



Industrial Intelligence Report No. 2/2021

EMPLOYER, EMPLOYEE AND MACROECONOMIC INDICATOR ANALYSIS

INTRODUCTION

The HRD Corp Industrial Intelligence Report aims to disseminate information about human capital and learning environment based on HRD Corp's internal data and market movement. In this issue, we focus on registered employers and employees under HRD Corp and their impact on key macroeconomic indicators.

According to Future of Jobs 2020 by the World Economic Forum (WEF), employers expect to lean primarily on internal capacity to deliver training. Thirty-nine per cent of training will be delivered by an internal department. However, that training will be supplemented by online learning platforms (16%) and by external consultants (11%).

Training programmes such as reskilling and upskilling are relatively new, yet vital to employee development. Furthermore, there is no one-size-fits-all approach in terms of strategic plan, resource, and execution (LinkedIn Learning Workplace Learning Report, 2020).



Malaysia has moved up to the 26th position out of 88 countries in the Global Talent Competitiveness Index 2020 (GTCI 2020).

Source: Global Talent Competitiveness Index 2020: Global Talent in the Age of Artificial Intelligence, INSEAD

Steps to strengthen firms' technological readiness are critically important in ensuring that Malaysian talents and organisations are globally competitive. Additionally, there is a need to improve the firms' basic managerial and organisational capabilities and practices, particularly in the case of SMEs.

Realising productivity gains through improved management practices will necessitate increases in the intensity of competition, reforms to the ownership structure of firms, and investments to enable access to talent through higher quality education and training. Policymakers should emphasise the development of applied tech skills and structured partnerships with industries for internship and capstone projects (World Bank Group, June 2021).

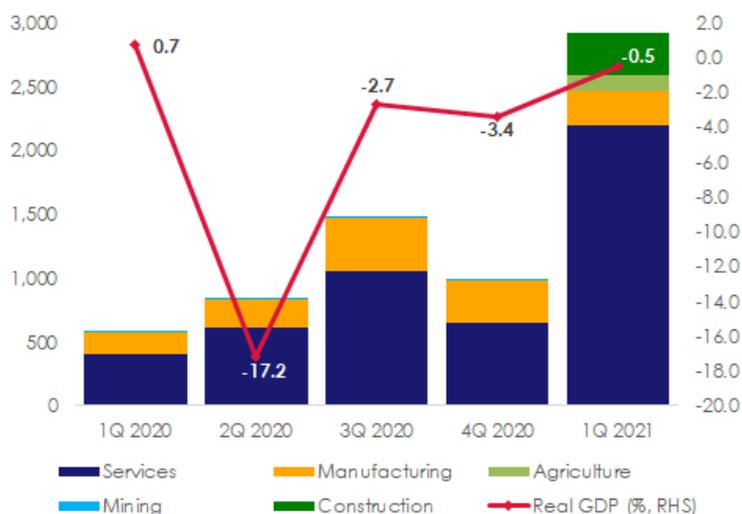
KEY HIGHLIGHT

Registered Employers by Economic Sector and GDP Growth

As reported by BNM, the 1Q 2021 Gross Domestic Product (GDP) averaged higher at -0.5% Y/Y as compared to -3.4% in the 4Q 2020. While negative spillovers from the pandemic continued given the imposition of MCO 2.0 in the first quarter, the impact was cushioned by less restrictive movement controls during that period.

Following the rebound, HRD Corp focused on expanding its Act in order to widen its coverage on more sectors. This resulted in solid growth in 1Q 2021, especially after 1 March. Cumulatively, around 2,192 registered employers were garnered from the Services sector during this period.

Registered Employers by Economics Sector and GDP Growth



Source: BNM Economic and Monetary Review 2020, HRD Corp internal database

These “on-and-off” closures and re-openings will continue to adversely affect Malaysia’s economy in the near term. The number of vulnerable households is likely to increase, alongside a more fragile labour market. Further increases in case numbers and death rates would exacerbate this situation (World Bank Group, June 2021).

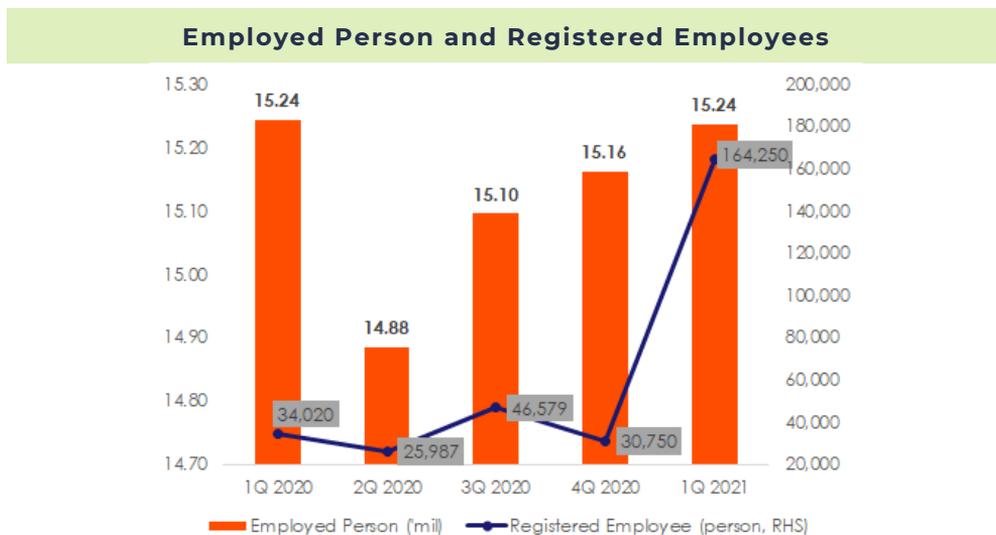
However, the policy measures and stimulus packages implemented by the Government (i.e., the HRD Corp levy exemption for affected employers and industries), are helping to mitigate the impact of the pandemic, enabling employers to better manage their cash flows and sustain their business operations during this unprecedented crisis.

KEY HIGHLIGHT

Employed Person and Registered Employees

The Department of Statistics Malaysia (DOSM) reported a decline in the number of employed person to 14.88 million people or about 2.4% q/q in 2Q 2020 when the nation went into its first lockdown as the health crisis hit the world. A year later, the number of employed person has gradually risen to pre-pandemic levels, at 15.24 million people in the 1Q 2021.

Within the same period, HRD Corp witnessed a surge in registered employees in accordance to the Expansion of Act. 164,250 employees were registered in 1Q 2021, 153,567 employees recorded in March alone. This shows that the impact of the MCO 2.0 was considerably moderate compared to MCO 1.0 and CMCO in 2Q 2020.



Source: DOSM Quarterly Report Of Labour Force Survey (1Q 2021), HRD Corp internal database

Existing, future and skilled employees who are registered under HRD Corp will have greater opportunities to upskill and reskill and eventually help employers have a capable, skilled and competent workforce.

Skills training is among the most prominent factors for prospective employees when choosing their preferred employer. Such appreciation may be expressed in ways that bring benefits to employers, including high engagement and productivity in the new role, and contributions to workplace morale (McKinsey, 2020).

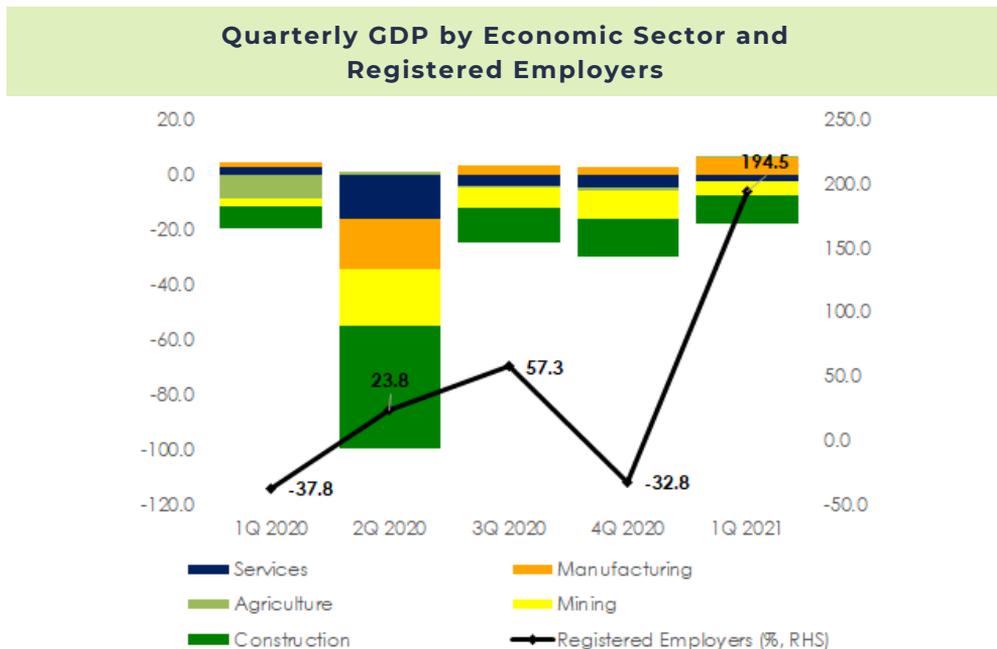
KEY HIGHLIGHT

Quarterly GDP by Economic Sector and Registered Employers

The number of registered employers for 1Q 2021 resonates well with the gradual rebound in economic growth, recording a sharp upturn of 195% Q/Q, due largely to the expansion of the Act.

The expansion of the PSMB Act 2021 was mandated by the Government of Malaysia in its 11th Malaysia Plan (11MP) under Strategic Thrust 5 – Focus Area C: Strengthening Lifelong Learning for Skills Enhancements. This entails the expansion of access to HRD Corp’s funds, programmes and services to all industries.

The 11MP has identified high-quality human capital as the necessary element to propel the country’s future economic development. Therefore, it has set the target of ensuring that 35% of the Malaysian workforce will comprise skilled workers in the next five years.



Source: BNM Economic and Monetary Review 2020, HRD Corp internal database

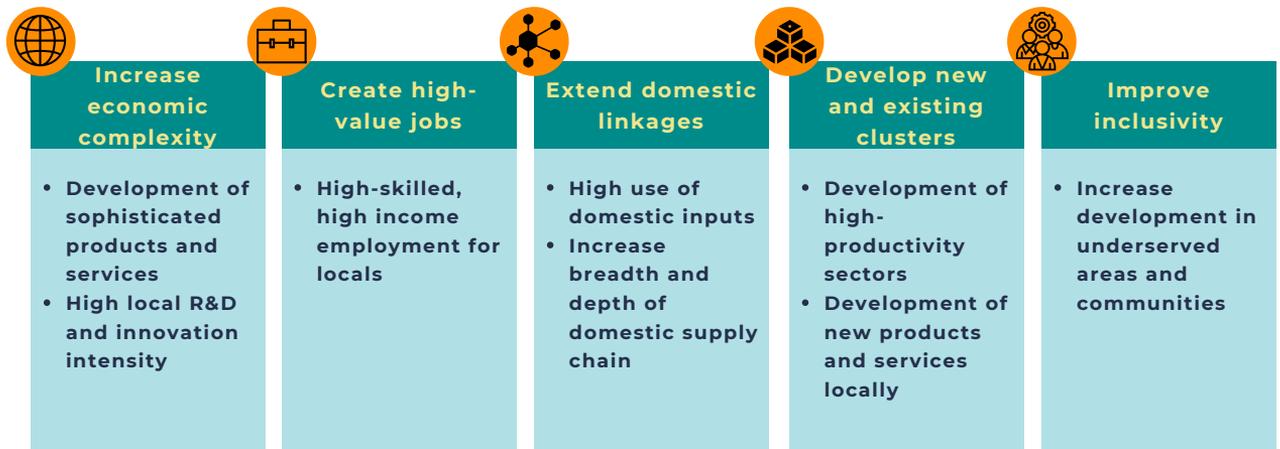
By registering as an employer with HRD Corp, employers will be entitled to enjoy various training offerings in accordance with their business and industry needs. Beyond that, they will also be able to utilise contributions and special funds from the government.

KEY HIGHLIGHT

NATIONAL INVESTMENT ASPIRATIONS (NIA)

The NIA is a forward-looking national policy that focuses on attracting the right investments, building innovation capacity and increasing productivity and growth. Moving beyond its macro focus, Malaysia needs to invest in activities that enable its workforce to acquire knowledge and capabilities that can increase their skillsets and income levels over time.

According to the Malaysian Investment Development Authority (MIDA), the goal is clear; attract quality and strategic investment, reduce dependency on unskilled labour and spur technology transfer. Thus, registered employers could encourage their employees to reskill and upskill, ensuring that everyone has the opportunity to make a difference in the digital economy.



Source: BNM Economic and Monetary Review 2020

Investments in innovative activity and skilled workforce will be pivotal to a productivity-led growth for Malaysia. While great emphasis has been placed on the enhancement of the quantity of R&D and innovation in the country, more needs to be done for its quality and links with industry (World Bank Group, June 2021).

HRD Corp has been committed to achieving the targets outlined by the NIA targets through; (1) conducting effective training evaluation; (2) introducing various HRD Corp schemes and initiatives; (3) providing access to the Industrial Skills Framework; (4) supplying quality courses and delivery that are aligned with industries needs; and (5) increasing organisational performance/growth through consistent human capital competency enhancement.

CONCLUSION

Health and economic crisis arising from the COVID-19 pandemic can be viewed as a 'reset button', an opportunity to build stronger socio-economic fundamentals for the long term.

Long-term economic policies should be geared towards the creation of high-skilled and high-paying jobs, with complementary focus on advancing skills enhancement, enhancing search and matching mechanisms in the labour market, as well as promoting more inclusive outcomes for vulnerable segments of the labour market (BNM, 2020).

Jobs are becoming less manual, more analytically and socially demanding. With this increased demand for digital skills, critical skills shortages have become a key challenge within the Malaysian economy.

While states with strong employment growth are expected to continue to experience this after the pandemic, those that have struggled economically may face further difficulty moving forward. Addressing this requires having a full grasp of employees' skills, as well as detailed insights into the capacities required to meet challenges and opportunities in the enterprise, industry and economy (McKinsey, 2020).

Trainings, in any form, can offer greater payoffs to Malaysians employers than what they have experienced to date. With assistance by HRD Corp, they can truly unlock the full potential of employee development; enhancing their training selection, transforming their learning culture and eventually, achieving global excellence.

Investing in the development of human capital through the provision of training and development is an important step towards achieving higher levels of productivity at the organisational level in the long term.



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