

Malaysia's Labour Market and Job Creation under the Economic Transformation Programme (2011- 2015)

By Lim Ping Jun

Purpose of this paper is to...

- Evaluate the number and type of jobs which have been created since the launch of the Economic Transformation Program (ETP) at the end of 2010
- Examine the impact of the ETP on other aspects of the job and labour market including labour participation rates, wage growth, youth unemployment
- To make recommendations on how to improve the job and labour market conditions for Malaysians and the economy

Overview

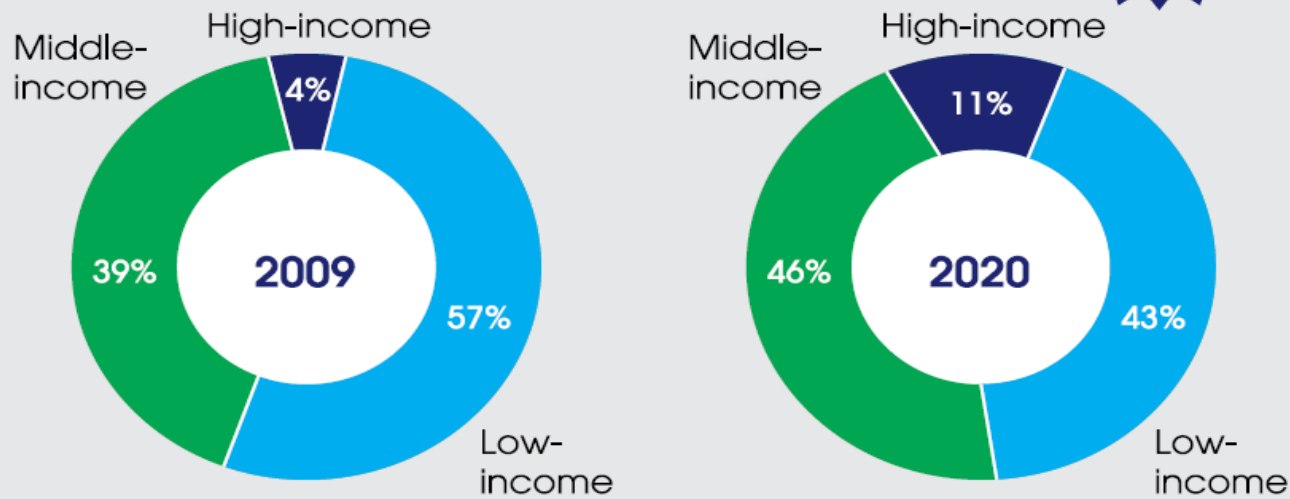
- Revisiting the Economic Transformation Program (ETP)
- How many and what kinds of jobs have been created under the ETP
- Rise in Vulnerable & Informal Employment
- Rise in Youth and Graduate Unemployment
- Some recommendations

NKEAs will create additional 3.3 million jobs with a shift towards medium and high-income salaries

FROM....

TO....

3.3 million
new jobs
from NKEAs



SOURCE: NKEA Labs

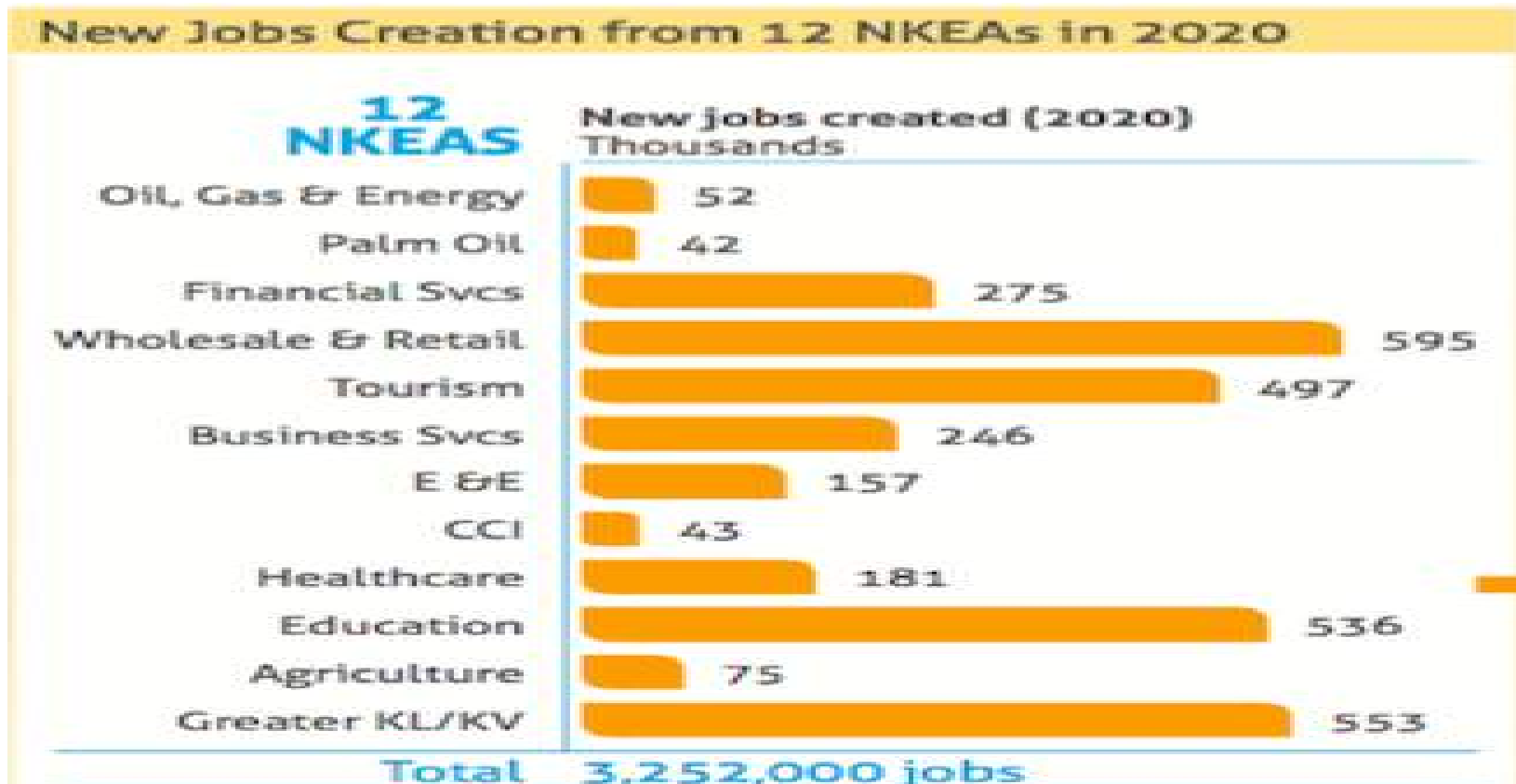
There will be a better fit between the skills demanded in the labour market and the skills developed. What Malaysia needs most of all is a much larger pool of well-trained and competent individuals with the right vocational and technical training (46 percent of additional jobs). The investment in education in Malaysia is designed to deliver the increased quantity and quality of these vocational and technical qualifications.

How much of
this target has
been achieved?

ETP Goals is to create 3.3m jobs across the 12 NKEAs

- ETP's objective was to hone in on Malaysia's top economic sectors with comparative advantages, and turn these into 'hotspots' for investment. The programme highlighted 12 National Key Economic Areas (NKEAs) : oil, gas & energy, financial services, palm oil & rubber, wholesale & retail, agriculture, tourism, electronics & electrical, communications content & infrastructure, healthcare, business services and education. These NKEAs enjoyed prioritised support from the Government due to their potential to enhance Gross National Income (GNI) and generate employment.
- The following is a brief review of the ETP's goals concerning job creation, when it was first launched in 2010. At that time, the ETP's forecast output for the 12 NKEAs was 3.3 million jobs. According to the blueprint, wholesale & retail would create 19% of the new jobs, greater KL/Klang Valley 17 %, education 16%, tourism 15%, and financial services 8%.
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Retail, Tourism, Education, Greater KL / KV and Financial Services Top 5 job creating NKEAs

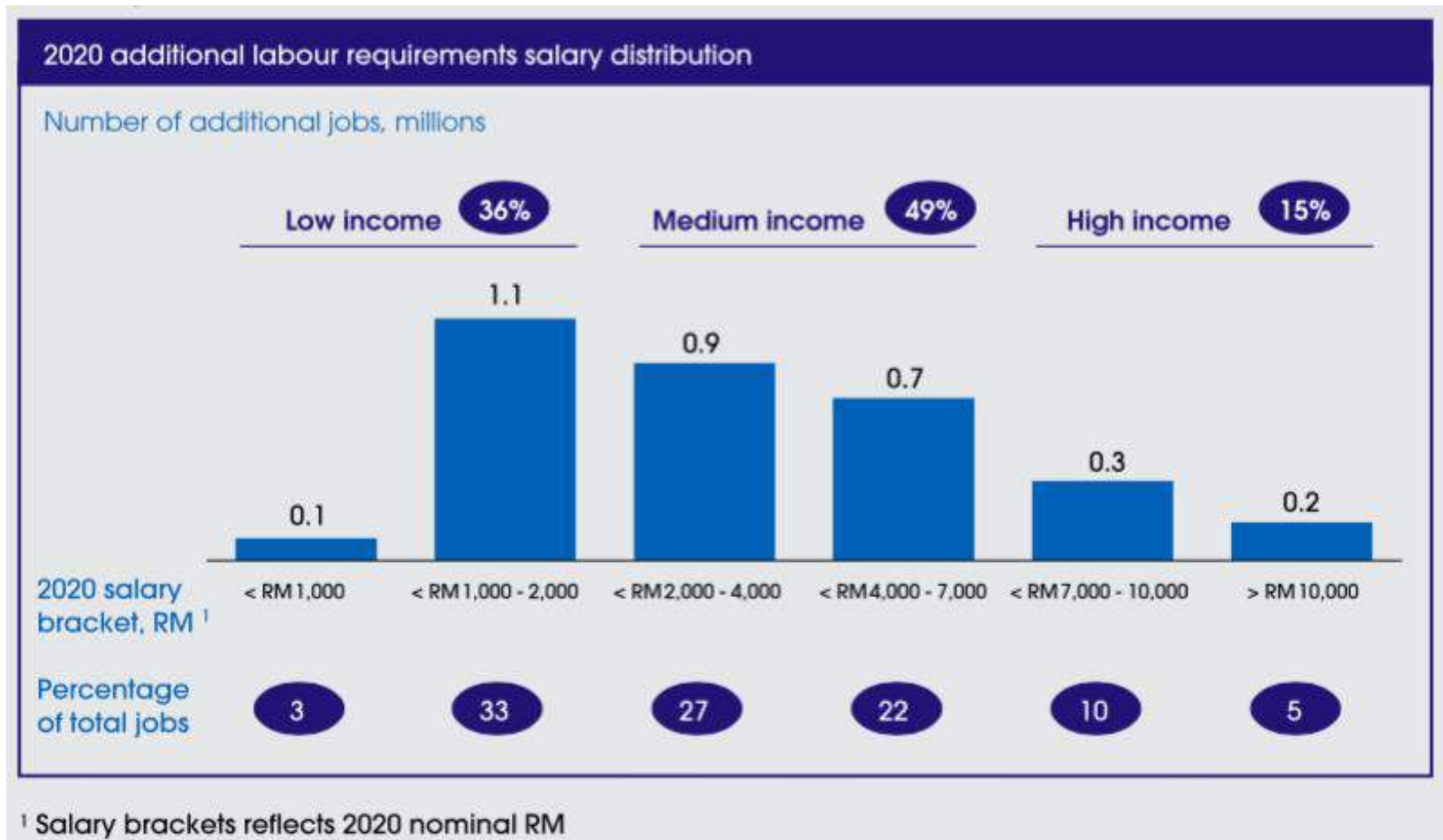


Source: The National Graduate Employability Blueprint, 2012, based on the Economic Transformation Programme, 2010

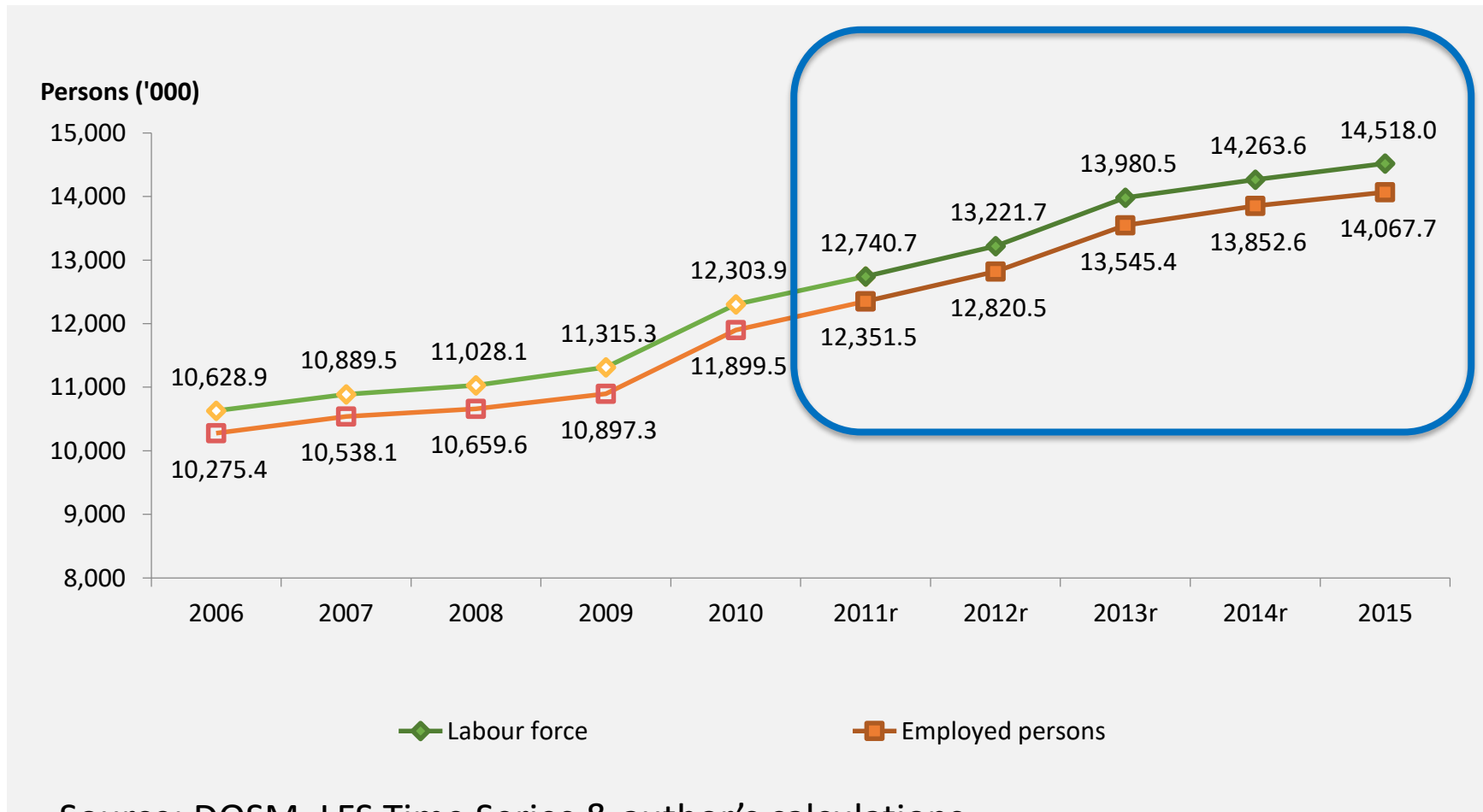
Majority of jobs created under the ETP supposed to be mid-high skilled jobs

- ETP was expected to generate a bulk of mid-high skilled jobs in the economy. According to the report, at least 54% of all new employment created should be suitable for employees with tertiary degree qualifications.
- “In the years towards 2020, there will be a better fit between the skills demanded in the labour market and the skills developed. What Malaysia needs most of all is a much larger pool of well-trained and competent individuals with the right vocational and technical training” (EPU, 2010).

15% of ETP jobs are high income, 49% are medium income...



Number of employed persons & labour force has grown by 2.2m since 2011: two-thirds to the ETP target



Source: DOSM, LFS Time Series & author's calculations

CAGR for Labour Force and Employed Persons higher from 2006-2010 compared to under the ETP (2011-2015)

	2006-2010	2011-2015
CAGR of labour force (%)	3.73	3.32
CAGR of employed persons (%)	3.74	3.31

Source: DOSM, LFS time series & author's calculations

CAGR = Compounded Annual Growth Rate

So how much difference did the ETP really make on job growth?

Only W&R NKEA seems to be on track for ETP job creation target (I)

Top NKEAs for job creation	Job creation target 2020 ('000)	Jobs created from end of 2010-2015 ('000)
Wholesale & Retail	595	474
Education	536	120
Financial Services	275	31

Source: DOSM, LFS Time Series & Author's calculations

Only W&R NKEA seems to be on track for ETP job creation target (II)

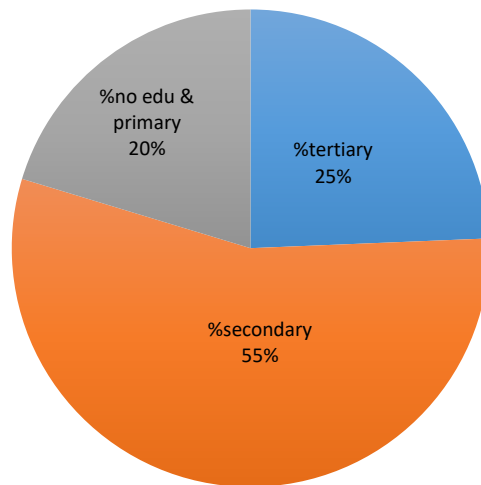
- The 'wholesale and retail' NKEA was expected to create 595,000 new jobs through various entry point projects (EPPs), such as increasing large format stores and the TUKAR programme, which assists small retailers in upscaling their business. In terms of job creation, this NKEA appears to be on track in achieving its goal, reaching 80% of the target figure in 2015.
- NKEA on education was expected to generate a 536,000 new jobs, via EPPs that intervened in the early education field, and also through increasing access to local institutions for international students. So far, only 23% of targeted job creation has been reached.
- NKEA on financial services was predicted to create 275,000 new jobs by 2020. Examples of EPPs include developing the field of Islamic Finance and increasing the range of financial product offerings available in the country. As of 2015, merely 11% of its target had been reached.

% of workforce with tertiary education increased from 2011 to 2015 but % of high skilled jobs fell (I)

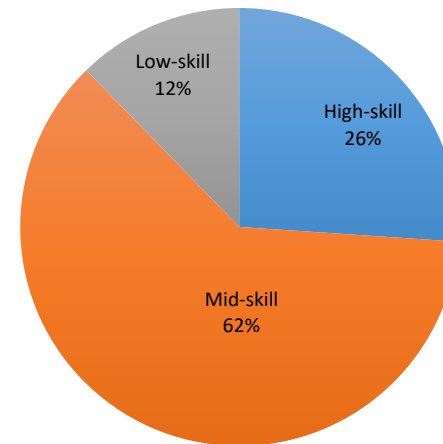
- Occupational structural changes are closely linked to a country's economic development. As a country transitions to an economy with greater higher skill demand, the share of workers engaged in elementary jobs will be reduced and offset by a higher proportion employed in tertiary industries.
- ETP's goals were to shift workers away from low-skill employment into the tertiary sector wage bracket. However, despite an increase in the supply of tertiary educated workforce, the trend of high skill employment remains largely stagnant. (ILMIA, 2016b).
- Malaysian workers have become increasingly educated, with the proportion of workers possessing tertiary qualifications rising by 3% between 2011 and 2015, while those possessing secondary or lower qualifications declined.
- However, despite the increase in supply of skilled workers, the overall share of high-skill employment in the economy has decreased over time. In 2011, high-skill employment took up 26% share of total jobs, but this figure has stagnated and even fell by 1% in 2015. On the other hand, the share of low-skill jobs in the country rose from 12% in 2011 to 14% in 2015.

% of workforce with tertiary education increased from 2011 to 2015 but % of high skilled jobs fell (II)

Composition of labour force by educational level
in 2011



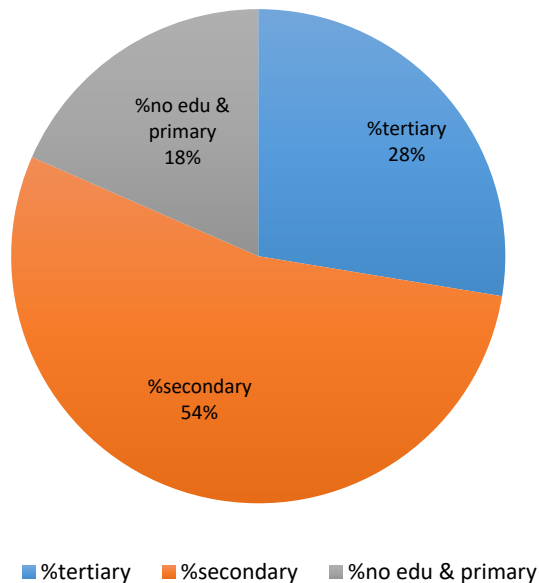
Composition of jobs by skill in 2011
n=12.3 million



Source: DOSM, LFS Time Series & author's calculations

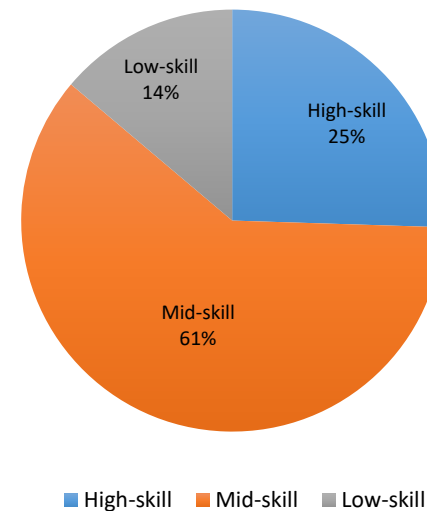
% of workforce with tertiary education increased from 2011 to 2015 but % of high skilled jobs fell (III)

Composition of labour force by educational level in 2015



Composition of jobs by skill in 2015

n=14.1 million



Source: DOSM, LFS Time Series & author's calculations

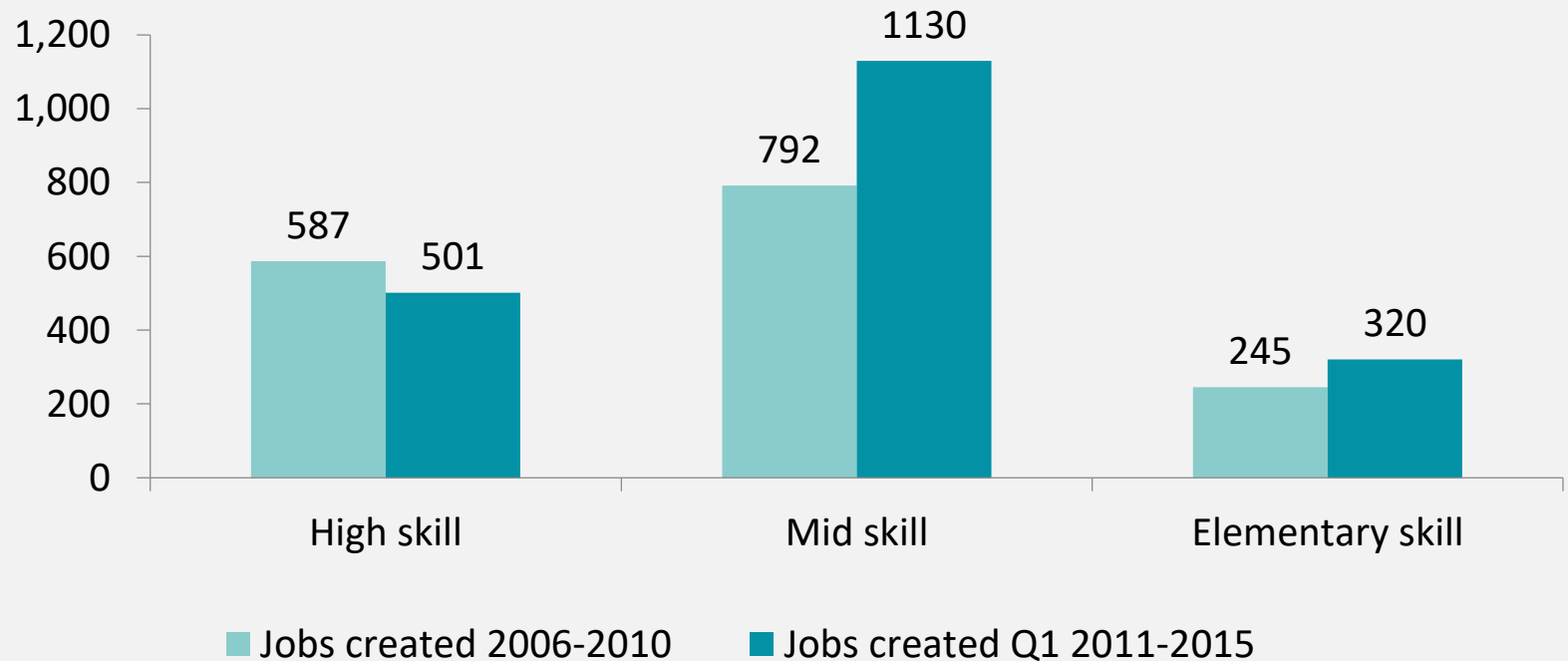
The ETP failed to create a larger % of high skilled jobs (I)

- ETP's main objective was to triple the composition of high-income jobs in the economy by 2020. The plan predicted that 54% of all new jobs created would match the labour potential of workers possessing tertiary level qualifications i.e. those with diploma or degree qualifications.
- The graph below examines the types of jobs created between 2011 and 2015 according to skill level category. From 2011 to 2015, only 26% of jobs created were high skill compared to 25% in 2006-2010. A majority of new jobs were mid-skilled, coming from sales and services. Other industries that generated mid-level skills job include wholesale & retail, accommodation & food and health & social work.
- Meanwhile, industries like finance, education, and information & communications, which tend to recruit higher numbers of high-skill workers, did not generate sufficient jobs to absorb the increased supply of educated workers.

The ETP failed to create a larger % of high skilled jobs (II)

Number of new high skill jobs created from 2011-2015 is less than that created between 2006-2010

New net jobs created ('000)



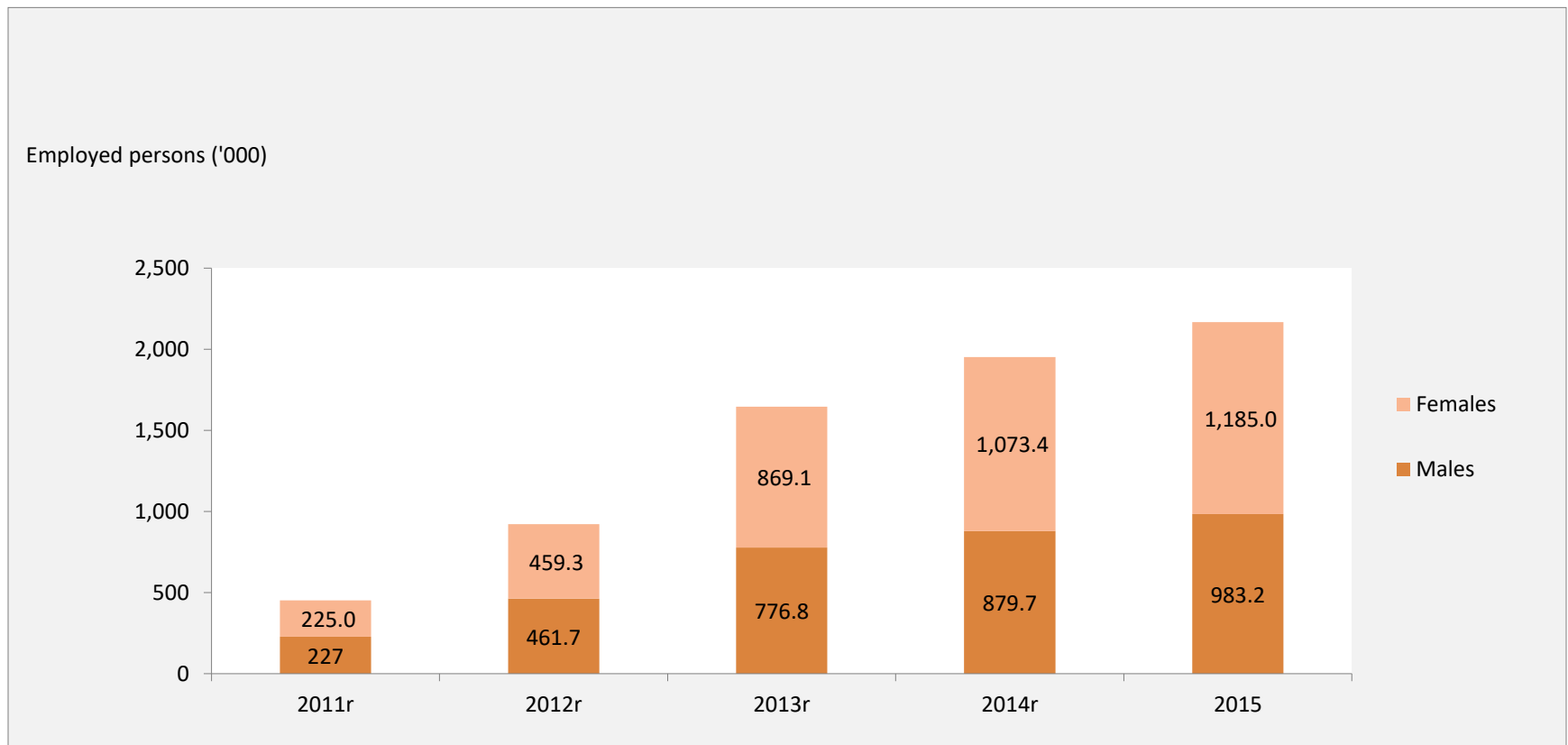
High-skill, mid-skill and low-skill occupation groups according to Malaysian Standard Classification of Occupation (MASCO) 2008, developed in accordance to ILO's International Standards

ISCO-08 groups	Description	Skill
1 Managers	Plan/direct activities of organisations. E.g. senior officials, heads of village, marketing/hotel/mining managers.	3 + 4
2 Professionals	Increase the existing stock of knowledge, apply scientific/artistic theories. E.g. physicists, engineers, dieticians, early childhood teachers, accountants, journalists, restaurant & related professionals.	4
3 Technicians & Associate Professionals	Perform mostly technical & related tasks. E.g. chemical technicians, construction supervisors, agricultural technicians, veterinary assistants, ambulance workers, legal secretaries, athletes, chefs.	3
4 Clerical Support Workers	Record/organise information; perform client-oriented duties. E.g. bank tellers, secretaries, receptionists, scribes, payroll clerks, stock clerks, data entry clerks.	2
5 Services & Sales Workers	Provide personal services related to travel, catering, protection; sell goods; pose as models for art. E.g. cooks, travel guides, waiters, bartenders, hairdressers, housekeeping supervisors in offices, cashiers, shopkeepers, fire-fighters, security guards.	2
6 Skilled Agricultural, Forestry & Fishery Workers	Grow & harvest field/crop, hunt animals, produce animal husbandry products. E.g. crop grower, forestry worker, trappers and gatherers.	2
7 Craft & Related Trades Workers	Work carried out by hand in fields of mining, construction, repair work; calls for an understanding of all stages of the production process. E.g. house builders, bricklayers, blacksmiths, butchers, tailors.	2
8 Plant & Machine Operators, & Assemblers	Cope with machine-paced operations, drive/operate vehicles. E.g. miners, machine operators, ships deck crews, lifting truck operators, railway brake operators.	2
9 Elementary Occupations	Perform single & routine tasks which mainly require the use of handheld tools/considerable physical effort. E.g. domestic cleaners, farm labourers, garbage collectors, fast food preparers.	1

More new jobs taken up by women leading to an increase in the female LFPR

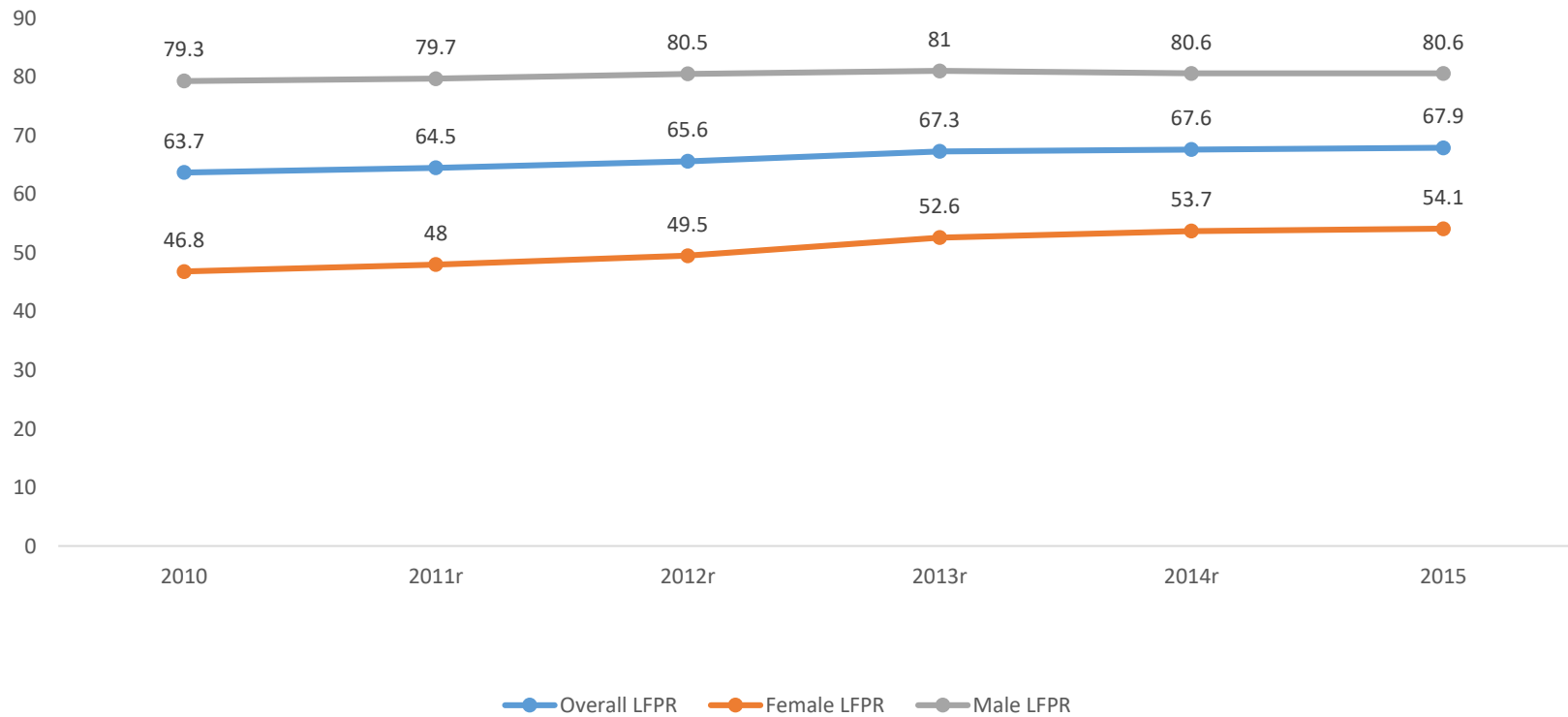
- As of 2015, women recorded a labour force participation rate of 38% overall share (DOSM, 2016a). Between 2011 and 2015, the number of women in the workforce rose from 4.3 million to 5.6 million, growing at a rate of 5.1% year-on-year. Female labour force participation rates rose from 46.8% in 2010 to 54.1% in 2015.
- The distribution of the new employment created post-2010 indicates that 55% of the new jobs were taken by females. Given the increase in female LFPR, this is not unsurprising.
- In 2015, TalentCorp worked closely with 20 employers to adopt flexible work arrangements as a “strategy to retain women in the workforce and help(ed) 256 women return to the workforce under the Career Comeback programme” (PEMANDU, 2016).
- In Malaysia, women LFPR peaks at the 25-29 age group and falls thereafter. The ‘double peak’ pattern, common in more developed markets, is not present in Malaysia. (A double peak pattern reflects a situation where it is common for women of childbearing age to leave the labour force to bear and raise children and re-enter it later in life). In Malaysia, the double peak pattern is limited mostly to women in managerial positions.

More newly created jobs went to women compared to men



Source: DOSM, LFS Time Series & author's calculations

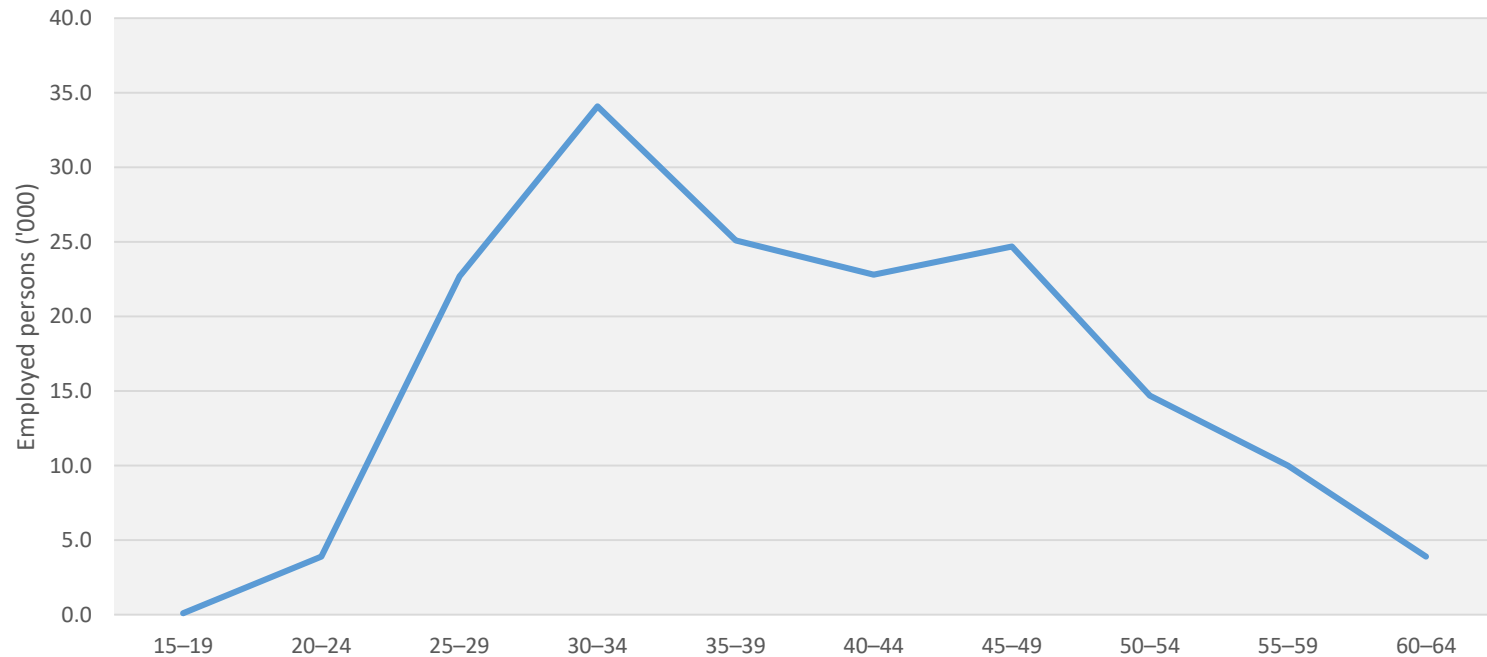
The Female LFPR increased from 46.8% in 2010 to 54.1% in 2015



Source: DOSM, LFS Time Series

Double-peaked of females in the labour force only observed in managerial positions

Only occupational group to have a 'double peak' phenomenon



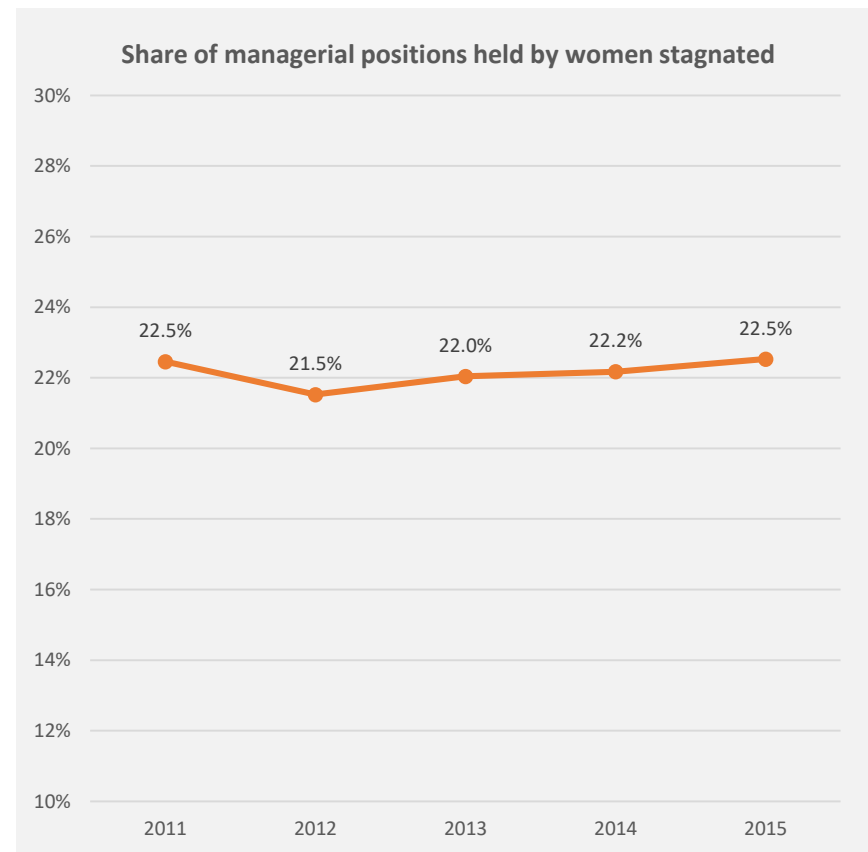
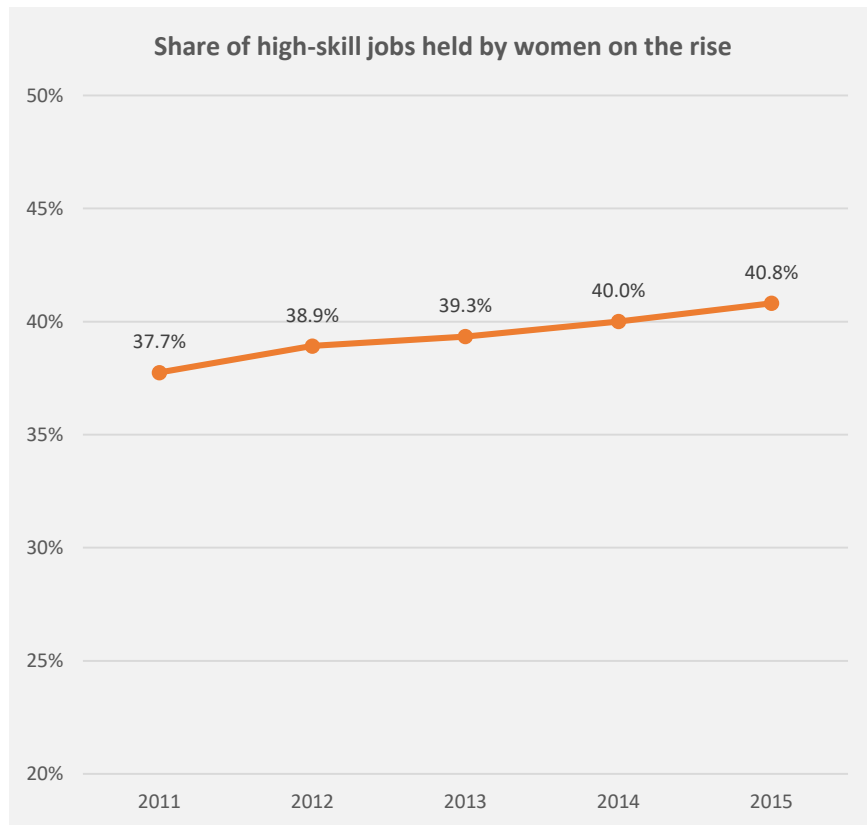
Source: DOSM, LFS 2015

Need to encourage more women to re-enter the labour force later in life in order to increase the Female LFPR

Lingering barriers to promotion to higher employment levels

- Women's share of high-skill jobs is on the rise. In 2011, only 37.7% of managerial, professional and technician roles were held by women. In 2015, this proportion rose to 40.8%. The number of women with high-skill jobs has been growing at a CAGR of 4.7%, indicating commendable progress on this front.
- However, further analysis of the data reveals that the proportion of women in managerial positions has largely stagnated. In 2011, the share of managerial positions held by women was 22.5% , a figure repeated in 2015. In fact, between 2011 and 2015, the proportion of women managers actually dipped before rising back to the same level. This suggests that, while women do have access to high-skill employment, there may be lingering barriers that prevent them from getting promoted to leadership positions.

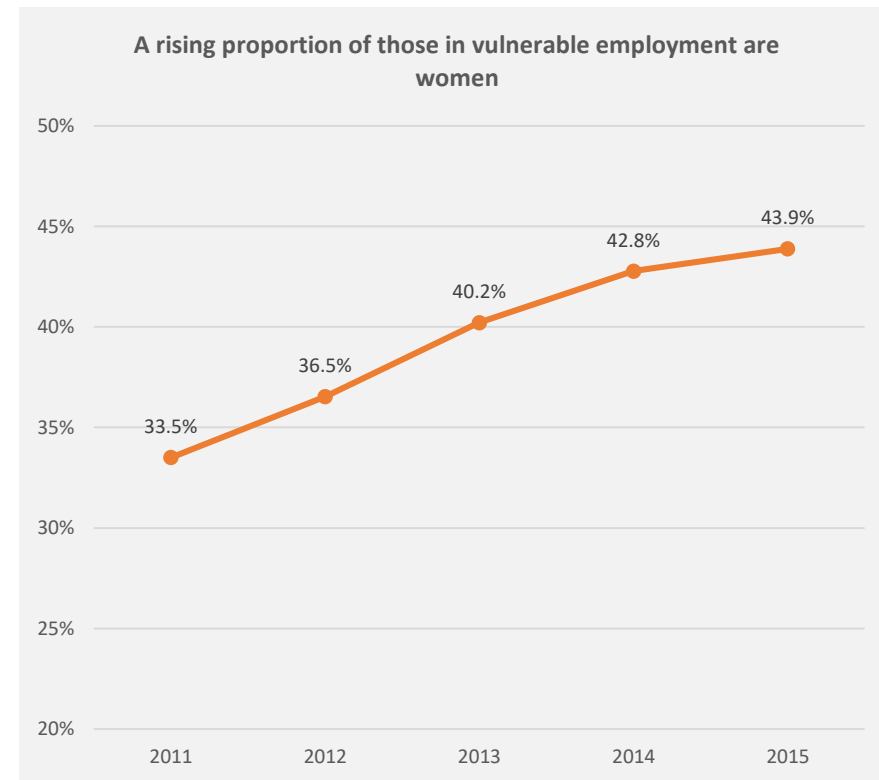
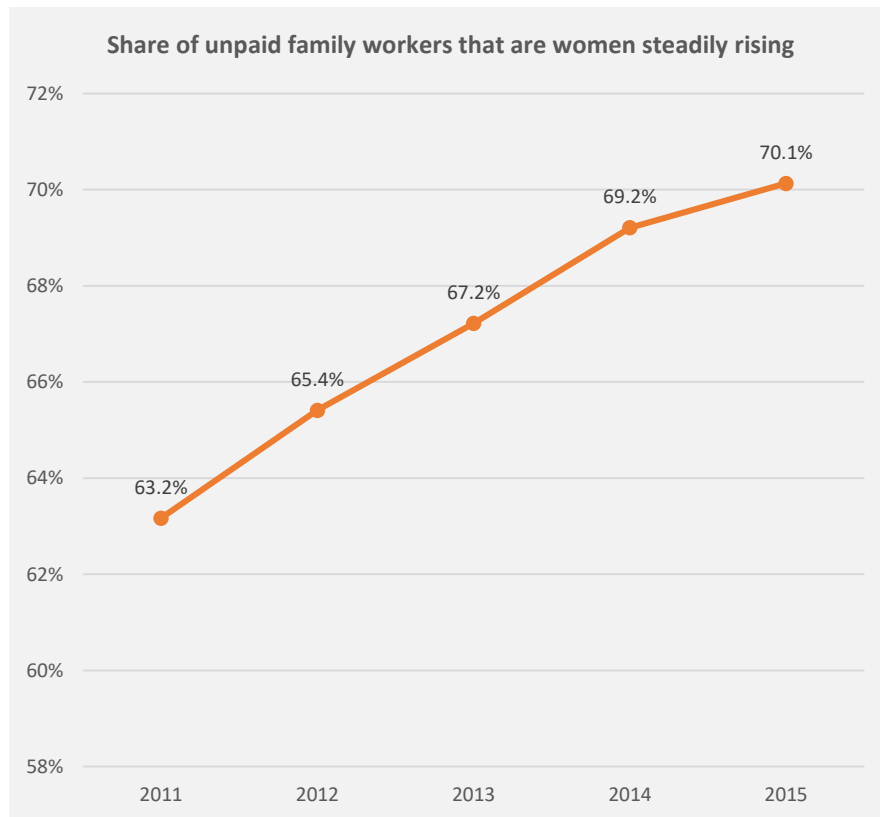
Share of high-skilled jobs held by women rose but share of managerial positions stagnated



Increasing share of women in vulnerable employment (I)

- The ILO (2012) defines vulnerable employment as the sum of the employment status groups of **own-account workers and unpaid family workers**. Workers engaged in vulnerable forms of employment tend to earn low wages and are less likely to enjoy good work conditions or adequate social security.
- Between 2011 and 2015, the percentage of female workers in vulnerable employment increased from 34% to 44% of overall share, with a 14% CAGR rate. In contrast, the number of men in vulnerable employment increased at 2% CAGR. Thus, while an increasing number of women are participating in the economy, many of them are still engaged in less productive, poorly paid work.

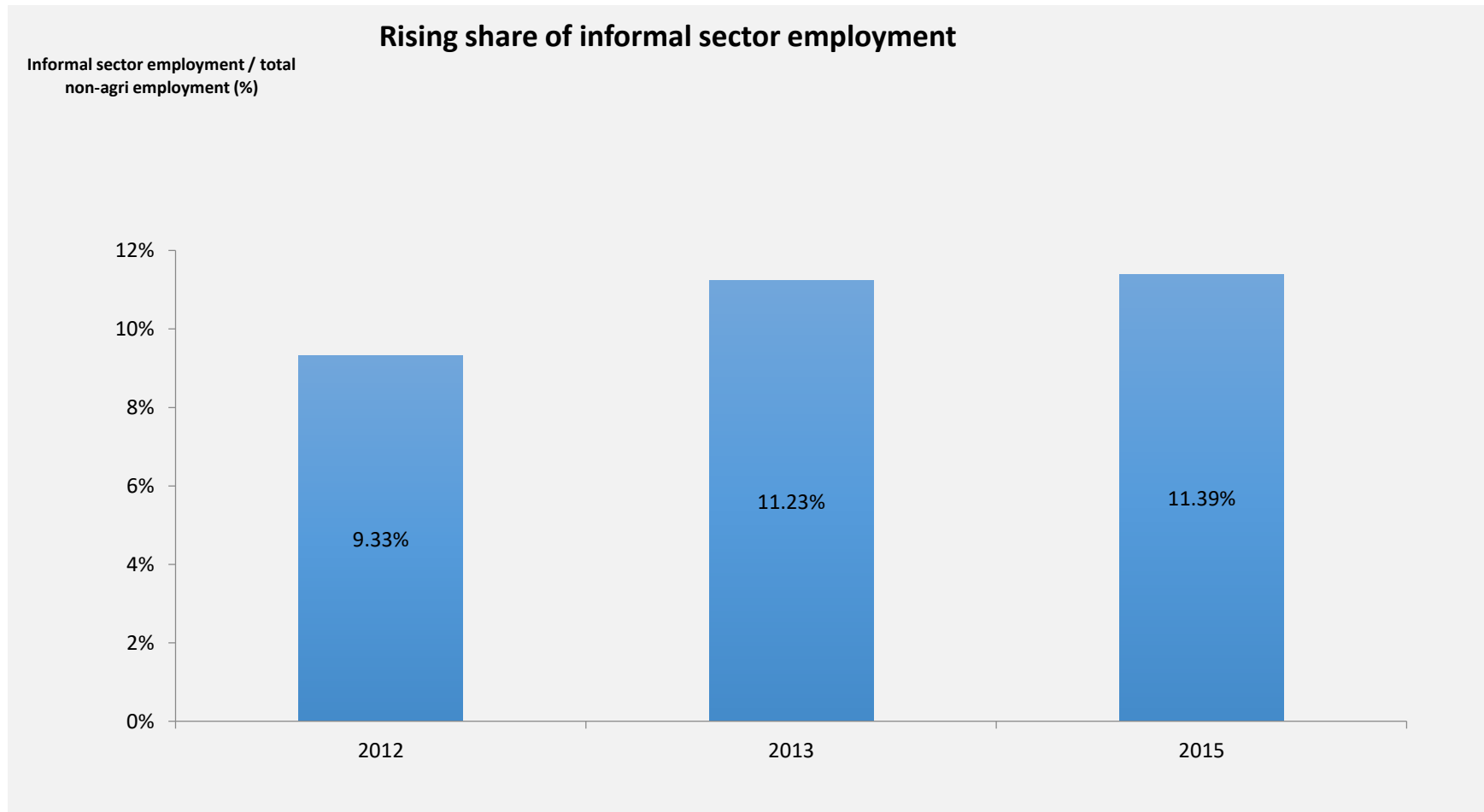
Increasing share of women in vulnerable employment (II)



Increasing % of workforce in the informal sector (I)

- The informal sector consists of informal enterprises that are not registered with authoritative bodies and have fewer than 10 employees (DOSM, 2016b).
- There is greater risk and instability in informal employment since it lacks the legal protection and employment benefits found in the formal sector.
- According to the latest Informal Sector Workforce Survey Report, the proportion of workers in the informal sector has increased from 9.3% in 2012 to 11.4% to 2015, with a 10.3% CAGR over the same period This rise reflects a growing proportion of the working population that are employed with little social or legal protection. (ILO, 2012).

Increasing % of workforce in the informal sector (II)



Source: DOSM, Informal Sector Workforce Survey Report (2013 & 2015)

Huge number of applications for lower level civil servant jobs shows wage pressures on vulnerable groups (I)

	2011	2012	2013	2014	2015
No of Applications	1,123,692	1,085,877	2,098,736	1,588,252	1,629,882
No of Appointments	46,503	47,335	38,659	37,707	30,964
% of Appointments	4.1%	4.4%	1.8%	2.4%	1.9%

Source: Public Service Commission via data.gov.my

Out of 1.6m applications, only 1.9% were appointment into civil service positions

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Majority of Civil Service Jobs do not require a post-secondary education

	Qualification	Year				
		2011	2012	2013	2014	2015
1	Degree (Pengurusan dan Profesional)	28%	20%	23%	27%	21%
2	Diploma (Sokongan I)	14%	22%	33%	26%	25%
3	Certificate, PMR and SPM (Sokongan II)	58%	58%	44%	47%	54%

Source: Public Service Commission via data.gov.my

The civil service is the only sector where cheap foreign labour has not infiltrated...

Application for a General Assistant Grade 11 (PMR entry level)

8/23/2016 STATISTIK MENGIKUT JAWATAN

MAKLUMAT JAWATAN

SS20160039

Kementerian /Jabatan : PEJABAT SETIAUSAHA KERAJAAN NEGERI PERLIS

Jawatan	Bil. Permohonan	Bil. Dipanggil Temuduga	Bil. Kekosongan Jawatan	Bil. Calon Simpanan
PEMBANTU AWAM GRED H11	87281	211	16	6

16 successful applicants out of 78281 applications (0.02% success rate)

Application for Food Preparation Assistant N17 (SPM entry level)

6/17/2016 STATISTIK MENGIKUT JAWATAN

MAKLUMAT JAWATAN

SS20160035

Kementerian /Jabatan : PELBAGAI JABATAN

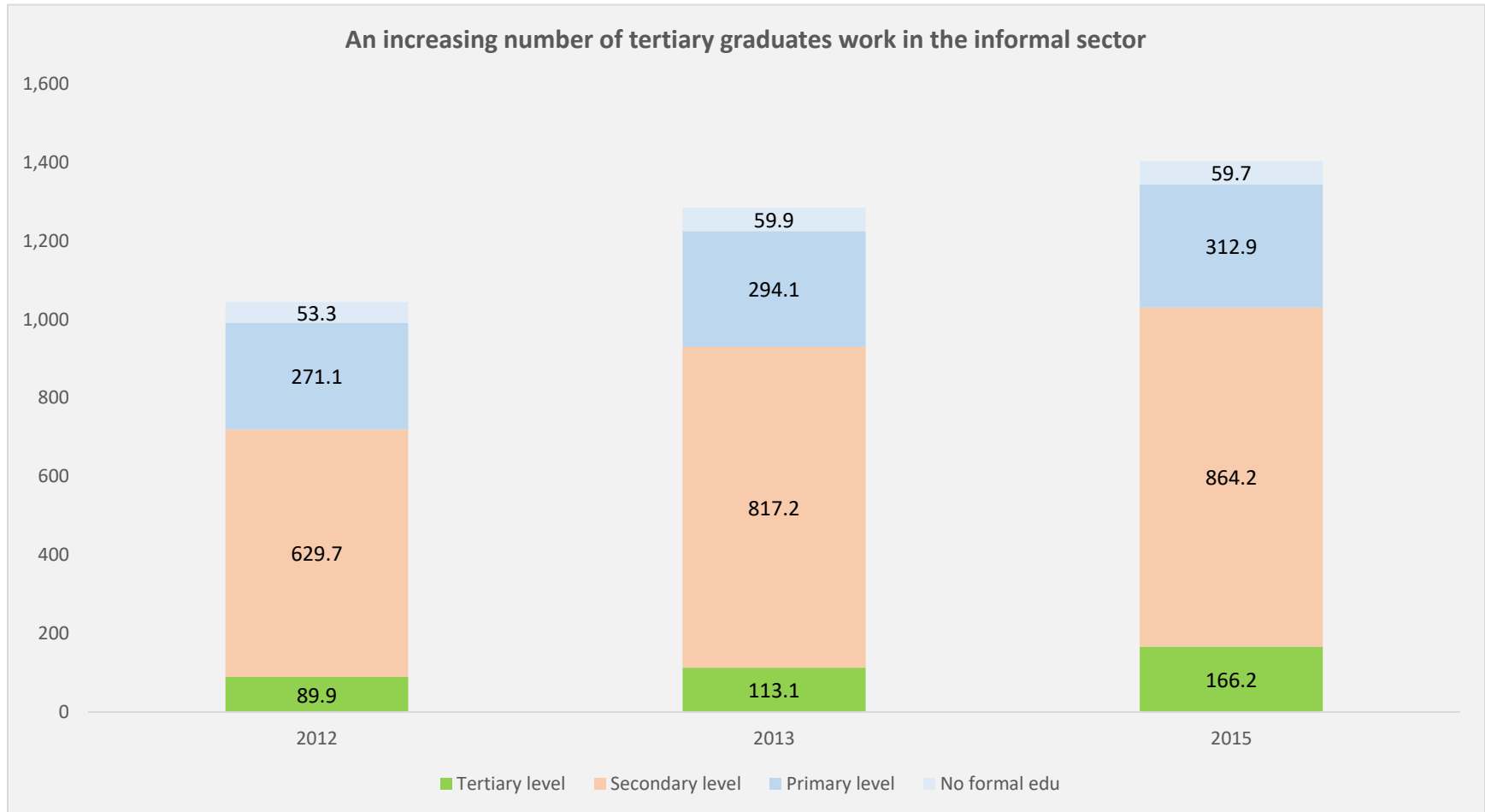
Jawatan	Bil. Permohonan	Bil. Dipanggil Temuduga	Bil. Kekosongan Jawatan	Bil. Calon Simpanan
PEMBANTU PENYEDIAAN MAKANAN GRED N17	65041	759	24	50

24 successful applicants out of 65041 applications (0.04% success rate)

Greater numbers of graduates entering informal employment (I)

- The percentage of tertiary educated employees in the informal sector recorded 8.6% of overall share in 2012, rising to 11.8% in 2015. On the other hand, the share of employees with primary-level qualifications or no formal education declined from 31.1% in 2012 to 26.6% in 2015.
- From 2012 to 2015, the number of tertiary graduates employed in the informal sector has almost doubled in the space of three years, growing at a CAGR of 23%. As a comparison, the size of our tertiary educated workforce grew at a CAGR of 8% while the number of workers in the informal sector grew at a CAGR of 10%. This suggests that there may be insufficient jobs in the formal sector for the well-educated cohort such that they have to turn to the informal sector for work. Given that only 5% of the jobs in the informal sector are in high-skill occupational groups, there are likely to be issues of underemployment as well.

Greater numbers of graduates entering informal employment (II)

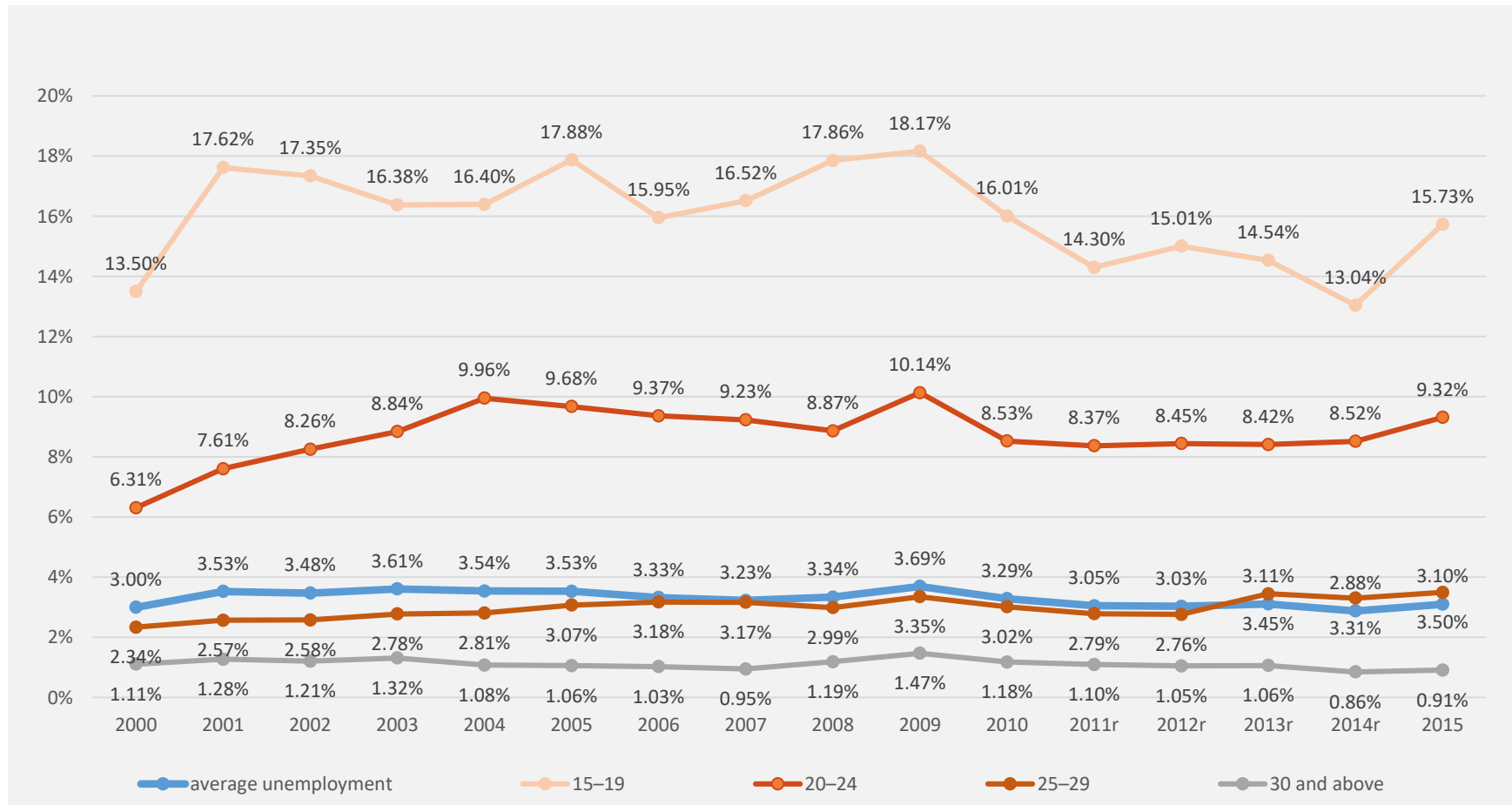


Source: DOSM, Informal Sector Workforce Survey Report (2013 & 2015)

Youth unemployment and underemployment is on the rise (I)

- Although the overall unemployment rate in Malaysia has remained low, especially by international standards, anecdotal evidence and newspaper reports of large numbers of unemployed graduates are worrying and point to 'hidden' unemployment or underemployment, especially among the youth segment.
- The youth unemployment rate is three to five times higher than that of the overall unemployment rate. As of 2015, 450,300 people were unable to secure a job and of this, 365,200 were aged below 30.

Youth unemployment and underemployment is on the rise (II)

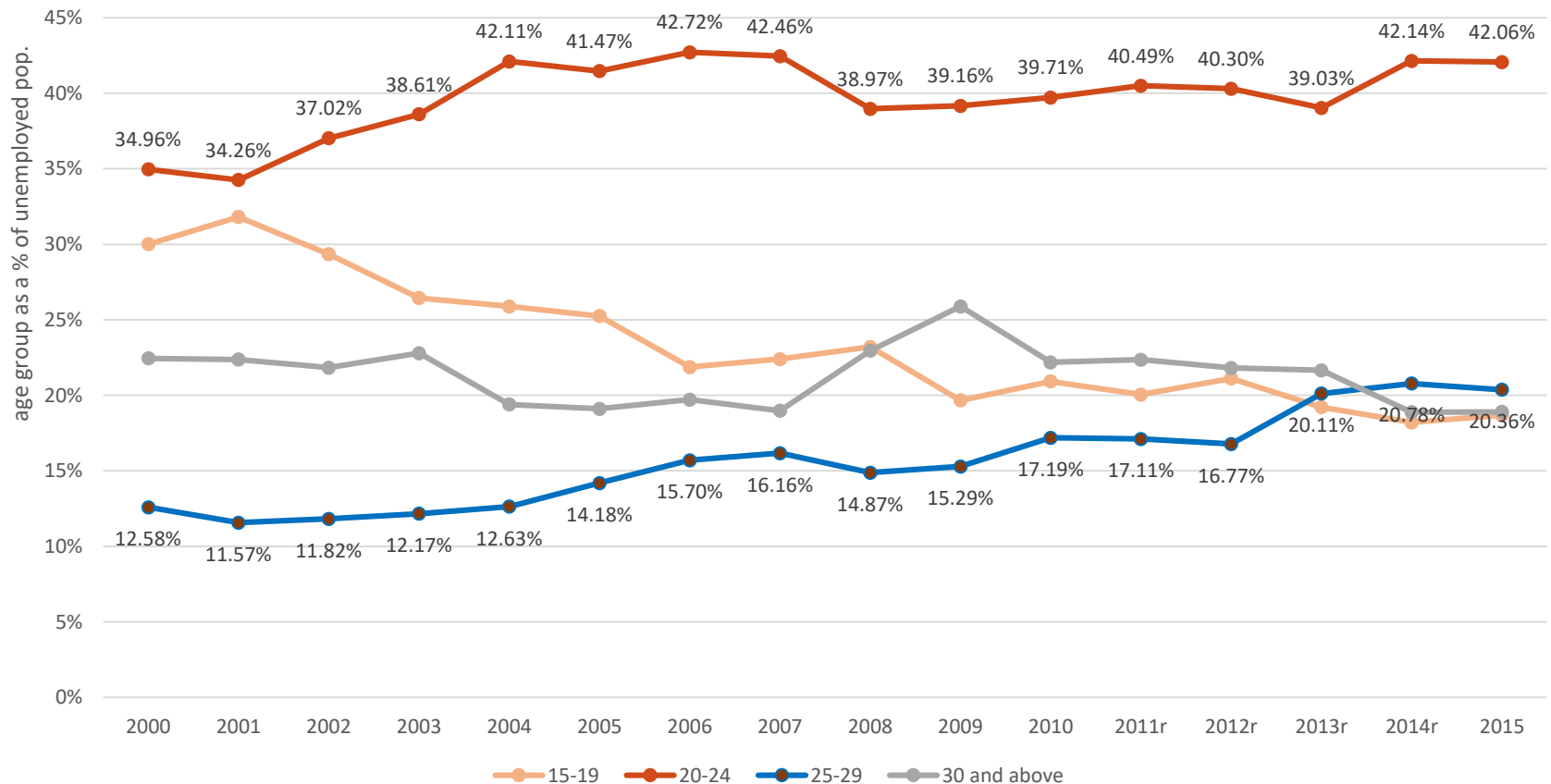


Youth unemployment and underemployment is on the rise (III)

- Between 2000 and 2015, LFPR for youth aged between 20-24 years also appears to be on the decline, pointing to an increasing share of the unemployed population.
- The rising numbers of those facing joblessness represents a substantial opportunity cost in terms of wasted capacity and lost earnings that could contribute to the tax base and strength of our economy. Additionally, staying unemployed could have ripple effects for the youths' lifelong earning potential. Unemployment at an early stage could create a "wage scar" in terms of lower pay and reduced life chances in an individual's future work path, since employers may consider periods of unemployment on someone's CV to be a negative sign (The Economist, 2011).

Youth unemployment and underemployment is on the rise (IV)

The 20-24 age group cohort takes up the largest share among the unemployed population

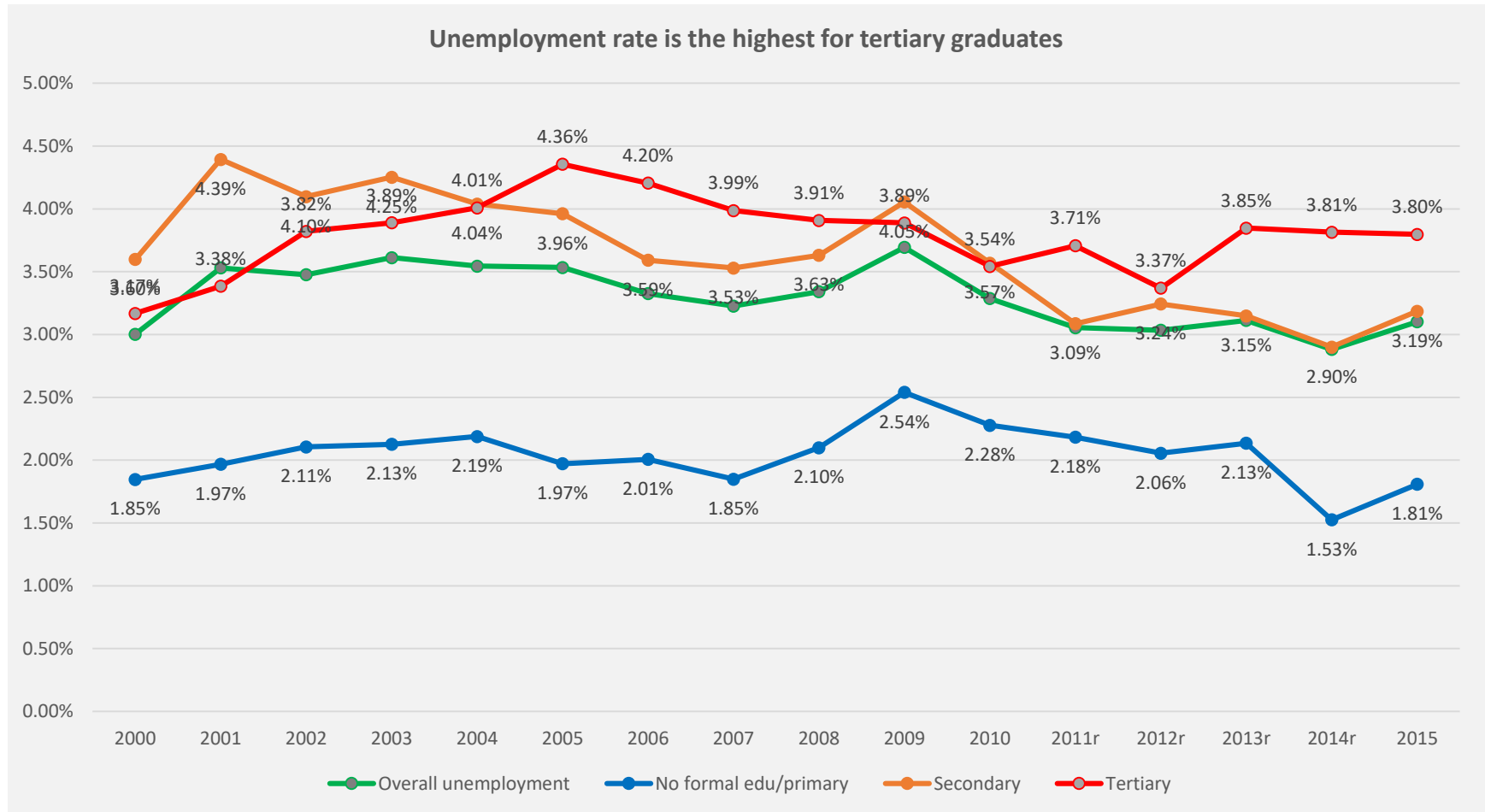


Source: DOSM, LFS Time Series

Unemployment among graduates on the rise (I)

- Unemployment among those with primary level education or no formal education has never risen above 2.6% and always remained below the overall unemployment rate. However, the gap between tertiary graduates and overall unemployment rate has risen over the years, from a difference of 0.2% in 2000 to 0.7% in 2015. In the periods 2004-2008 and 2011-2015, tertiary graduates faced a higher unemployment rate than both secondary and primary educated workers.
- One reason for this could be that graduates are more selective and may choose to forego job opportunities that are perceived to be too menial or that they are 'overqualified' for. Besides this, rising education levels have created a larger pool of well-educated graduates, leading to greater market competition.
- Another reason could be that a proportion of graduates, being unable to find jobs in the formal sector, have settled for informal occupations in order to earn a living.

Gap between tertiary unemployment and overall unemployment has increased



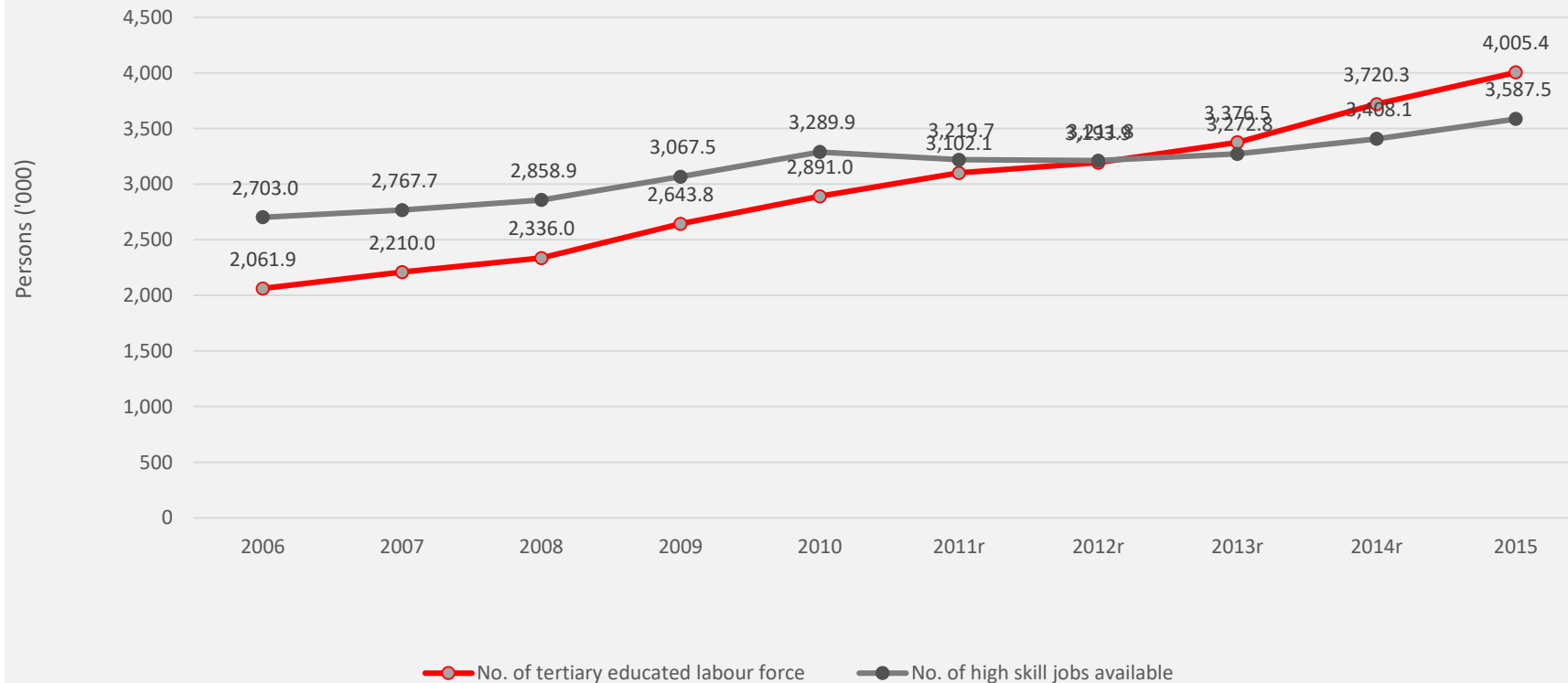
Source: DOSM, LFS Time Series

Skills mismatch and 'overqualified' graduates form part of the labour market

- In 2011, underemployment among fresh graduates was 27.7%, slightly below the overall rate of 29.3% for all tertiary graduates in the workforce.
- From 2012 onwards, the numbers of university graduates continued to rise, but this rise was not reflected in the numbers of high-skill jobs in the economy.
- From 2012 onwards, over 50% of new diploma graduates accepted mid-low skill jobs which typically did not require a university level education, (for example, clerical support roles).
- The numbers of 'overqualified' employed graduates is rapidly increasing. From the 2014 Labour Force Survey, out of 3.5 million tertiary educated workers employed in the economy, over 1.1 million were employed in mid or low-skill occupations requiring a high school education or less. More seem to be entering sales and services occupations that generally only require high-school training (MoHE, 2015).

of Tertiary education labour force has surpassed the # of high skilled jobs created

Number of tertiary educated people in the labour force surpassed no. of high skill jobs in the economy



Negative impact of youth underemployment should not be under estimated...esp in the long run

- The rising numbers of graduates working in mid or low-skill occupations clearly indicates a skills mismatch in the economy. While there seems to be a growing supply of tertiary graduates, skilled jobs may not always be available to meet this supply. As described in an earlier section of the report, the growth rate of high-skill jobs is lagging behind that of mid or low-skill occupations. Moreover, based on employer surveys, universities are not producing the type of workers employers want. Many graduates lack language fluency and fail to demonstrate the type of character or soft-skills valued in a work environment (Free Malaysia Today, 2015).
- Underemployment has negative implications for both the country and its citizens. Weak returns on education are a key issue, since graduates would not fully utilise the knowledge and skills gained in university when working in mid or low-skill occupations. This represents a waste of money and time invested in a higher education. For individuals themselves, there may be a vicious cycle of 'learned helplessness'. Underemployment at a young age may prevent an individual from getting the experience they need to find better jobs in the future. (The Economist, 2011).

Summary of Findings

- 2.2m new jobs created but shortage of high-skilled jobs for an increasingly well-educated workforce
- Increase in the % of workforce in the informal sector and vulnerable employment
- Youth and graduate unemployment and underemployment on the rise

Some recommendations

- Reduce overreliance on cheap foreign labour. Government and private sector to collaborate and devise a workable policy that will limit the number of foreign workers in the country according to a planned timeline including further increases in the foreign workers levy.
- Reward companies in labour intensive industries that take the initiative to plough into R&D efforts and technological upgrades via a dedicated capital investment fund.
- Ensure greater industry-college linkages especially for the Technical and Vocational Education Training (TVET) institutions which is one of the key areas of emphasis under the Malaysian National Education Blueprint 2013-2025.
- Have more direct intervention in the education system to improve the quality of graduates, especially in terms of improving fluency in English, numerical skills and other soft skills.