

Experts: Malaysia's job market stable with key innovations in resilient businesses



(TMRgraphic)

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New technologies often replace jobs, and the future of work lies in people-focused jobs, especially in care economy

by **AKMAR ANNUAR**

MALAYSIA'S recent drop in the IMD World Competitiveness Ranking has sparked discussions about its implications for the job market and the broader economic landscape.

However, experts suggest that the ranking might not be as impactful as it is often perceived.

Economic Perspective on World Competitiveness Ranking

Malaysia University of Science and Technology's Prof Geoffrey Williams dismissed the IMD World Competitiveness Ranking as a significant indicator of real competitiveness.

"There is a general consensus among economists that the World Competitiveness Ranking is not very informative about real underlying competitiveness," he told *The Malaysian Reserve (TMR)*.

He said the survey has no substantial effect on business and investment decisions, and that the year-to-year variations in the ranking are mostly superficial and do not reflect the true economic conditions of a country.

Williams criticised the five challenges listed in the ranking as unimaginative, saying that they are a cut-and-paste from their general narrative.

The five challenges are increasing research and development (R&D) investment, optimising the labour market, updating policies to improve global competitiveness, leveraging advanced technologies and mitigating costs through productivity enhancements.

Williams explained that Malaysia's comparative advantage and competitiveness have traditionally been in commodities and the application of innovations from other places.

He argued that there is no chance for Malaysia to boost business resilience by investment in R&D as this type of investment takes generations to build with uncertain outcomes.

Instead, Williams highlighted sectors like Islamic finance, the halal industry and palm oil as key areas for innovation, noting that these are not R&D-based industries.

He was particularly critical of the emphasis on technology, suggesting that new technologies often replace jobs, and the future of work lies in people-focused jobs, especially in the care economy.

Meanwhile, he said the other four productivity-focused "challenges" have no relationship with the Malaysian economic reality, emphasising that the technology narrative does not acknowledge the essential nature of human-centric jobs.

Additionally, Williams contextualised the current economic situation, noting that the Unity Government inherited a volatile economy in 2023, with overspending issues from the previous administration.

He said the government is well on the road to economic reform with new fiscal frameworks, the Pangkalan Data Utama (Padu) database for targeted subsidies and the subsidy rationalisation already underway.

"These targets are political issues and are for the long term. Short-term issues do not affect them so much," he added.

From a political perspective, Williams believed that the 2023 performance was a legacy of poor policy in 2022 and before, suggesting that the current Investment, Trade and Industry Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz, who was the finance minister then, is better positioned to explain the situation.



Govt is well on the road to economic reform with Padu database for targeted subsidies, says Williams — TMRpic

Employment Trends Remain Positive

Contrary to concerns about the decline in competitiveness, Malaysian Employers Federation (MEF) president Datuk Dr Syed Hussain Syed Husman highlighted positive trends in Malaysia's job market.

According to the Department of Statistics Malaysia (DOSM), there was a notable increase in the number of online job vacancies in the fourth quarter of 2023 (4Q23), with a surge of 32.5%.

The number of establishments offering jobs also rose significantly. "Despite a decline in the IMD World Competitiveness Ranking, the number of vacancies advertised online surged by 32.5%," Syed Hussain told *TMR*.

The 1Q24 saw a 1.5% year-on-year (YoY) job expansion, with a high fill rate of 97.9%.

Syed Hussain said employers remain optimistic about the business landscape, as evidenced by these robust labour market indicators.

The substantial YoY increase in job vacancies by 119.2%, alongside the 1.5% growth in jobs, underlines the continued expansion and hiring within the economic sectors.

He explained that employers are confident in Malaysia's economic stability and growth potential, as businesses continue to expand and invest in their workforce.

This optimism is reflected in the data, which shows a resilient and growing job market despite the decline in the competitiveness ranking.



SLDN integrated practical and theoretical training, awarding apprentices with Malaysian Skills Certificates upon completion — pic credit: MEDIA MULIA

Industry-specific Impacts

Despite the drop in the competitiveness ranking, the manufacturing sector showed resilience.

DOSM's April 2024 statistics revealed a 1% increase in employment and a 1.2% rise in salaries within the sector.

The sales value of the manufacturing sector grew by 5.7%, driven by demand for electrical and electronics (E&E) products and petroleum-related products.

Key contributions to sales value came from E&E products (32.1%); petroleum, chemical, rubber and plastic (25.8%); and food, beverages and tobacco (17.2%).

"The rise in employment and wages indicates a stable labour market in the manufacturing sector," Syed Hussain said.

To mitigate the impacts of declining competitiveness, Malaysia focused on skill development and training programmes.

Syed Hussain believed these initiatives were crucial in sustaining economic momentum and fostering a resilient labour market.

He said skill development and training programmes serve as proactive measures to counteract the negative impacts of the IMD World Competitiveness Ranking's declining competitiveness on the job market.

Several successful initiatives were implemented to upskill and reskill workers.

The 1 Malaysia Training Scheme addressed youth unemployment by tackling challenges like skills mismatches and a lack of soft skills while the National Dual Training System (SLDN) integrated practical and theoretical training, awarding apprentices with Malaysian Skills Certificates upon completion.

Another notable programme was IREV 4.0, which focused on upskilling and reskilling employees in digitalisation.

Courses under this initiative focus on nine pillars under IR4.0. These initiatives helped businesses adopt a digital-based approach, enhancing productivity and sustainability.

Technical and Vocational Education and Training (TVET) is another critical area, equipping individuals with practical skills and knowledge, emphasising hands-on experience and preparing individuals for the job market. The government invested significantly in TVET, with 1,345 public and private TVET institutions operating nationwide.

Universiti Kebangsaan Malaysia Centre of Community Education and Wellbeing educationist Dr Anuar Ahmad pointed out the critical need to improve the quality of education in Malaysia to enhance the country's competitiveness as measured by the ranking.

He acknowledged the nation's unsatisfactory performance in the rankings and highlighted the direct correlation between education quality and economic competitiveness.

"The data often shows a decline in our educational standards, whether it be our capabilities, skills, or the conditions offered in our country," he said.

One of his primary concerns was that only 15% of Malaysian students are in the Science stream.

"Can you imagine the limited human resources we have for infrastructure and human capital in science and technology?"

"Out of that 15%, less than 10% truly enter the field of science and technology. How can we become a competitive nation internationally?" he said.

Anuar stressed on the need for a serious reform in the education system, especially in fields that can offer human resources in science and technology to build competitive energy.

He also criticised the overemphasis on academics, while human resources are also about talent, creativity, innovation and leadership.

He pointed out a paradox where Malaysia produced the highest number of Science, Technology, Engineering and Mathematics graduates globally, yet struggled with competitiveness in the job market.

Brain Drain, Education Challenges Threaten Malaysia's Competitiveness

Brain drain was another issue affecting Malaysia's competitiveness. Anuar highlighted that many talented individuals preferred to stay abroad due to better income and facilities.

"Some graduates who studied technology abroad say when they return to Malaysia, their skills are not maximised due to inadequate infrastructure. This leads them to remain and continue their careers overseas," he said.

Anuar said addressing the fundamental issues of education is crucial for Malaysia's competitiveness. These include quality education, better school infrastructure and improved curriculums without which, Anuar said, Malaysia's competitiveness will likely continue to decline.

Meanwhile, Dr Shankaran Nambiar, a visiting fellow at the Australian National University's Crawford School of Public Policy, stressed the need for businesses to enhance their efficiency and productivity to regain their competitive edge.

He pointed out that while the decline in government efficiency is notable, the more significant concern is the drop in business efficiency and productivity.

"Clearly, businesses must take greater action to restore their efficiency and productivity," he told *TMR*.

He outlined that while productivity improvements can come from technological adoption, that alone is insufficient and must also be accompanied by better-trained staff.

Shankaran added that enhancing competitiveness required a robust focus on learning and training.

He advocated for more upskilling initiatives and greater investment from employers in creating a conducive learning environment for workers.

His comments align with broader expert opinions suggesting that Malaysia's business sector needs to prioritise human capital development.

On employment trends, International Islamic University of Malaysia Department of Political Science Assistant Prof Dr Lee Pei May provided a detailed analysis of the situation, focusing on employment trends, industry-specific impacts, skill development initiatives and talent retention strategies.

She detailed that the data used for the IMD World Competitiveness Ranking was based on 2023 data and business executives' perceptions, which might not accurately reflect the current economic situation in Malaysia, especially in 2Q24.

"According to International Monetary Fund's data, the unemployment rate in Malaysia for April 2024 stood at 3.5%, whereas Indonesia's unemployment rate for the same month was 5.2%. So, even though Indonesia ranked higher than Malaysia in that survey, our unemployment rate is still much lower than Indonesia's," Lee said.



Syed Hussain says employers are confident in Malaysia's economic stability and growth potential – TMRpic

Contrary to Syed Hussain's opinion, Lee identified the manufacturing sector as likely to be the most affected by the decline in competitiveness.

She said manufacturers needed to produce high-quality products at competitive prices and declining productivity increases production costs, squeezing profit margins.

This financial strain limits businesses' ability to invest in new technologies and innovations, leading to long-term inefficiencies.

"Malaysian companies have yet to fully adopt advanced technologies, making them less competitive globally.

"As Malaysia seems to be experiencing premature deindustrialisation, further declines in productivity mean that foreign investors are less likely to have confidence in investing in Malaysia," she said.

Nevertheless, Lee said Malaysia's employment rate had increased compared to the previous year.

She called for attention to the importance of improving business and government efficiency, and overall economic performance to revitalise the industry and attract foreign investment.

Lee stressed the critical role of skill development and training programmes in mitigating the negative impacts of declining competitiveness on the job market.

She said workers must be exposed to a wide range of technologies, skills and knowledge to enhance productivity.

She added that like China, Malaysia also needs to adopt artificial intelligence to boost workplace productivity.

"Failing to do so means businesses will be outcompeted by others, which will affect the overall economic performance of the country," she said.

Lee accentuated successful initiatives like Singapore's SkillsFuture programme, which promotes lifelong learning and encourages citizens to acquire new skills.

In Malaysia, HRD Corp is a positive step towards reskilling and upskilling workers, funded by employer contributions.

Touching on brain drain, Lee pointed out that the weak ringgit is a significant factor driving Malaysians to work in Singapore due to the favourable exchange rate.

"Some companies offer hybrid or remote work to their employees, which gives workers more flexibility and allows them to achieve a better work-life balance.

"Millennials and Gen Zs prefer this type of arrangement and are more likely to work for companies that offer such options," Lee said, adding that this could be another strategy to keep talent in the country.