Labour Market for an Advanced Nation

Strategy Paper

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I.   INTRODUCTION

8.1   Labour market in an advanced nation is characterised by effective market clearance that matches supply with demand and a comprehensive labour market support system. During the Tenth Malaysia Plan, 2011-2015, progress achieved includes increase in job creation and strengthening of the labour market institutions. In the Eleventh Malaysia Plan, 2016-2020, strategic shifts have been formulated to elevate the labour market efficiency which aims to improve the productivity, wage structure and create quality jobs; improve labour market legislation and information; and effectively manage low-skilled foreign workers. Emphasis will be given to fulfil the labour requirements of industry in the economy.

# II.   TENTH MALAYSIA PLAN, 2011-2015: PROGRESS

8.2   During the Tenth Plan, there were improvements in labour force participation, increased job creation and institutional improvements in the labour market. Several labour regulations were also reviewed to keep pace with the changes in the labour market. Supply and demand of workforce was influenced by demographic changes as illustrated in *Box 8-1*.

Box 8-1
Demographic Transition and Labour Market Changes

Population growth

Demographic transition influences overall human capital development in terms of both the supply and demand of the workforce. The Malaysian population was 28.6 million in 2010 and is expected to increase to 30.5 million in 2015. However, during the Tenth Plan, the population growth rate declined to 1.3% per annum as compared to 1.9% per annum in the Ninth Plan. This was due to the decrease in the Total Fertility Rate[1] to 2.1 in 2013, which is equivalent to the replacement level[2]. This may inhibit the ability of the labour market to adjust to changing economic conditions.

2010   2015   2020

28.9   30.5   32.4

2.2   2.1   2.0

■ Million person

● Total Fertility Rate

◌ Replacement Level Fertility
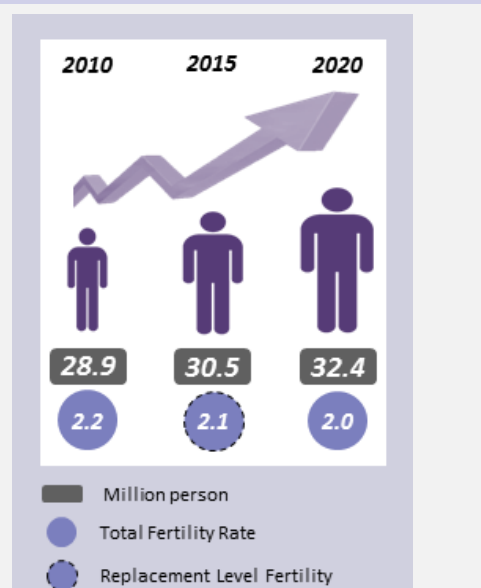
[1] Total Fertility Rate refers to the average number of children borne by a woman during her child bearing age of 15-49 years old. In 2013, it was 2.1 and is expected to remain until 2015.
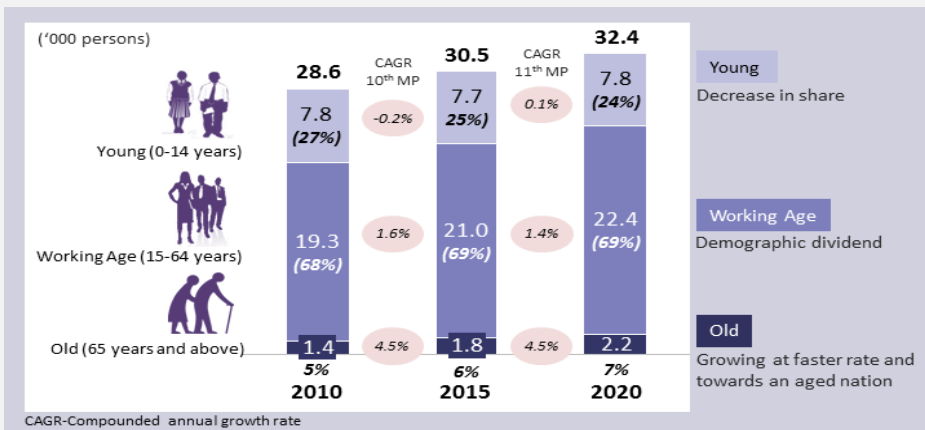[2] Replacement level is the level of fertility, normally 2.1 children for every woman in the child bearing age of 15-49, whereby a country experienced zero population growth. However, due to 'population momentum', the population will continue to register positive growth for several years.

Age Structure

The **young** population (0-14 years) is expected to decrease from 7.8 million in 2010 to 7.7 million in 2015, as a result of the decline in fertility rate.

The **working age** population (15-64 years) is expected to increase from 19.3 million to 21 million during the same period, contributing to demographic dividend[3]. As a result, the dependency ratio[4] is expected to reduce gradually from 47.8% in 2010 to 45.4% in 2015.

Life expectancy is expected to improve from 72 years in 2010 to 74 in 2020 for males and 77 to 79 for females. As a result, the **older** population (65 years and above) is expected to register highest growth of 4.5% per annum to reach 1.8 million (5% of total population) in 2015, heading towards an aged nation[5]. Malaysia is expected to become an aged nation by 2035, where the composition of population aged 60 and above reach 15% of the total population.


Strata Distribution

The **urban** population is expected to increase from 20.3 million in 2010 to 22.7 million in 2015, with a growth of 2.2% per annum. The **rural** population however is expected to decline by 1.2% per annum from 8.3 million in 2010 to 7.8 million in 2015. In 2015, the composition of urban population is expected to reach 74.3% of total population, which will lead to an increase in demand for infrastructure, housing, education and health facilities in urban areas.
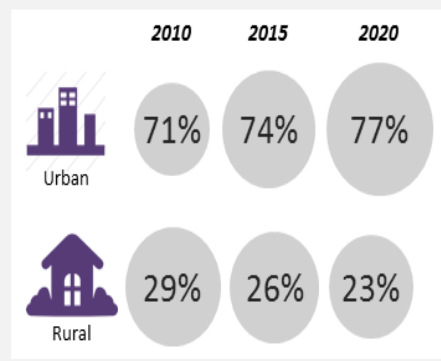
[3] Demographic dividend is achieved as a result of a growing population in the age cohort of 15-64 years that is active in employment, and their employment income is able to cover the needs of their dependents who are outside the labour force.
[4] Dependency ratio is a measure of the number of dependents (aged 0-14 and age over 64 years) over the total working age population (aged 15-64 years).
[5] There is no standard definition for ageing population. Some organisations/countries define ageing nation when the population 65 years and above reaches 7% of the total population. By this definition, Malaysia will become an ageing nation in 2021. However, the Dasar Warga Emas Negara defines aged nation when the population aged 60 years and above reaches 15% of the total population. In line with this definition, Malaysia is expected to become an aged nation in 2035.

Source: Department of Statistics Malaysia

Box 8-2
Highlights of Achievements in the Tenth Malaysia Plan, 2011-2015

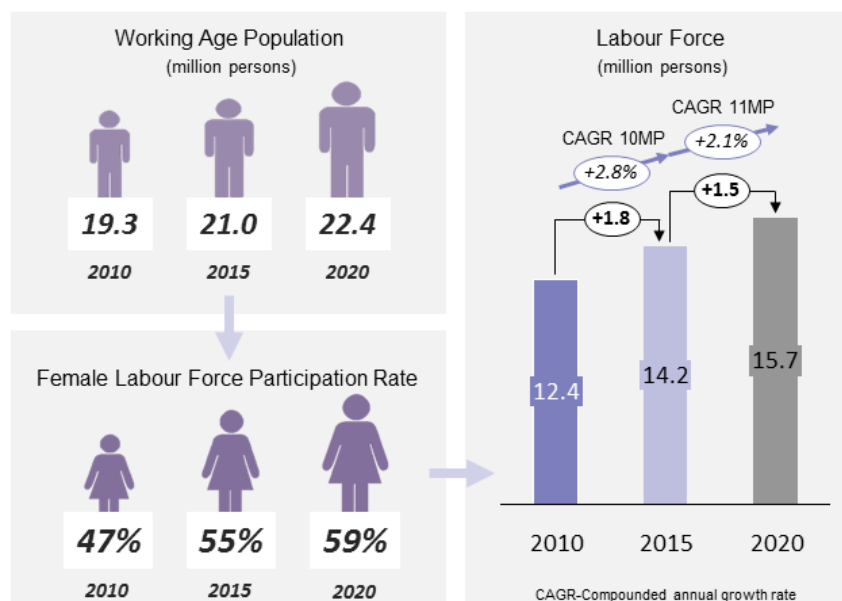| Supply			Demand	Labour Market Operation		
55%	**2.9%**	**27%**	**1.8** million	**2**	**5**	**1.9** million
Female labour force participation rate	Unemployment rate	Labour Force with tertiary education	Jobs created	Labour market institutions established/ strengthened	Major labour legislation amended/ introduced	Numbers of wage recipients
estimated by end of 2015 (2010, 47%)	in 2015 (2010, 3.3%)- maintaining full employment	in 2014 (2010, 24%)- grew by 3.9% per annum	by 2015- employment grew by 2.9% (initial 10MP target was 2.4%)	Talent Corporation (established) & ILMIA (strengthened)-to further improve labour market situation	Two legislations introduced and three major legislations amended	estimated to benefit from minimum wage introduced in 2012

Increased Labour Force Participation

8.3   The labour force grew at 2.7% per annum in the Tenth Plan and is expected to increase from 12.4 million in 2010 to 14.2 million in 2015, as shown in *Exhibit 8-1*. This is due to the rise in the working age population and higher female labour force participation rate, which is expected to increase from 46.8% in 2010 to 55% in 2015.

Exhibit 8-1
Working Age Population and Women Participation in the Labour Force

Working Age Population (million persons): 19.3 (2010), 21.0 (2015), 22.4 (2020)

Female Labour Force Participation Rate: 47% (2010), 55% (2015), 59% (2020)

Labour Force (million persons): 12.4 (2010), 14.2 (2015), 15.7 (2020). CAGR 10MP +2.8%, CAGR 11MP +2.1%, +1.8, +1.5. CAGR-Compounded annual growth rate
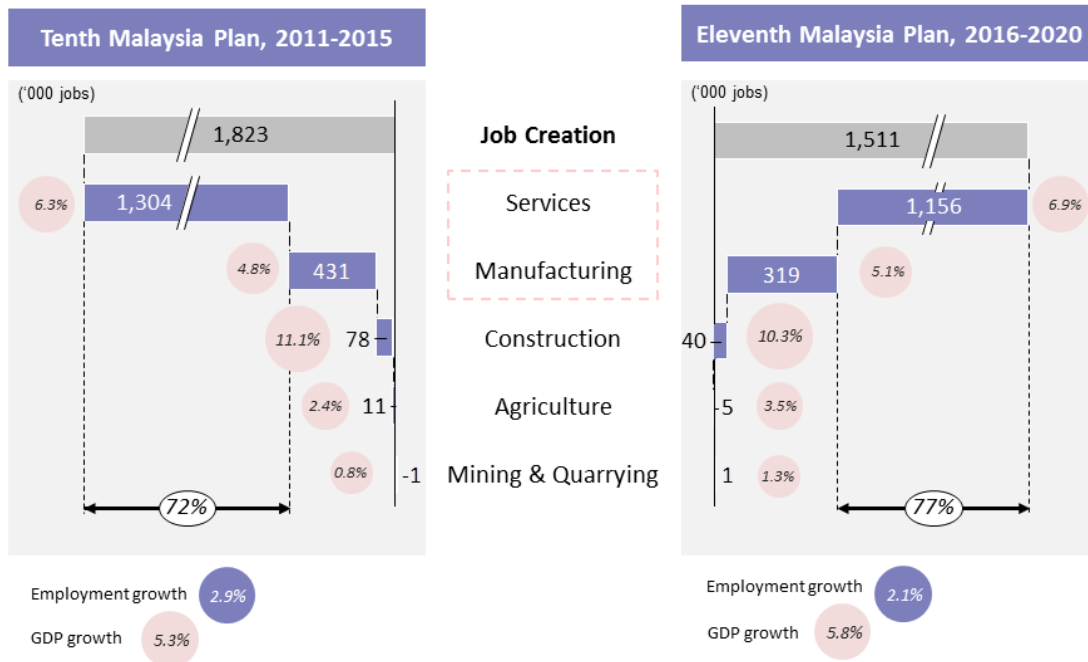
Source: Economic Planning Unit and Department of Statistics Malaysia

Full Employment and Increased Job Creation

8.4   In the Tenth Plan, the economy continued to register full employment[1] with the unemployment rate declining from 3.3% in 2010 to 2.9% in 2015. The Gross Domestic Product (GDP) grew at 5.3% and created 1.8 million new jobs, where 71.5% or 1.3 million jobs were in the services sector and 23.6% or 431,000 jobs in the manufacturing sector as shown in *Exhibit 8-2*. The construction and agriculture sector recorded marginal increase in jobs creation, 78,000 and 11,000 respectively. While in mining and quarrying sector, the jobs creation reduced following marginal improvement of GDP in the sector.

Exhibit 8-2
Job Creation by Sector, 2010-2020

Source: Economic Planning Unit and Department of Statistics Malaysia

Institutional Improvements of the Labour Market

8.5   During the Tenth Plan, institutional reforms were undertaken to strengthen the labour market. Talent Corporation was established in 2011 to attract and retain the talent needed for an advanced nation. The Talent Roadmap 2020 enunciated strategies for Malaysia to be among the top 20 talent destinations in the world and focused on three dimensions: optimising Malaysian talent, attracting and retaining foreign talent and building a network of top talent. Since its inception, Talent Corporation has successfully attracted

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[1] Based on the definition set by the Organisation for Economic Co-operation and Development (OECD), an unemployment rate below 4% is considered full employment.

3,110 Malaysian professionals under the Returning Expert Programme and approved 3,210 passes under the Residence Pass-Talent programme.

8.6   The National Institute of Human Resources was upgraded to the Institute of Labour Market Information and Analysis (ILMIA) under Ministry of Human Resources (MoHR) in 2012 to improve labour market information analyses and coordinate research on labour market issues. The Labour Market Information Data Warehouse (LMIDW) was established in 2013 to improve and share key information such as projections of workforce supply and demand by economic sectors and development corridors in a single platform. The LMIDW has enabled the Government to make better evidence-based policies, as well as improve dissemination of information to industries, Institutions of Higher Education (IHEs)[2], and other stakeholders including international organisations.

Modernisation of Labour Legislation

8.7   The labour legislation, such as the Employment Act, 1955, Industrial Relations Act, 1967 and Trade Unions Act, 1959 were reviewed on a regular basis to keep pace with the dynamics of the labour market and ensure compliance with the international labour standards. The Minimum Wages Order, 2012 was introduced to implement the minimum wage policy to ensure workers receive better wages, benefiting about 1.9 million wage earners in the lowest wage bracket. In addition, the minimum retirement age for the private sector was increased from 55 to 60 years, through the introduction of the Minimum Retirement Age Act, 2012 in line with the increase in life expectancy to 75 years (2013).

III.   ISSUES AND CHALLENGES

8.8   Despite achieving excellent progress during the Tenth Plan period, Malaysia still encounters challenges in its efforts to strengthen labour market. Key issues related to labour market are distortion in wage structure, inadequate skilled jobs and low productivity of workforce, heavy reliance on low-skilled foreign workers, insufficient labour market support system and rigidity in the labour legislation.

Distortion in Wage Structure

8.9   In 2014, 77% of wage recipients received salaries of less than RM3,000 per month, as shown in *Exhibit 8-3*. More than half of the wage recipients or 55% were earning between RM1,000 to RM3,000. Currently, there is no specific policy intervention to improve wage

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[2] Institutions of Higher Education (IHEs) are defined under the Universities and Universities Colleges Act 1971 as public universities and as private universities and universities colleges in the private Higher Education Institutions Act 1996. Community colleges and polytechnics are TVET institutions.

structure of this category of workers. The minimum wage policy introduced in 2012 only caters for those with a monthly salary of RM900 and below.

Exhibit 8-3
Wage Recipients by Salary Bracket
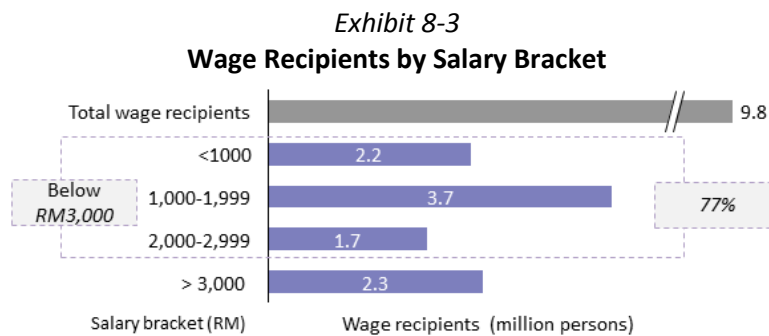
Note: Salaries & Wages Survey, 2014 (preliminary)
Source: Department of Statistics Malaysia

8.10   In 2013, the growth rate of wages for skilled workers was 6.3% compared with 4.9% for semi-skilled and 4.3% for low-skilled workers. As a result, the gap in salaries between the different skills categories widened. In addition, although compensation of employees[3] to GDP grew at an average rate of 9.5% per annum between 2006 and 2013, the share of wages to GDP is still low at 33.6% compared with other high income countries, as shown in *Exhibit 8-4*.

Exhibit 8-4
Compensation of Employees to GDP, 2012
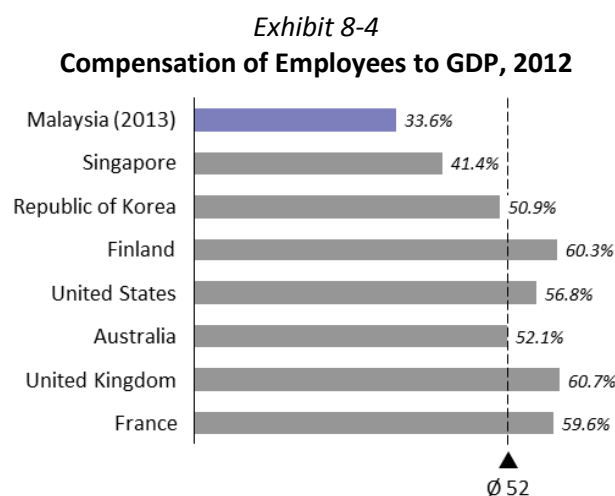
Source: Department of Statistics Malaysia and Organisation for Economic
Cooperation and Development (OECD)

Inadequate Skilled Jobs and Low Labour Productivity

8.11   During the 2010-2014 period, about 0.6% increase in employment was required to produce an additional 1% of GDP, higher than previous years, as shown in *Exhibit 8-5*. An

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[3] Compensation of employees refer to the total remuneration (wages and salary), in cash or in kind, payable by an enterprise to an employee.

increase in coefficient[4] of employment to GDP reflects the stickiness of the economy to move away from labour intensive industries.

Exhibit 8-5
Coefficient of Employment to GDP

Source: Economic Planning Unit
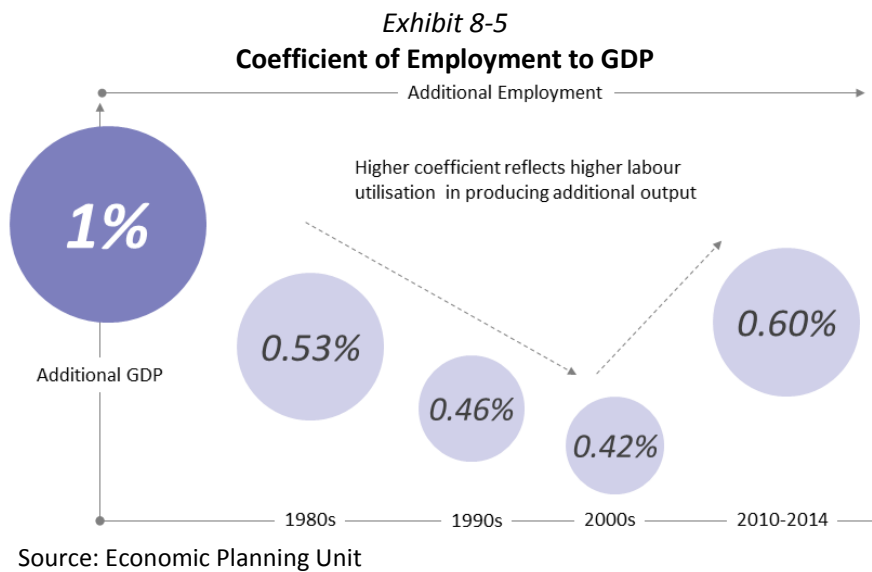
8.12   Quality workforce and creation of high paying jobs are important fundamentals to support the realisation of an advanced economy. Despite a large number of new jobs created, the quality of jobs remains an issue. Most of the jobs created were in the semi-skilled category which increased from 7.3 million (61%) in 2010 to 8.4 million (62%) in 2014. The composition of skilled occupations such as managers, professionals, and technicians and associate professionals declined from 27.6% in 2010 to 25.2% in 2014, as shown in *Exhibit 8-6*. In addition, about 553,000 workers with diploma or higher qualification were employed in the semi-skilled category, reflecting insufficient creation of skilled jobs. This indicates mismatch of the supply and demand in the labour market.

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[4] Ratio between average annual growth rate in employment to the average annual growth rate of GDP for a given period of time.

Exhibit 8-6
Employment by Skills Category, 2010-2014
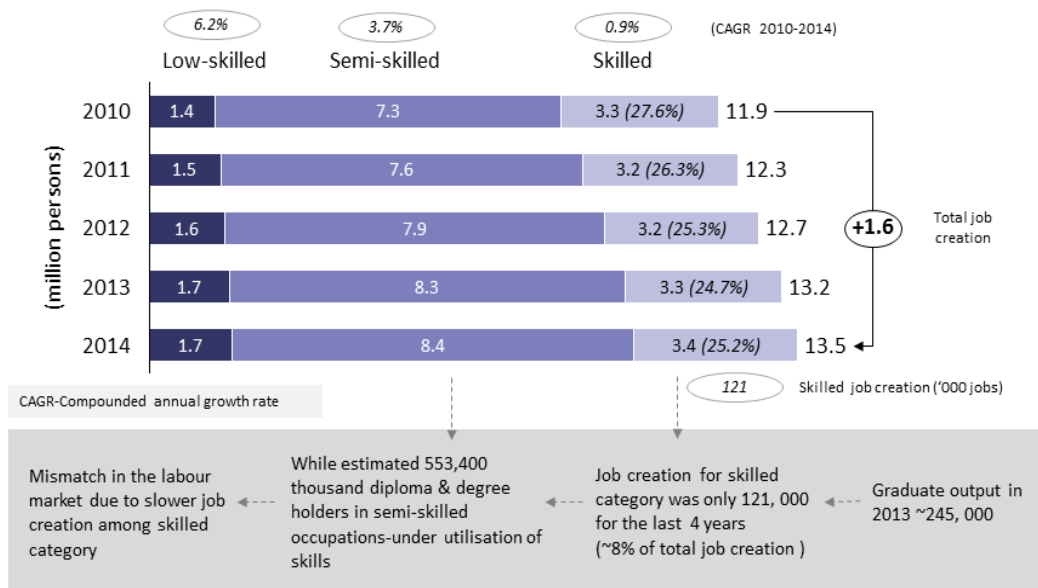
Note: 2014 (preliminary)
Source: Economic Planning Unit, Department of Statistics Malaysia and Ministry of Education

## Heavy Reliance on Low-Skilled Foreign Workers

8.13   The presence of a large number of low-skilled foreign workers in the country affected the overall productivity of the economy, contributing to the increasing in coefficient of employment to GDP. Low-skilled foreign workers increased by 152% between 2000 and 2013. As of 2013, there were two million registered foreign workers or 17% of total employment, mainly employed in the manufacturing (36%), construction (20%) and agriculture (23%) sectors. The share was estimated to be higher at 27%[5] of total employment if illegal immigrant[6] were taken into account.

8.14   Currently, the recruitment of foreign workers is managed by various agencies, as shown in *Exhibit 8-7*. This has resulted in duplication and poor coordination in the management of foreign workers. In addition, the absence of a comprehensive policy in the employment of foreign workers and ad hoc recruitment further aggravated the issue.

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[5] Based on estimates by the 6P Programme conducted by the Ministry of Home Affairs in 2012. The 6P programme is an amnesty programme to register illegal immigrants. 'P' stands for "Pendaftaran" (registration), "Pemutihan" (legalisation), "Pengampunan" (amnesty), "Pemantauan" (supervision), "Penguatkuasaan" (enforcement) and "Pengusiran" (deportation).
[6] The ratio of legal to illegal foreign workers was 1:0.8 in 2012.

Exhibit 8-7
Institutions Governing Foreign Workers
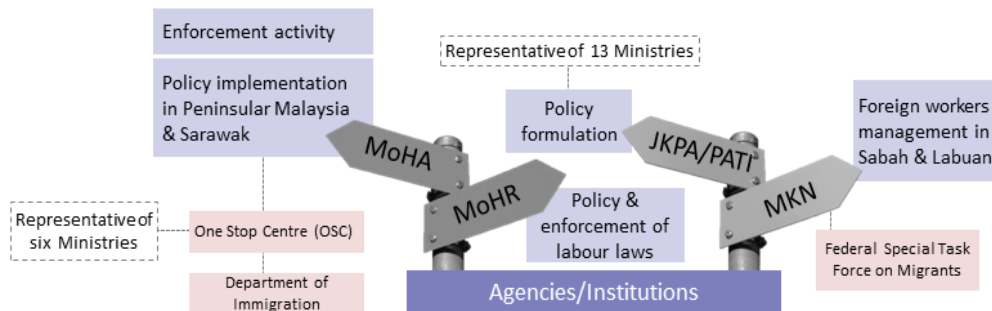
Note: JKPA/PATI-Cabinet Committee on Foreign Workers and Illegal Immigrants
MKN-National Security Council

8.15   The strategy to reduce the number of foreign workers is challenging since some of the sectors and industry players are still dependent on low-skilled foreign workers. Small medium enterprises (SMEs) are not yet ready to move up the value chain and reduce dependency on low-skilled foreign workers. Ease of getting foreign workers act as a disincentive for industry players to invest in automation and upgrade existing machinery and technology.

Youth Unemployment in Full Employment Scenario

8.16   Despite experiencing full employment, 57.5% of total unemployed in 2013 were youth aged 15-24 years. Of this number, 5% were youth in the schooling aged bracket (15-17 years). In 2013, unemployment rate among youth was 10% mainly due to their low qualification and lack of experience.

Rigidity in Labour Legislation

8.17   Despite changes made to labour legislation, further improvements will be required to enhance business efficiency. Current provisions in the labour laws and regulations such as inflexible working hours and the stringent and lengthy process for dismissal contribute to the rigidity in the labour market.

Unstructured and Disintegrated Labour Market Information

8.18   The availability of timely and accurate labour market information is vital to effectively match demand and supply. Despite various improvements in the collection of labour market data, the reliance on household-based information has resulted in limitations in understanding actual demand for labour from the industry. Furthermore, most of the labour market information is currently collected by various agencies based on their own

needs. The absence of a consolidated labour market database poses difficulties in making informed decisions about the current and future labour market requirements.

Low Women Participation and Flexibility in the Labour Market

8.19   Despite higher women participation recorded in the last few years, there are about 4.7 million women outside the labour force. This represents 70% of total working age population outside the labour force. Based on the Labour Force Survey, 2013, about 62% of women outside the labour force indicated that housework was the main reason they did not seek employment. A study[7] on women participation in the labour market in 2013 indicated that the main reason for women leaving the labour force is to take care of their family members. The absence of a "double peak[8]" pattern in the women labour force participation rate showed that women who left did not return to the labour market. The inflexibility of the labour market also contributed to this scenario.

IV.   ELEVENTH MALAYSIA PLAN, 2016-2020: WAY FORWARD

8.20   In the Eleventh Plan, labour market will be one of the key components in human capital development to enable Malaysia's transformation to become an advanced economy. Framework of labour market efficiency in the Eleventh Plan is shown in *Exhibit 8-8*. The Government will focus on strengthening the labour market through 11 initiatives clustered under three broad categories, as shown in *Exhibit 8-9*.

Exhibit 8-8
Framework of Labour Market Efficiency

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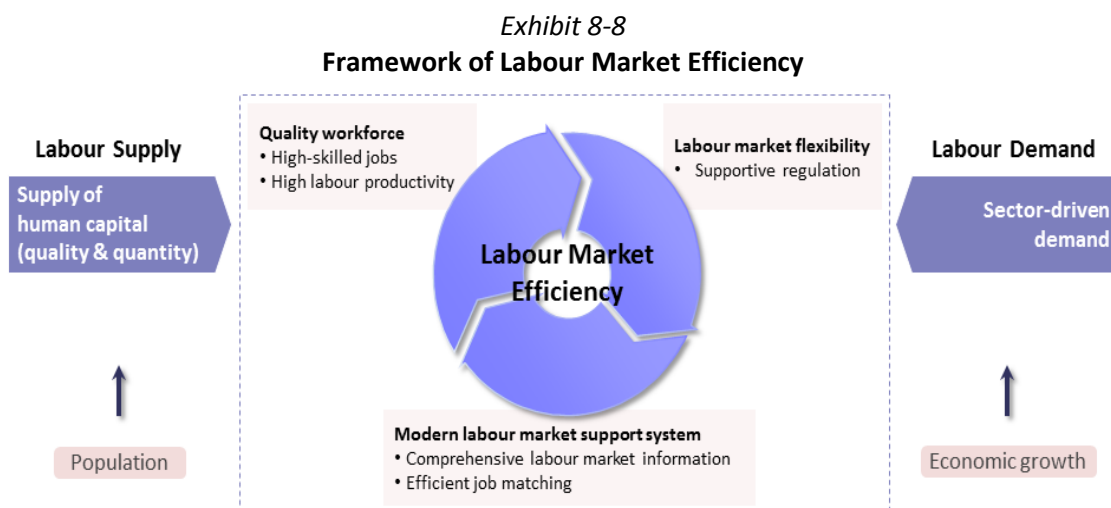
[7] Study to Support the Development of National Policies and Programmes to Increase and Retain the Participation of Women in the Malaysian Labour Force: Key Findings and Recommendations by Ministry of Women, Family and Community Development and United Nations Development Program.
[8] Reflects the situation where it is common for women to leave the labour force to bear and raise children and re-enter it later in life.

Exhibit 8-9
11 Initiatives to Improve the Labour Market

Improving Productivity, Job Creation and Wage Structure	1	Labour productivity
	2	High-skilled jobs
	3	Wage gaps
	4	Wages index
Enhancing Labour Market Operation	5	Unstructured & Disconnected labour market information
	6	Mismatch in the labour market
	7	Youth Unemployment
	8	Women Participation
	9	Effectiveness of Labour Regulation
Improving Management of Foreign Workers	10	Dependency on Low Skilled Foreign Workers
	11	Management of Foreign Workers

Eliminate   Reduce   Raise   Create

Improving Productivity, Job Creation and Wage Structure

Improving Labour Productivity

8.21   Labour productivity is targeted to grow at 3.7% per annum during the Plan period, compared with 2.6% in the Tenth Plan period. Higher labour productivity will be achieved through continuous acquisition of skills and knowledge, which contribute to increase in wages. In addition, upskilling and reskilling of existing workforce will be undertaken to improve productivity. In this respect, the Government will promote more workplace training and lifelong learning programmes.

8.22   The Government will further encourage the implementation of performance-related pay schemes by the industry through the wider implementation of the Productivity Linked Wage System (PLWS). By the end of the Plan period, 85,000 employers are expected to adopt PLWS compared with 76,000 in 2013, which will benefit about 3.7 million employees.

Creating More Skilled Jobs

8.23   The composition of skilled jobs is expected to reach 35% by the year 2020, as shown in *Exhibit 8-10*. Existing industries will be encouraged to move up the value chain by investing in high value-added activities that require skilled workforce. Towards this, the list of promoted activities and products under the Promotion of Investments Act, 1986 will be

reviewed to remove labour-intensive industries. Broad-based incentives will be eliminated gradually and will be replaced with specialised and targeted incentives based on productivity and quality investment. The Government will be more selective in attracting new investments, favouring knowledge-intensive activities which demand high-skilled workforce.

Exhibit 8-10
Employment and Jobs by Skills Category, 2015-2020
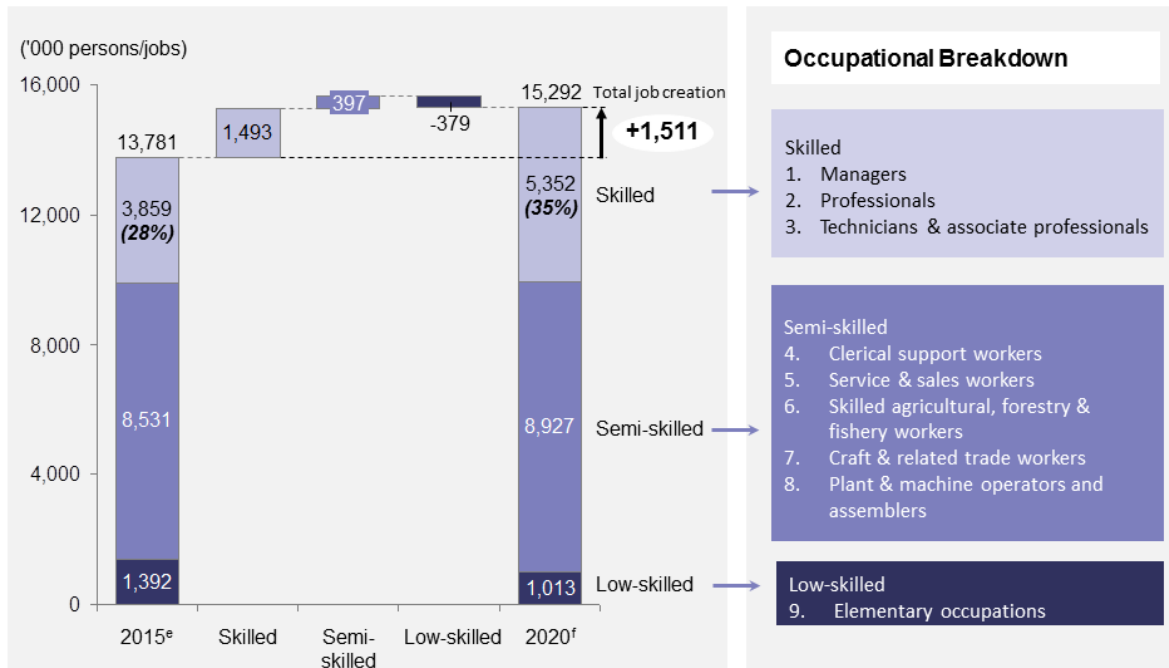
Note: e-estimate
    f-forecast
    Occupations is classified according to the Malaysia Standard Classification of Occupations (MASCO 2008)
Source: Economic Planning Unit and Department of Statistics Malaysia

Reducing Wage Gap

8.24   The Government aims to increase the compensation of employees to GDP from 33.6% in 2013 to 40% in 2020, to be at par with other high and middle income countries. Compensation of employees is expected to increase following greater compliance to minimum wage and the upward revision in minimum wage commensurate with improvement in productivity. Enhanced Recognition of Prior Learning (RPL) and Accreditation of Prior Experiential Learning (APEL) will also contribute to increased wages of skilled workers. In addition, the recognition of technologists[9] as professionals with the establishment of the Malaysia Board of Technologists (MBOT) will improve wage structure

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[9] The Ministry of Science, Technology and Innovation (MOSTI) defines "Technologist" as TVET graduates and practitioners with a minimum degree in engineering technology and technician with a minimum diploma qualification.

of TVET graduates. These measures are expected to contribute to an increase in monthly median wage from RM1,575 in 2014 to RM2,500 in 2020, as shown in *Exhibit 8-11*.

Exhibit 8-11
Targeted Wages and Income by 2020

Economy
Compensation of employee to GDP-33.6% in 2013

40%

RM 2500

Labour Market
Monthly median wage- RM1,575 in 2014

Note: Salaries & Wages Survey, 2014 (preliminary)
Source: Economic Planning Unit and Department of Statistics Malaysia
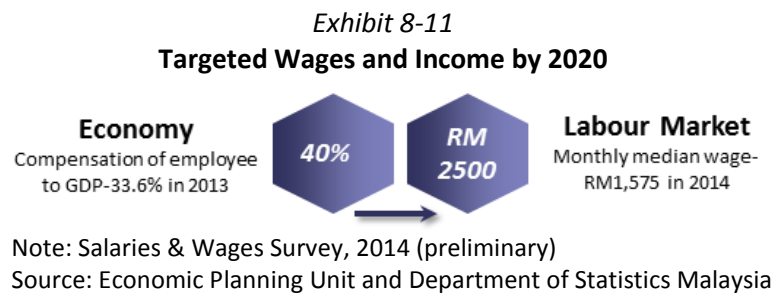
Introducing National Wage Index

8.25   The Government will establish a National Wage Index (NWI) that will serve as a guide and benchmark for employers in determining the right wage level for employees that is in accordance with their qualifications, skills, and productivity. The NWI will be developed by the MoHR in collaboration with related government agencies and will rely on consolidated wage data from multiple sources.

Enhancing Labour Market Operation

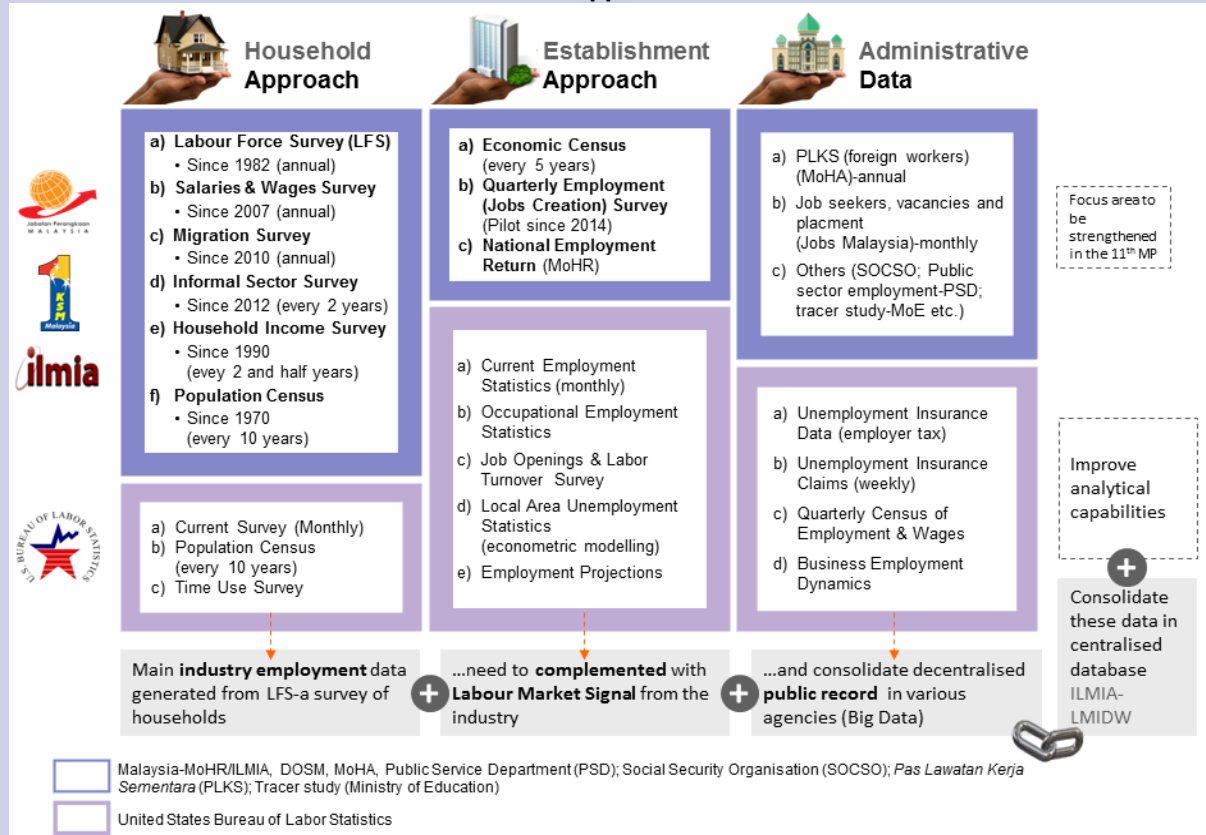### *Improving Labour Market Information*

8.26   More demand-based information will be gathered from industries. MoHR will spearhead the initiative to establish a comprehensive labour market data warehouse consisting of household, establishment and administrative components. The Department of Statistics and ILMIA will intensify the collection of comprehensive establishment-based labour market data.

Box 8-3
A Shift from Household to Establishment Approach to Collect Labour Market Information

Household Approach

a) **Labour Force Survey (LFS)**
   • Since 1982 (annual)
b) **Salaries & Wages Survey**
   • Since 2007 (annual)
c) **Migration Survey**
   • Since 2010 (annual)
d) **Informal Sector Survey**
   • Since 2012 (every 2 years)
e) **Household Income Survey**
   • Since 1990 (evey 2 and half years)
f) **Population Census**
   • Since 1970 (every 10 years)

a) Current Survey (Monthly)
b) Population Census (every 10 years)
c) Time Use Survey

Establishment Approach

a) **Economic Census** (every 5 years)
b) **Quarterly Employment (Jobs Creation) Survey** (Pilot since 2014)
c) **National Employment Return** (MoHR)

a) Current Employment Statistics (monthly)
b) Occupational Employment Statistics
c) Job Openings & Labor Turnover Survey
d) Local Area Unemployment Statistics (econometric modelling)
e) Employment Projections

Administrative Data

a) PLKS (foreign workers) (MoHA)-annual
b) Job seekers, vacancies and placment (Jobs Malaysia)-monthly
c) Others (SOCSO; Public sector employment-PSD; tracer study-MoE etc.)

a) Unemployment Insurance Data (employer tax)
b) Unemployment Insurance Claims (weekly)
c) Quarterly Census of Employment & Wages
d) Business Employment Dynamics

Focus area to be strengthened in the 11th MP

Improve analytical capabilities

Consolidate these data in centralised database ILMIA-LMIDW

Main **industry employment** data generated from LFS-a survey of households

...need to **complemented** with **Labour Market Signal** from the industry

...and consolidate decentralised **public record** in various agencies (Big Data)

Malaysia-MoHR/ILMIA, DOSM, MoHA, Public Service Department (PSD); Social Security Organisation (SOCSO); *Pas Lawatan Kerja Sementara* (PLKS); Tracer study (Ministry of Education)

United States Bureau of Labor Statistics

- Currently most of the labour market information in Malaysia is sourced from household approach (population based survey or census).
- Main information for labour data which is robust in terms of methodology is Labour Force Survey (LFS).
- All other data including Salaries and Wages Survey; Informal Sector Survey; Migration Survey were based on LFS.
- While tremendous improvement were made in compiling household based labour market data, it is important to understand that such methodology has its limitation in understanding actual labour demand from industry/ establishment.

- While in most developed countries, labour market data such as jobs, wages, employment by industry and occupation, new opening were mostly sourced from establishment survey or census.
- Diagram above shows the concentration of household, establishment and administrative data compiled by the Bureau of Labour Statistics to understand labour demand from industry.
- Efforts will be shifted to gather more industry level and administrative labour market data.

8.27   During the Plan period, the LMIDW will be further enhanced and consolidated to support policy formulation and decision-making as well as facilitate labour market clearance. The database will enable better analysis regarding new skills demanded by industry and forecasting workforce supply and demand as well as job matching through business intelligence reporting under LMIDW. In addition, ILMIA will be further strengthened to become Labour Market Information Analytics Centre of Excellence.

8.28   The extension in the LMIDW is expected to create positive spill over effect through improvements in data dissemination and communication. The workforce dashboard will be continuously updated with latest changes in the labour market situation. For example, users will be able to generate in-depth and visual analytics of the labour market as shown in *Exhibit 8-12*.

Exhibit 8-12
Labour Market Information Data Warehouse
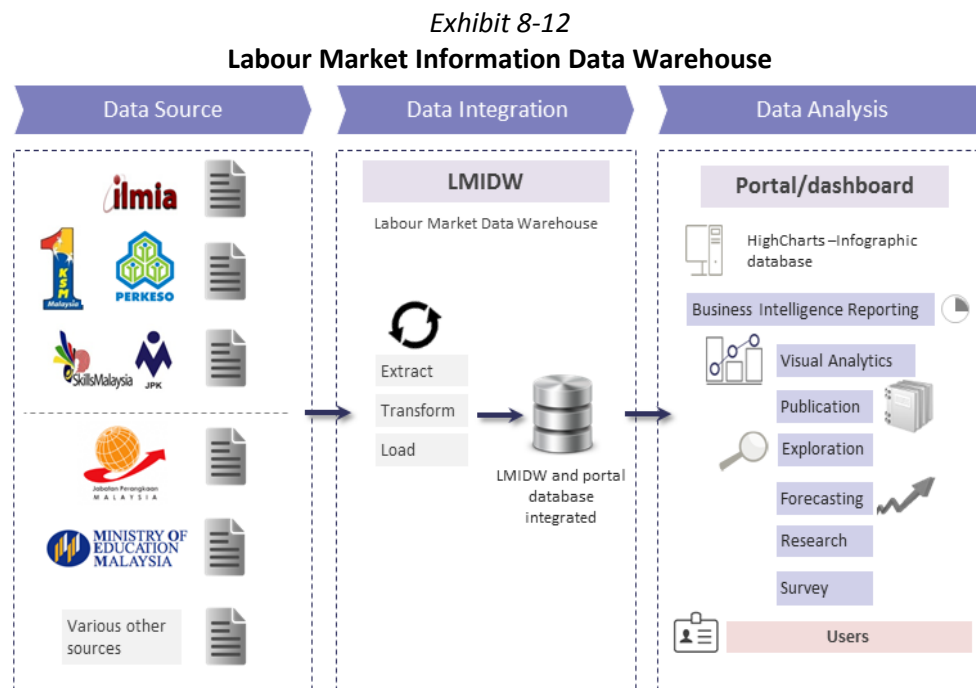
Source: Institute of Labour Market and Analysis (ILMIA)

Minimising Mismatch in the Labour Market

8.29   An Industry Skills Committee (ISC) will be established to have better collaboration and information sharing between the government, industry and IHEs. The Committee will serve as a platform to acquire industry insights on the dynamics of the labour market to enable the right intervention by IHEs and training institutions to match industry demand. Industry players will be encouraged to register and participate actively in the ISC.

8.30   The Industry Centres of Excellence (ICoE) and Academia-Industry Graduate Development Centres (AIGDC) in universities will further contribute towards addressing

mismatch in the labour market. Lessons from ICoE's and AIGDC's collaboration with industry will be used for the development of industry-relevant curricula. Currently, there are 10 ICoEs in four IHEs that focus on several strategic subsectors such as automotive, biotechnology and health services, as shown in *Exhibit 8-13*.

Exhibit 8-13
Industry Centre of Excellence

Source: Ministry of Education

8.31   The Government will adopt a new approach to determine skills gaps in the labour market with the establishment of Critical Skills Committee (CSC) jointly led by Talent Corporation and ILMIA. This committee will assist the ISC and the National Human Capital Development Council (NHCDC) to determine critical skills needed. The committee will regularly update and report to the NHCDC on the current labour market condition and critical skills shortages. This will serve as an input to education and training institutions to supply the right talent.

8.32   In addition, to increase the employability of graduates, bridging programmes will be expanded with the cooperation of the industry. At the same time, upskilling and multiskilling programmes for the existing workforce will be intensified to meet the growing demand for higher skills by the industry.

Addressing Youth Unemployment

8.33   Although youth unemployment is lower than the ASEAN and world average, the Government will ensure that all youth have access to training opportunities before joining the labour market. Youth in the labour market will also be given opportunities for upskilling,

to equip them with better skills and enable them to command higher salaries. Efforts to prepare youth for employment and secure job placements will be intensified through programmes such as Skim Kemahiran dan Kerjaya 1Malaysia (SKK1M), National Dual Training Systems (NDTS) and 1Malaysia Skills Training and Enhancement for the Rakyat (1MASTER).

8.34   During the Plan period, the Government will enhance active labour market policy targeting the youth. Targeted outreach programmes will be undertaken to match unemployed youth with job opportunities. This programme will be focused in states with high youth unemployment, namely Sabah, Selangor, Sarawak, Johor and Perak which constitute 66% of total youth unemployment.

8.35   Youth aged 15-17 years will be encouraged to complete their schooling and pursue tertiary education including in TVET before joining the labour market. Career counselling in schools will be intensified and the private sector will be encouraged to participate in career fairs. Government will also encourage students to register with JobsMalaysia for career counselling.

Increasing Women Participation in the Labour Market

8.36   Women participation in the labour market will be further increased to 57% by the end of the Eleventh Plan period through more family-friendly employment strategies. These include providing better access to quality childcare facilities, conducive working environment, flexible working hours, work-from-home options and employment re-entry opportunities. In this regard, a conceptual framework and guideline on flexible working arrangements will be developed. Employers will be encouraged to provide flexible working hours and option to work-from-home.

8.37   The Government will intensify efforts to improve access for jobs through the 1Malaysia Support for Housewives and Flexiworklife programmes.   Women will be encouraged to become entrepreneurs through programmes such as the Azam Niaga, Women Entrepreneurial Incubator and 1Nita.

Increasing Effectiveness of Labour Legislation

8.38   The Government will continue to ensure that provisions in labour regulations are in line with the current requirements of the labour market. Therefore, during the Plan period, the MoHR will amend labour-related legislation such as the Employment Act, 1955, Trade Unions Act, 1959 and the Industrial Relations Act, 1967. This will, among others, remove the rigidity and tedious process of dismissal, resolve overlapping and contradicting provisions, increase flexibility in working hours and registration of trade union membership.

8.39   The Industrial Relations Act, 1967 will be reviewed to simplify the current process of dismissal which is considered tedious and repetitive. This is to allow dispute on dismissals that is not resolved via conciliation to be referred automatically to the Industrial Court for arbitration. In addition, parties will be allowed to discuss matters on promotion, transfer, dismissal, termination, assignment and employment in the collective bargaining process to give better protection to the workers.

8.40   The Trade Unions Act, 1959 will be amended to allow for automatic registration and multiple trade unions within establishments, trades, occupations and industries. Provision of this Act will also be reviewed to consider allowing foreign workers to hold office in trade unions as well as facilitate requirements of free trade agreements (FTA) including the ASEAN Economic Community (AEC).

8.41   Current regulations will be reviewed to enable employers to optimise the schedule of working hours of employees to cater for peak periods. In addition, employees will be given work-from-home options to promote work life balance. Career break schemes is considered by the Government to allow employees to take unpaid leave for longer periods than currently allowed. This scheme will benefit public servants who wish to take a break from their careers to seek new knowledge and experience.

Improving Management of Foreign Workers

8.42   A comprehensive immigration and employment policy for foreign workers will be formulated, taking into account the requirements of industry and welfare of the foreign workers. To improve transparency of management, active consultation with industry on policy and demand for low-skilled foreign workers will be conducted on regular basis as practiced by many developed countries. This engagement will help the Government to identify demand and gather relevant input to formulate the right strategies.

Reducing Reliance on Low-Skilled Foreign Workers

8.43   Heavy reliance on low-skilled foreign workers, particularly in labour intensive activities will be addressed holistically. The proportion of foreign workers in the workforce is capped at 15% of total workforce in 2020. Capital intensive activities and migration to knowledge-intensive activities will be encouraged in all sectors of the economy, particularly in the agriculture, manufacturing and construction sectors, which currently employ more than 30% of foreign workers.

Streamlining the Recruitment Process for Foreign Workers

8.44   The Government will streamline the recruitment of foreign workers by placing it under a single administration to eliminate multiple and uncoordinated channels of approval. A one stop centre (OSC) will be established under the purview of the MoHR. The OSC will be responsible for determining the requirement of foreign workers by sector; verifying and approving applications for recruitment of foreign workers; monitoring and responding to all matters related to the welfare of foreign workers; and ensuring that foreign workers are employed in the approved sectors and firms. With the establishment of the OSC, the role of outsourcing companies and intermediaries in the recruitment of foreign workers will be eliminated.

8.45   The Government will introduce the strict liability concept whereby employers of foreign workers are fully responsible for their recruitment process including all expenses incurred such as health screening, insurance and processing fees. This concept will also include welfare of workers such as housing and basic amenities until they return home.

8.46   Severe penalties will be imposed on employers who are found guilty of employing illegal foreign workers. In addition, the Government will address the issue of illegal foreign workers through better management and effective enforcement initiatives.

8.47   The levy system will also be improved to better to regulate the entry of low-skilled foreign workers. This levy will be borne by employers and based on the ratio of foreign workers to total workers in a firm and the duration of employment. The levy will be increased gradually over time to increase its effectiveness. It is expected that this new levy system will spur mechanisation and reduce reliance on low-skilled foreign workers.

V.   CONCLUSION

8.48   A competitive economy requires efficient labour market clearance. To that end, the Government will improve the efficiency of the labour market to accelerate economic growth. Improving skills and productivity, increasing efficiency of labour market operations and better management of low-skilled foreign workers will enable the shift towards the higher value and knowledge intensive activities. Labour market strategies will be supported by sector specific strategies to achieve the expected outcomes on improving the quality of jobs, skills and wages. The overall labour market strategy framework is summarised in *Exhibit 8-14*.

Exhibit 8-14
Overall Labour Market Strategy Framework