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**TRAINING TRENDS AMIDST THE  
CHALLENGING ECONOMIC CLIMATE**

HRDF INDUSTRY TRAINING INTELLIGENCE REPORT



HUMAN RESOURCES DEVELOPMENT FUND  
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## INTRODUCTION

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The lingering effects of the 2008 Financial Crisis has caused economic activity to contract, leading to the largest contraction in international trade ever seen to-date. Malaysia's status as a trade-reliant country with trade to GDP ratio averaging over 130% since 2010 (The World Bank, 2020), is affected by global economic slowdown. Now, we are again witnessing the restriction in trade flow, slump in the financial market value and the sluggish growth in the human capital development amid the Coronavirus Disease 2019 (COVID-19), these are the recession signals. Recession is inevitable and it is a reality to be faced by all countries. In this situation, employers are having a fiscal situation for various payment obligations related to their businesses, while employees are at risk at being retrenched and having difficulty staying employed while jobs are scarce.

From the workers' perspective, the question now is what are the essential skills needed in the industries in order to stay employed in this challenging time? While the looming financial challenge may not be the same as the previous economic recession, there may be some learning points from a historical perspective. This article is intended to give an idea about the difference in training trends during the normal and economic recession period. This could be an outset for the business to operate progressively and employers to work efficiently even if the working mode has shifted from office to working from home, while the training platform has changed from a physical classroom to an online platform.

## HISTORY, IMPACTS & TRENDS OF TRAINING DURING A CRITICAL TIME

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### 2008 FINANCIAL CRISIS

#### HISTORY

The weaknesses of the United States (US) of America in handling the financial system has escalated into a severe international financial crisis, a deep slump in global trade and recession by late 2008. The negative economic impact has inevitably affected Malaysian economy in the fourth quarter of 2008 mainly through the financial and trade channels where export and industrial outputs deteriorated, whilst investments declined.

*Source: 2008 Economics Crisis in Malaysia:  
Implications on the Economy, Society and Safety Nets (2013)*



## FACTORS

**Imprudent Mortgage Lending** – many people were able to buy houses they couldn't afford.

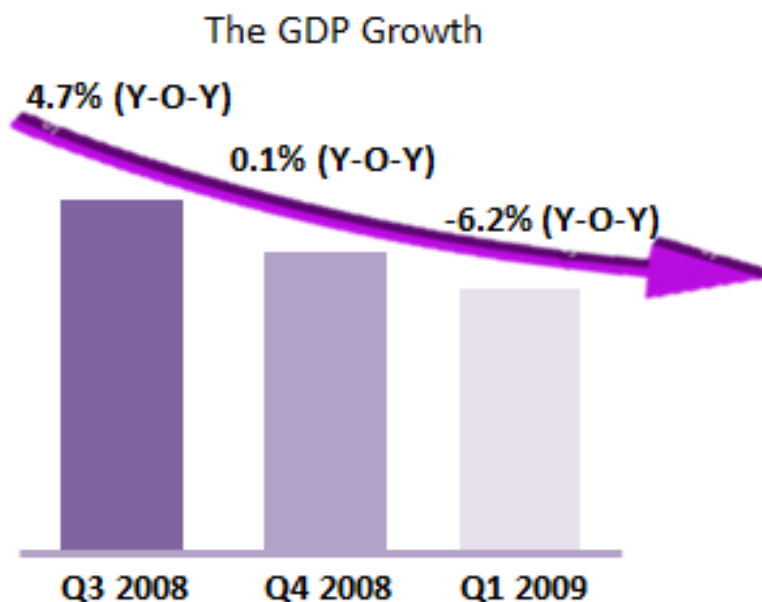
**Global Imbalances** - Global financial flows have been characterised in recent years by an unsustainable pattern in several countries.

**Securitisation** - fostered the “originate-to-distribute” model, which reduced lenders' incentives to be prudent.

**Housing Bubble** – Federal Reserve allowed housing prices to rise to unsustainable level.

**Lack of Transparency and Accountability in Mortgage Finance** – many participants contributed to the creation of bad mortgages and the selling of bad securities, apparently feeling secure that they would not be held accountable for their action.

## IMPACT ON GDP GROWTH

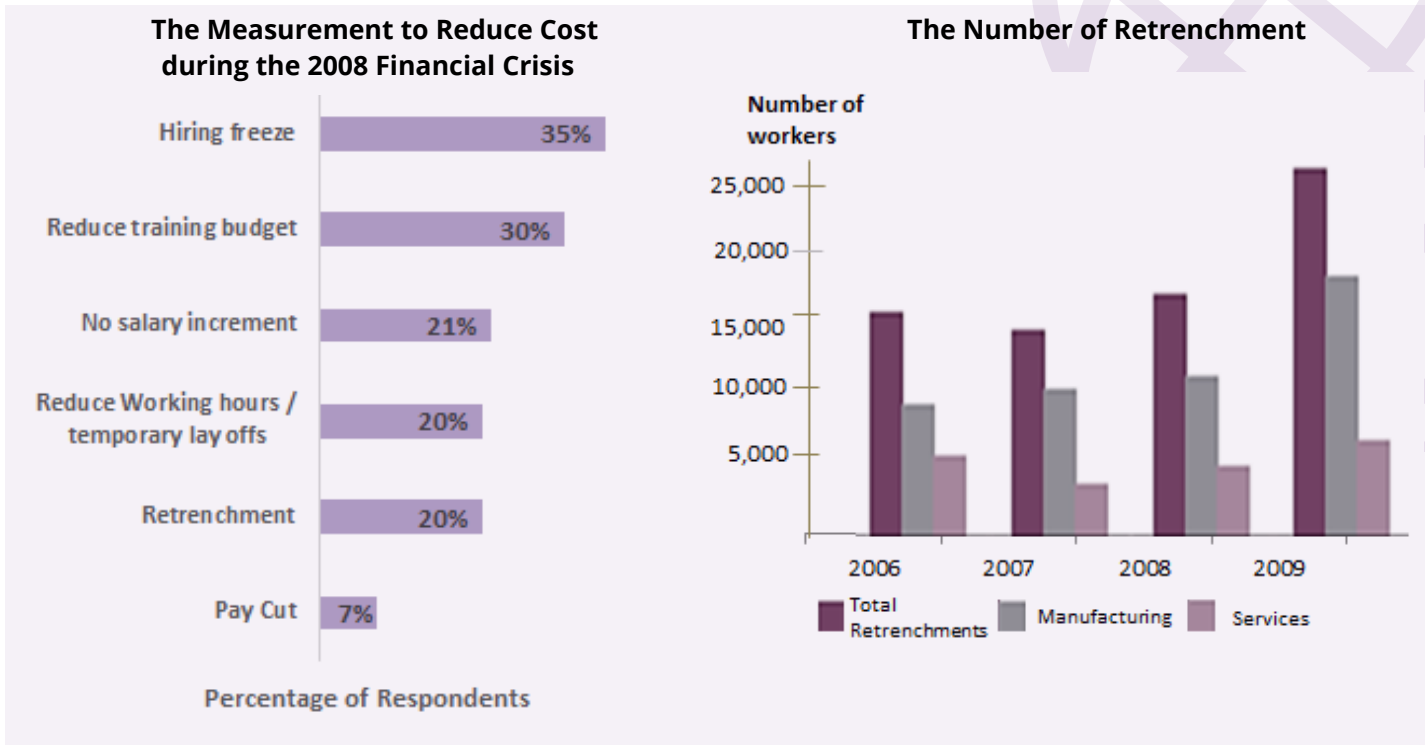


The first quarter of 2009 was reported as the first time negative territory growth since 2001.

It was mainly due to the drastic contraction in export value of 27.9% Y-O-Y in January 2009, particularly in the manufacturing sector, which contracted 19.1% in the first quarter of 2009.

*Source: Bank Negara Malaysia, 2009*

# IMPACT ON LABOUR MARKET



Source: *Economic Development in 2009, Bank Negara Malaysia (2009)*

According to the survey conducted by Bank Negara Malaysia, various measures were undertaken by companies to reduce costs by imposing a hiring freeze and reducing training budget, while retrenchment was generally implemented as the last resort.

It was estimated that the retrenchment in 2009 was higher (25,064 people) compared to 2008 (increased by 52%) with the worst affected workers coming from manufacturing sector at 78% in the first quarter – 45% from E&E sub-sector.

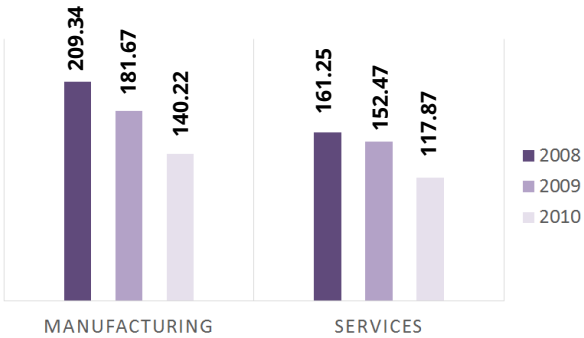
The actual retrenchment was 42,336 in 2007, 47,145 in 2008 and 64,516 in 2009.



# TRENDS OF TRAINING

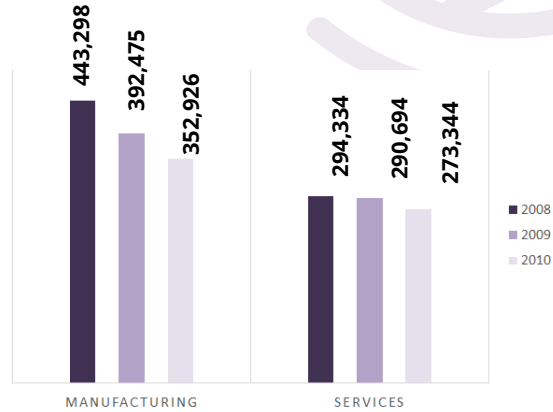
The data in this section is extracted from HRDF's internal data. The training trends are identified by comparing data between the normal period at Q1 to Q3 in 2008 with the recession period starting from Q4 till the end of 2009 to identify the changes in trends during these periods.

## 1. Financial Assistance (RM million)



% FA Growth	2009	2010
Manufacturing	-13%	-23%
Services	-5%	-23%

## 2. Training Places

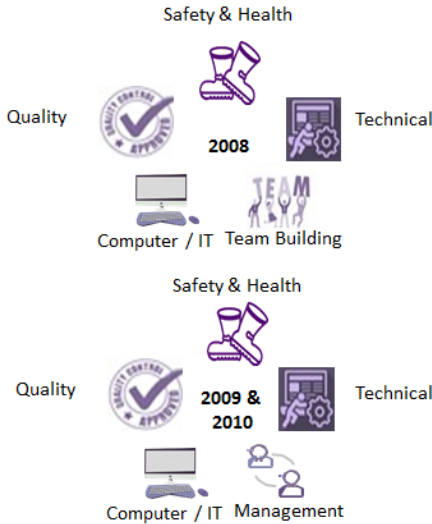


% TP Growth	2009	2010
Manufacturing	-11%	-10%
Services	-1%	-6%

## 3. Skills Area

### a) Top 5 Skill Areas with the Highest Training Places

Below are the area of skills that have the highest demand in training:

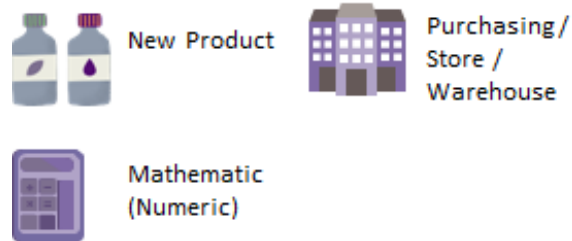


According to the survey conducted by Bank Negara Malaysia in the previous paragraph on the Impact of the 2008 Financial Crisis on the Labour Market, the respondents among the employers stated that the reduction of training budget was in the top three alternatives to reduce the cost of operation. Although the above skills were in high demand compared to other skills areas, the trend indicates that in 2009 and 2010, employers only maintained the necessary training that were related to their job scopes such as quality, safety and health, technical and computer/IT and management rather than unnecessary training such as team building as the alternative for cost reduction.

### b) Skill Areas with the Highest Reduction in Training Places



### c) Skill Areas with the Highest Increment in Training Places



## CORONAVIRUS DISEASE 2019 (COVID-19)



### HISTORY

Virus strain is SARS-CoV-2 (same group with SARS and MERS)

Declared by World Health Organization as a worldwide pandemic on 11th March 2020

#### Globally

- **Confirmed:** Total 2, 672, 238 cases (83, 465 new cases)
- **Deaths:** Total 254,045 deaths (6,539 new cases)
- As reported by WHO as at 7th May 2020

#### Malaysia

- **Confirmed:** Total 6,467 cases (39 new cases)
- **Deaths:** Total 107 deaths (0 new cases)
- As reported by Ministry of Health as at 7th May 2020

### IMPACT ON GDP GROWTH

It is projected at between -2% to 0.5% in 2020 due to the COVID-19 outbreak.

Source: Bank Negara Malaysia (2020)

### IMPACT ON LABOUR MARKET

#### BUSINESS OUTLOOK

##### **-3% contraction of the global economy**

is projected as a result of Covid-19 pandemic that impacting economic activity due to rising human costs worldwide – which is worse than during the 2008–09 financial crisis.

Source: World Economic Outlook, International Monetary Fund (IMF)

#### MALAYSIA

##### **-2.9% drop of GDP growth**

of Malaysia predicted in 2020 from 4.0%.

Source: Malaysian Institute of Economic Research (MIER)

##### **RM12.9 bil potential losses**

of manufacturing sector's contribution to GDP during 14 days of Movement Control Order (MCO).

Source: MIDA Survey March 2020

#### ESTIMATED MALAYSIA UNEMPLOYMENT TRENDS

The unemployment rate is estimated to be at **4%** or **629,000** individuals this year, up from 3.3% in 2019.

Source: Bank Negara Malaysia

OR WORSE

Prediction of between **951,000** and **2.4 million** jobs would be lost.

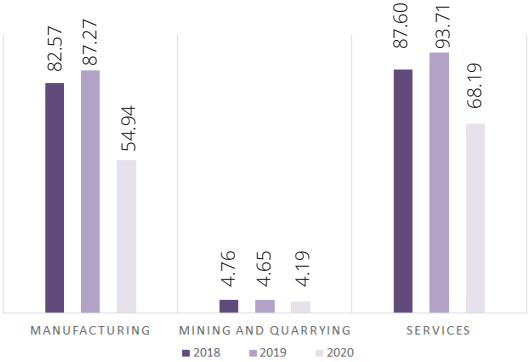
Source: Malaysian Institute of Economic Research (MIER)



# TRENDS OF TRAINING

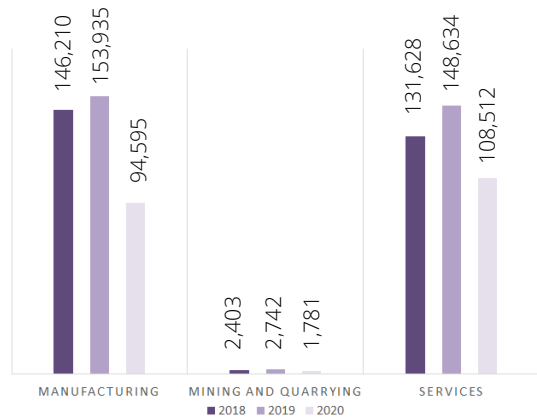
The data in this section is extracted from HRDF's internal data from January to April for the year 2018, 2019 and 2020. The training trends are identified by comparing data between the normal period in 2018 and 2019 with the pandemic period in 2020 to identify the changes in trends during these periods.

## 1. Financial Assistance (RM million)



% TP Growth	2019	2020
Manufacturing	5%	-39%
Mining and Quarrying	14%	-35%
Services	13%	-27%

## 2. Training Places



% TP Growth	2019	2020
Manufacturing	5%	-39%
Mining and Quarrying	14%	-35%
Services	13%	-27%

The manufacturing industry has the biggest drop in the financial assistance particularly for the sub-sectors below:

1. Manufacturer of glass and glass products.
2. Manufacturer of paper and paper products.
3. Manufacturer of textiles & wearing apparel, excluding footwear.
4. Manufacture of furniture and fixtures excluding primarily of metal.
5. Manufacturer of machinery except electrical.

## 3. Skills Area

### a) Top 5 Skills Areas with the Highest Demand

For 3 consecutive years in 2018, 2019 and 2020, the below skills area have the highest demand by most employers. Although these skills areas were the highest in training places compared to others, they have experienced a decline in growth rate in training places except in the skills area of education or training.




Skills Area with the Highest Demand	Growth Rate in Training Places (%)		
	2019	2020	Rate Increase /Decrease
Safety and Health	26%	-40%	↓
Quality and Productivity	-4%	-28%	↓
Management/Strategic Management	-12%	-31%	↓
Team Building / Motivation	14%	-34%	↓
Computer / IT	3%	-41%	↓
Education / Training	-1%	21%	↑

The above trends associated with the current spread of COVID-19 has not only caused the contact limitation with other individuals, but employers still preferring to train their employees through in house training rather than e-learning. This might be the reason for the employers sending for few numbers of training this year for their employees. It indicates that the dependency on in house or classroom training will restrict the opportunity for the employees to be trained. Therefore, this is the time for employers to shift from traditional training culture to e-learning training.

While most of training has declined in the number of training places, training for education has increased. Training through e-learning due to the COVID-19 outbreak has caused training providers to send their teaching staff or tutors for training to enhance their skills in education or training itself. This could be a stepping stone for the training providers to promote their online learning service to employers. Sending their tutors for training could enhance their capability to deliver the courses very well. Thus, the employers will become more confident with the capability of trainers or tutors and will send more employees for online training rather than the traditional classroom training. However, IT training, where the expectation that this training will be attended the most through online learning is false. This might be due to higher cost in IT training as it is in the top 10 courses with the highest financial assistance per training places and employers have been trying to cut the budget during this crisis.

## b) Skills Areas with the Highest Decline in Training Places

The below skills areas have the largest decline in the growth rate of training places in 2020 when compared with the growth rate in 2019.

Skills Area with the Highest Decline in Training Places	Growth Rate in Training Places (%)	
	2019	2020
 Biotechnology or Chemistry	26%	-40%
 Port Management	-4%	-28%
 Public Relations / Customer Service	-12%	-31%



Skills areas of biotechnology or chemistry have the largest decline in training places, compared to the other skills areas. These skills are related with the laboratory activities. As reported by New Straits Times dated in 22nd April 2020, the Movement Control Order (MCO) has put PhD students in dilemmas where they are required to reschedule lab work arrangements while having difficulty in accessing research materials and laboratories, causing their research process to come to a stop. This situation could also be happening in the reduction of training in the skills area of biotechnology where researchers in higher learning institution or any other R&D centres are having shorter periods in managing their sensitive laboratory specimens. This leads them to slow down experiment activities, as well as the training activities overall.



The decline in training in the skills areas in port management was greatly associated and contributed by the sub-sector of port services. The decrease in port management training by the sub-sector of port services might be caused by the slump in demand for global globally which have affected on the shipping and port activity. Thus, the employers potentially make budget cuts, including the budget for training. The training for skills areas in public relations/customer services have also caused the working and training activities to slow down.

### c) Skills Area with the Highest Increment in Training Places

The below skill areas have the largest increase in training places in 2020 when compared with the growth rate in 2019.

Skills Area with the Highest Increment in Training Places	Growth Rate in Training Places (%)	
	2019	2020
 Hotel and Tourism	-46%	106%
 Education or Training	-1%	21%

The COVID-19 outbreak has caused an economic paralysis. However, there is a potential silver lining. For example, according to the above data, although the hotel industry has been affected, skills areas in hotel and tourism has increased the most. During this crisis, employees might be trained to meet the concerns with regards to the sanitation process, with the World Health Organisation (WHO) issuing Operational Considerations for COVID-19 Management in the Accommodation Sector on 31 March 2020, as the interim guide to operate businesses that is very susceptible to contagion. Having the opportunity to train the employees during this period is a good investment for the resiliency and long term success in enhancing the servicing quality of the business.

## STIMULUS PACKAGE DURING THE CRITICAL TIME

### EXEMPTION OF HRDF LEVY

Employers listed under all the 63 sub-sectors are exempted from paying levy for (6) six months effective from April 2020 to September 2020. This would ease employers' cash flow by approximately RM480 million.

Nevertheless, employers are still encouraged to train their employees via different channels such as online training. The existing HRDF schemes remain to be relevant for online training, for further information, please explore <https://www.hrdf.com.my/employer/hrdf-schemes/>.