

PLEASE TRACK AGAINST DELIVERY



**KEY REMARKS BY
THE HONOURABLE RAFIZI RAMLI
MINISTER OF ECONOMY**

LAUNCH OF DELOITTE'S REGIONAL CAPABILITY CENTRE

**7 June 2023 | Wednesday | 9.00 AM
Level 15, Menara LGB**

Central message:

- **The rate of technology growth has outpaced our skills. Retraining our workforce at a scale never before seen becomes an imperative for every economy.**
- **Economic growth is a hygiene factor so that we create high-skilled jobs to take advantage of the debottlenecked talent pipeline.**

SALUTATIONS

- **Mr Yee Wing Peng, CEO, Deloitte Malaysia;**
- **Mr Sivasuriyamoorthy, Deputy CEO, Malaysian Investment Development Authority;**
- **Mr Raymond Siva, Head of Digital Investment, Malaysia Digital Economy Corporation (MDEC);**
- **Datuk Fadzli Abdul Wahit, Head of Digital Industry Development, MDEC;**
- **Esteemed guests, professors, faculty members;**

Ladies and gentlemen.

2. When we talk about technology, there are two facts that are becoming clear. First, the pace of technology today is faster than any other that we have seen in history. It took only 6 months for the AI deep learning model, GPT3.5, to align and iterate into GPT4. In that short span of time, it went from performing at the bottom 10% at a Bar exam—one of the most difficult tests in the world—to the top 10%. GPT4 scored in the same quartile for other college tests like history, statistics, government, mathematics, and economics.

3. To some extent, this was entirely expected, since the rate of learning by these computational models is exponential once they reach a critical mass. At the same time, it shows us that the acceleration of technology, driven by AI, is unlike anything we have seen before.

4. Second, the gap between the demand and supply of skills is growing bigger. The supply-driven educational model practised around the world has remained largely unchanged for the past century, and intervention to pivot our workers' skills to be more demand-driven—closer to what industry demands—is necessary.

5. Part of the structural reforms that this administration needs to undertake is to debottleneck this part of the talent pipeline, so that we correct the supply and demand imbalance as quickly as possible.

6. When we consider purely economics, technology's rise has been overwhelmingly positive for productivity and employment. An increase in productivity would lead to increased GDP, which in turn leads to more consumption and demand for labour.

7. If we focus our technology use in high-growth, high-impact industries like renewable energy, the economic impact is even more significant, contributing to new demand for workers. For instance, if we invest into energy-efficient technologies and climate change adaptation projects, a range of high-skilled occupations, throughout the value chain from manufacturing, transport, system design, installations, and maintenance. Malaysia is predicted to be one of the biggest beneficiaries in energy and utilities if our workers are retrained with targeted sets of skills.

8. While the impact of technology on jobs is far from settled, **the most likely outcome is that the number of jobs will not reduce, but the tasks at many jobs will definitely shift.**

9. It will likely follow the pattern of what happened when ATMs and software came about. During the early wave of automation in the 1970's, ATMs did not displace bank tellers, but it changed their roles from cashing cheques and taking deposits, to more high-value work of customer relations and advisory work. The second wave of automation with software saw higher value skills shift, from changing data workers from simply data-gathering clerks, to data and information analysts.

10. Under both instances, the demand for jobs actually ballooned, contrary to expectations, because technology did not remove jobs—it changed them into higher value work.

11. The world created by technology is **not a tale of machines replacing humans, but machines complementing humans at the workplace.**

12. The question of who and which occupations will be most affected might differ, but as far as we know, the impact of this across the board will be

substantial. Routine, physical, and predictable work will likely be affected soonest, and the most.

13. As a government, the responsible thing to do is not to slow down adoption or innovation in the region. Instead, it is to ensure that we redeploy talent at a much faster rate so that we equip our workers for that future.

14. To address the skills gap—the most defining challenge of our era—there are a few things that must be put in place.

15. **One, maintaining high economic growth to create more high-quality jobs.** That is why the Ministry of Economy never shifted our attention from the importance of aggregate demand, business creation, innovation, and selecting high-growth, high-value (HGHV) industries to invest in. Whatever version of the future of work looks like, it would only be an optimistic one if there is an engine of growth that creates high-skilled jobs. Economic growth is, therefore, a hygiene factor—a fundamental necessity—for this Ministry.

16. **Two, retraining and workforce development must be increased to a scale never seen before.** The latest estimates by the World Bank gives us a sense of how big the talent gap is: For us to match developed OECD countries for skills, we need to create another 2 million high-skilled jobs. Make no mistake, this is a global challenge many countries are still grappling with. Many equate this huge task to the scale of the Marshall Plan, a post-war economic recovery plan to deal with a world much different from before.

17. In the next few months, we will be rolling out a series of initiatives to ease access into upskilling programs at a large scale so that we tilt the supply-demand imbalance.

18. **Three, create a supported environment for labour mobility.** Following closely from the second point, it is not sufficient to train without also figuring out how to place the right talents to the right jobs. Technology is useful here, as we would have to think about digital talent platforms that support a worker's transition. In Germany, the federal unemployment agency has transformed itself into a robust matching agency, because they acknowledge that labour is now more mobile than ever before. Besides retraining, this administration will also consider a wide range of social protection for workers in that transition process to tame the unpredictable side of technology. It is our job to think ahead.

19. I'm grateful that Deloitte acknowledges the changing world and is taking a step in the right direction by building a Regional Capability Centre. Talent planning must be active and deliberate, and we must adapt and challenge our assumptions about what makes a good worker. Taking a skills-first approach, and enabling our talents to serve the region would address the structural problems of our economy, as we move up the value chain.

20. Technology is not our enemy—they are our allies in rebuilding Malaysia into a force in the region, propelling our economy to realise our highest ambitions. Our enemy is inertia, apprehension, and a fear of change. We have a choice as we stand at this inflection point in our history—will we embrace or fear technology?

Thank you for having me at your launch. I wish you all the success to thrive as an organisation.

RAFIZI RAMLI
Minister of Economy
7 June 2023