

Critical time to develop human capital

SKILLS DEVELOPMENT: Increase R&D spending and encourage innovation to bolster Malaysian products internationally

MALAYSIA today appears to be in a different conundrum than it was 40 years ago. In the 1970s there was surplus labour with masses living in rural areas undertaking subsistence farming. The most telling sign of underdevelopment was chronic unemployment and underemployment.

Three decades later, both underemployment and unemployment have virtually disappeared with more jobs than people. Malaysia currently faces shortage of semi-skilled and skilled labour across almost all sectors. Agricultural land sits idle with growing numbers of immigrant workers playing an increasing role in Malaysian agriculture, household services and manufacturing sectors.

The present situation is a far cry from the lingering problems 30 years ago, but it is certainly not an enviable position as the country will not be able to seize valuable economic opportunities with a shortage of skilled labour.

Malaysia had various policies in place since the 1970s that had helped

transform the Malaysian economy from an agrarian economy to an industrial one. This was achieved through better education, infrastructural development and greater access to capital through foreign investment.

Still, there are lingering concerns as to how we are going to meet our manpower needs when we move towards increasing our dependence on the service sector, which is expected to contribute about 60 to 65 per cent of the gross domestic product in 2020.

Economists have long realised talent retention and attraction would be a major issue as Malaysia has achieved almost full employment and the move to become a high-income country would mean productivity per worker would have to be increased to offset the shortage of labour in Malaysia.

This can be achieved by moving into high-end value sector driven by skills and innovation, which will invariably increase our productivity and thus justify increased wages without resultant inflationary pressures in the economy.

The need to move up the value chain becomes more paramount with greater intra-Asean trade, with the need for Malaysian products to be more competitive, with taxes across the board being slashed.

The government, on its part, has al-

ready set the stage by providing the necessary incentives that allow for increased labour productivity through the establishment of various technical institutes, and research and development (R&D) institutes.

In the 2017 Budget, the prime minister announced that in order to produce a local workforce that meets the industries' requirements, Technical Vocational and Educational Training (TVET) education capacity will be enhanced with the allocation of RM4.6 billion to TVET institutions.

A further sum of RM270 million is allocated to upgrade education in TVET institutions as well as RM360 million for the Skills Development Fund Corporation.

The government was also gracious in allowing for double taxation deduction for expenses incurred by private companies to provide Structural Internship programmes for students pursuing an undergraduate degree, diploma and Malaysian Skills Certificate Level 3 and above under TVET. This incentive is extended for a period of three years from the 2017 assessment until the 2019 assessment.

In order to enhance graduate employability, the prime minister announced a sum of RM50 million that is to be allocated to extend the 1Malaysia Training Scheme (SLIM) by government-linked companies to 20,000 graduates in 2017 compared with 15,000 graduates in 2016.

Another way of enhancing human capital development in the country is through encouraging more institutions of higher learning from South Korea and Germany to estab-

lish similar institutions here. This would facilitate in producing industry-driven graduates as the technology and the engineering prowess of both South Korea and Germany are well recognised.

While the government has already set the necessary policy framework in place, the private sector must pay due emphasis on skill enhancement through research development and innovation.

The private sector must increase its R&D spending, encourage innovation and have increased collaboration with the government in carrying out R&D that will help bolster Malaysian products internationally.

As Malaysia embraces the knowledge economy, it is important that the critical component in Malaysia's next phase of development be in enhancing human capital.

This is incumbent if Malaysia is to attract quality capital investment with high returns.

The private sector must infuse more capital, scale-up production and enhance productivity to stay competitive.

Having an agile workforce is also vital, if Malaysia wants to stay competitive against its neighbours.

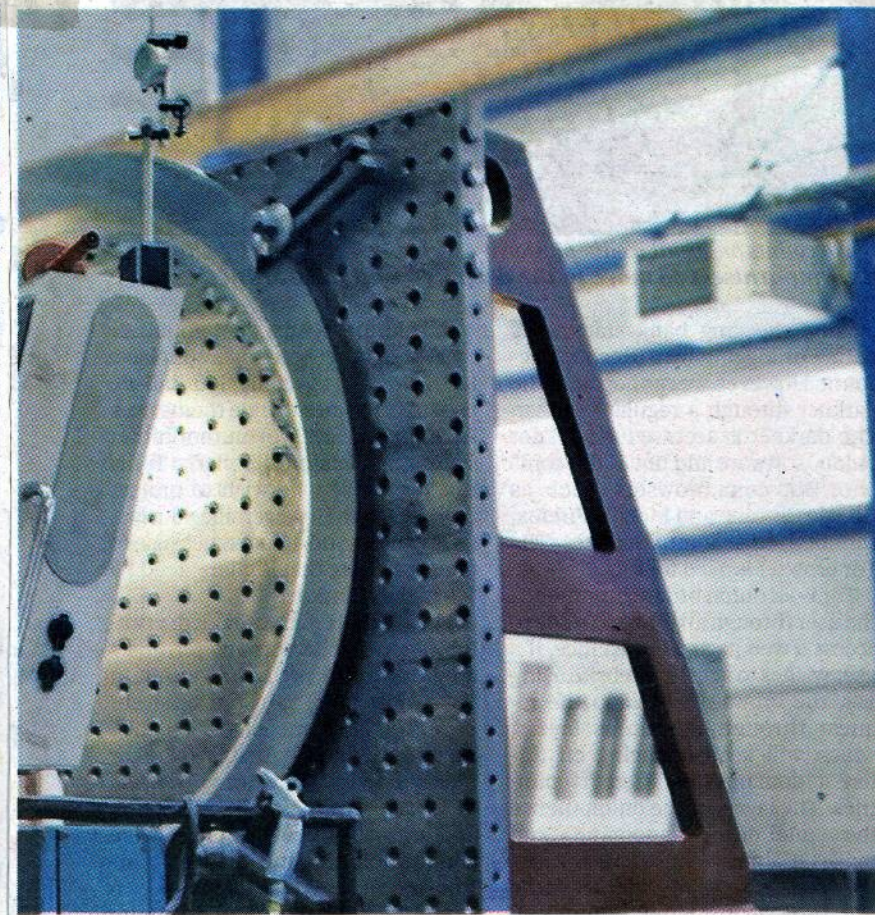
Efficiencies gained in technologies would improve production output of our workers and attract investments into the country.

In order to retain talent and enhance innovation in the country, a culture of inclusiveness must also be embraced in organisations.

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