA

- Education system under various Ministries
  - Pre school - < 3 years - Ministry of Women, Family and Community Development
  - 4 – 6 years – Ministry of Education (MoE)
  - Primary/Secondary – MoE
  - University College – Ministry of Higher Education (MoHE)
  - Skills Training – MoHR, MoHE, Ministry of Youth & Sports, etc.

- Need for seamless delivery of education to world of work

- Agensi Inovasi Malaysia – National Innovation Strategy
  - To promote innovation as key component of Malaysia’s drive towards Vision 2020
PRIORITIES

- Enhancing competitiveness through productivity increase
- Skills development and certification
- Review labour legislations to promote flexibility in management
- Strengthening tripartite partnership to tackle challenges e.g.
  - ageing workforce,
  - foreign workers,
  - increasing participation of women in labour market
- Ensuring inclusive growth for all segments of workforce
- High drop-out rate after SPM (24%);
- 107,000 SPM school leavers enter job market without any skills annually;
  - 107,000 x 10 years = 1.07 mil. local without skills certification;
- Many unaware range of skills training and view technical/vocational training as inferior option;
  - Result – From start of employment till retire only qualification is SPM
  - Skill gained through work experience not recognised and not certified
Highly-skilled and low-skilled labour (2007; %)

Source: EPU, World Bank

Source: NEW ECONOMIC MODEL FOR MALAYSIA PART 1, NATIONAL ECONOMIC ADVISORY COUNCIL
Proportion of technical and science graduates continues to be lower than Arts
- in 2006/2007 Arts students accounted > 50% of graduates

Technical/vocational schools produce less graduates

Trends suggest that Malaysia not producing the right talent needed for future growth

Number of graduates from vocational and technical schools (1999-2009)

Source: MOE & MOHE

Source: NEW ECONOMIC MODEL FOR MALAYSIA PART 1, NATIONAL ECONOMIC ADVISORY COUNCIL
High graduate unemployment indicates that curricula are not meeting industry needs.
### Graduate Unemployment Rate 18 – 30 Months after End of Study by Discipline, Level and Type of Institution

<table>
<thead>
<tr>
<th>Field of Study</th>
<th>IPTA (Public)</th>
<th>IPTS (Private)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Bachelor’s Level</td>
<td>Below Bachelor’s</td>
</tr>
<tr>
<td>Arts/Business</td>
<td>22.9%</td>
<td>28.4%</td>
</tr>
<tr>
<td>Science</td>
<td>16.6%</td>
<td>23.4%</td>
</tr>
<tr>
<td>Technical</td>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>ICT</td>
<td>13.4%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Education</td>
<td>0.6%</td>
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HUMAN CAPITAL ISSUES – SKILLS TRAINING

- Skill training institutes produce semi-skilled workers
- Sijil Kemahiran Malaysia (Malaysian Skill Certification System)
  - Not recognised by Government for employment;
  - Credits not transferable;
  - Not accepted for entering universities – need pre university qualification (STPM matriculation, Polytechnic/community college, teacher training institutes)
- Inconsistent standards in teaching and curriculum (1,171) training institutes under various Ministries.
- Lack of qualified teaching staff with industry experience
- No. training institutions accredited with Department of Skills Development – 979 (July 2011)
  - Private institutes – 613
  - Government institutes – 345
  - Too many players but lack coordination
WHAT SHOULD BE DONE?
SKILLS CERTIFICATION SYSTEM

- There should be a recognised standardised skills certification system
- National Occupational Skills Standards (NOSS) should be accepted as the certification system and skills training providers must conform to NOSS
- Skills certification will encourage employees to take up multi-skilling and multi-tasking, which will improve productivity and competitiveness
- On-the-Job Training as a basis of certification?
Current graduates do not match the needs of industry

Graduates lack in both technical know-how and generic skills

Competency in both specific knowledge and generic skills must cover both areas
TOP 3 MOST REQUIRED CRITICAL SKILLS OF EXECUTIVES

- Technical Skills
  - Critical thinking (31.5%)
  - Problem solving (35.6%)
  - Technical (47.9%)

Source: MEF Salary Survey for Executives 2011
TOP 3 CRITICAL SKILLS FOUND LACKING IN EXECUTIVES

- **Technical**
  - Planning & Organizing (32.4%)
  - Communication (33.1%)
  - Problem solving (39.7%)

*Source: MEF Salary Survey for Executives 2011*
TOP 3 MOST REQUIRED CRITICAL SKILLS OF NON EXECUTIVES

- Skilled employees
  - Communication (written & oral) (35.7%)
  - Team working (37.4%)
  - Technical (40.9%)

Source: MEF Salary Survey for Non Executives 2011
TOP 3 MOST CRITICAL SKILLS FOUND LACKING IN NON EXECUTIVES

- Skilled Employees
  - Team working (36.4%)
  - English proficiency (41.8%)
  - Communication (written & oral) (44.5%)

Source: MEF Salary Survey for Non Executives 2011
PROBLEMS FACED IN RECRUITMENT

- Problems faced by companies in recruiting new employees apart from shortage of skills competency:
  - High rate of turnover/job hopping (79%)
  - Demand for higher wages (73%)
  - Candidates attitude problems (55%)
  - Skills mismatch (36%)
On The-Job-Training (OJT)

- 94% respondents stated they completed OJT for Executives
- 90% respondents stated they completed OJT for non Executives
- 88% indicated OJT provided adequate skills for Executives and 96% for non Executives
93% of respondents companies trained their Executives on multi-skilling and 95% for non Executives

75% of respondent companies have no problems in introducing multi-skilling
ISSUES AND CHALLENGES

- To encourage and promote more students to do technical and vocational education (50%)
- To train sufficient number of professional lecturers/trainers
- To invest sufficient economic resources and improved budgets for technical and vocational education
ISSUES AND CHALLENGES

- To make technical and vocational education much higher than ordinary academic education
- To provide sufficient jobs and higher salaries for technical and vocational graduates
- To have more than 40% graduates in technical and vocational fields
THANK YOU