



# HRDF HUMAN CAPITAL REPORT

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**SKILL SHORTAGES:  
MALAYSIANS ARE LACKING  
COMMUNICATION SKILLS**

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# SKILL SHORTAGES



## QUICK TAKEAWAYS AND HIGHLIGHTS

Labour market shortages can be particularly problematic in countries with emerging economy like Malaysia, where new technologies, digitization, automation, and other trends like Industry 4.0 result in a constant changing demand for particular set of skills.

Malaysia's labor market has evolved significantly in recent decades. An economy that was once driven by agriculture shifted first to the manufacturing sector and then to the services sector, which now accounts for more than half of Malaysia's GDP and around 60 percent of employment. As Malaysia urbanises and undergoes the economic growth, there happens the shortages of labour market. Shortages in the labour market arise when the supply of workers with particular skills is insufficient to meet the demand.

(Source: Monitoring Occupational Shortages, World Bank Group, 2019)

Skill shortage can be divided into three (3) situations where:

Supply is less than demand in aggregate (i.e. there is an overall shortage of people with the skills sought in the labour market). This can be further divided into:

Overall, the supply of skills may be sufficient, but people with particular skills may not necessarily utilise these for their job.

The supply of skills is sufficient but there are other qualities that employers look for that may be in short supply.

1

2

3

Skills that take a long training time to develop

Skills that require a short time to develop

(Source: Research to Understand the Extend, Nature and Impact of Skills Mismatches in the Economy 2018)

### SKILL SHORTAGES ARE DRIVEN BY:



Rapid economic restructuring



Misalignment of the education system with labour market



Underdeveloped adult education and training system

(Source: Skill mismatch and overeducation in transition economies, 2015)

### HOW SKILL SHORTAGES AFFECT ECONOMIC GROWTH?

#### Short-Run

Skill shortages might cause reduction in output and productivity when high-potential firms fail to hire the talents needed to grow.

#### Long-Run

If such shortages persist, there is a risk of long-run losses in competitiveness and businesses' ability to innovate.

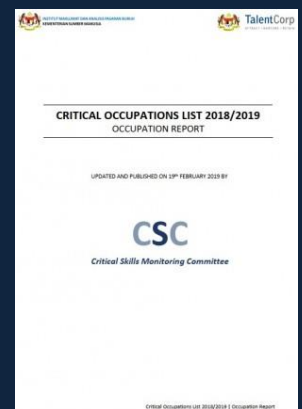
Source: Monitoring Occupational Shortage, World Bank Group, 2019

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## QUICK TAKEAWAYS AND HIGHLIGHTS

The development of Critical Occupation List (COL) is a joint venture between ILMIA and Talent Corporation under 11<sup>th</sup> Malaysia Plan.



Occupations such as Mathematicians Actuaries & Statisticians (with job titles such as data analyst, data scientist, big data analyst) pointing to a shift in Malaysia's needs towards jobs required to meet Industrial Revolution 4.0.

Source: Critical Occupations List (COL), 2018/2019

### WHAT IS THE CRITICAL OCCUPATIONS LIST (COL)

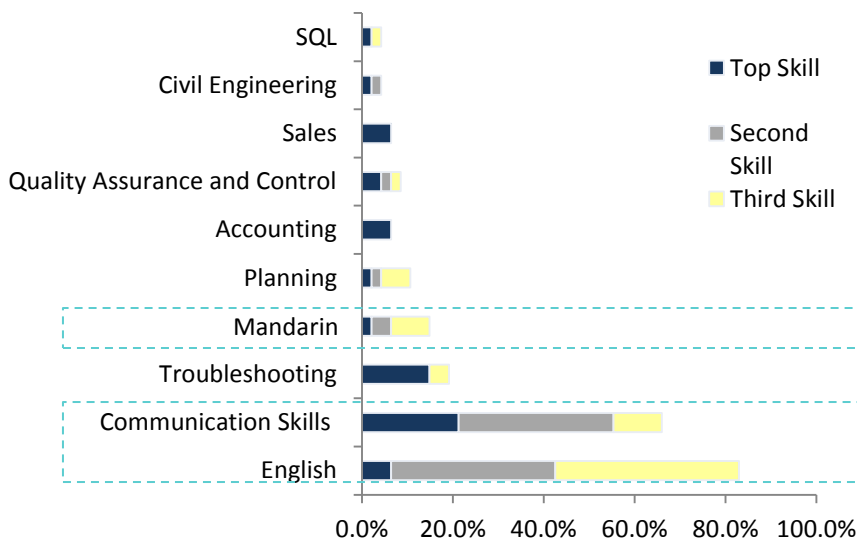
- The government of Malaysia created the COL as a tool to identify labour market shortages that are associated with Malaysia's growing knowledge-based economy.
- Identifying occupations that are (mid- or high-) skilled, according to the Malaysian Standard Classification of Occupations (MASCO).
- Determining the chances of mismatch between employers' demand for certain occupations and the supply of skills associated with those occupations.

### THE TOP ASSOCIATED SKILLS BASED ON CRITICAL OCCUPATIONAL LIST 2018/2019

Owing to the fact that English is the second most important language in Malaysia and widely used in daily communications, the skills related to English language have become important skills required and overall, it has been identified as the most critical skills in COL. Apart from English language, Mandarin language has been indicated as the one of critical skills in COL. By having some knowledge in Mandarin language, individual becomes more competitive as some of the jobs require this language proficiency especially for positions like Manufacturing Managers, Early Childhood Educators and Commercial Sales Agents.

On the other hand, **communication skill** is indicated as the top-rated critical skill. Although Malaysia's economy has shifted to meet the current technological changes, communication still plays a vital role in achieving productivity and maintaining strong working relationships at all organisational level.

### TOP CRITICAL SKILLS IN 2018/2019 COL



	English	Communication Skills	Troubleshooting	Chinese	Mandarin	Accounting	Quality Assurance and Control	Sales	Civil Engineering	SQL
■ Top Skill	6.4%	21.3%	14.9%	2.1%	2.1%	6.4%	4.3%	6.4%	2.1%	2.1%
■ Second Skill	36.2%	34.0%	0.0%	4.3%	2.1%	0.0%	2.1%	0.0%	2.1%	0.0%
■ Third Skill	40.4%	10.6%	4.3%	8.5%	6.4%	0.0%	2.1%	0.0%	0.0%	2.1%

(Source: Critical Occupations List (COL), 2018/2019)

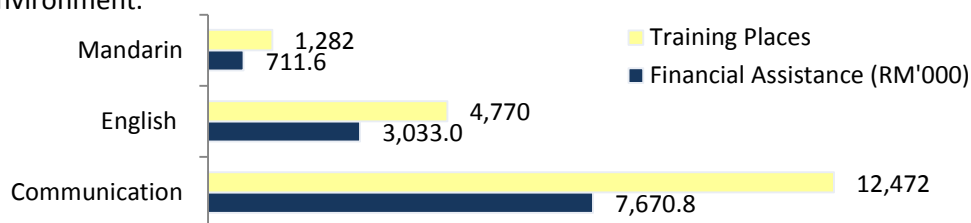
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## QUICK TAKEAWAYS AND HIGHLIGHTS

In 2014, the government of Malaysia established a Critical Skills Monitoring Committee (CSC) with the mandate to monitor skill imbalances. In its five-year national planning strategy, the government called for the formation of a committee to identify critical skills gaps in strategic sectors to enhance human capital planning. Resulting in the establishment of CSC, which is jointly chaired by Talent Corporation (TalentCorp) and the Institute of Labour Market Information and Analysis (ILMIA), both agencies under the Ministry of Human Resources (MOHR).

HRDF's data findings show that out of 873,355 training places in 2018, only 12,472 (1.4%) training related to communication, 7,440 (0.5%) related to English language and only 1,282 (0.1%) training related to Mandarin language. While, out of RM558,754,296 financial assistance in 2018, employers only spent RM7,670,769 (1.4%) for training related to communication, RM3,033,025 (0.5%) for English language and RM711,626 for Mandarin language. It is indicated that HRDF's data findings do not critically reflect the low number of training places and financial assistance. This situation may be due to employers' expectation that employees will acquire communication and language skill before entering into the working environment.



### TOP LISTING RELEVANT TRAINING

COMMUNICATION	ENGLISH	MANDARIN
Workplace Communication Models	Conversational English For Crew A & D	Mandarin Language Workshop (Basic)
Team Communication For Success - Managers and Executives Workshop 2018	Essential English Communication Skills (Off-site)	Mandarin Program (Higher Level Learning Group)
Communication Development Program - Direct Selling	English For Business	<i>Kelas Mandarin Sesi 1-7</i>
Communication & Interpersonal Skills	Improving Your English - Speaking And Writing Skills	Polishing Your Mandarin Language For Hospitality Services
Communication On Resolving Conflicts	<i>Kursus Peningkatan Kemahiran Berkomunikasi Dan Pemantapan Bahasa Inggeris</i>	<i>Kursus Basic Mandarin Language - Pembantu Trafik Siri2/2017</i>

### MOST ACTIVE SUBSECTORS ON RELATED TRAINING

COMMUNICATION	ENGLISH	MANDARIN
Manufacturer Of Electrical Machinery, Apparatus, Appliances And Supplies	Private Institution Of Higher Learning	Hotel Industry

### KEY TAKEAWAY

HRDF should encourage employers on training to secure specific skill sets required for the current or future talent pool. Training on soft skills especially in communication should be in line with training needs to meet technological changes.

Source: Critical Occupations List (COL), 2018/2019



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