

Challenges of malaysian labour market



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1. Introduction Labour market is a key issue for many developing as well as developed countries.

Whether the people are skilled or unskilled is determining factor for the inflow of foreign direct investment (FDIs) to many developing nations. So, Malaysia depended on its abundant supply of literate and trainable labour force to attract investments in the export-oriented electronics industry since the early 70s'. This labour force has gone through skilled upgrading and enhancement in the past three decades and today, Malaysia can boast of having a pool of relatively skilled and professional labour force that is capable of handling and developing state-of-the-art technologies. Despite these accomplishments, human labour which was and remains the key factor in driving Malaysia's economic growth.

In charting the growth path for the first decade of the 21st century, Malaysia decided to engage in global information economy. As the Ex-Prime Minister Tun Datuk Dr. Mahathir Mohamad emphasised (Malaysia 2001a), "... the force of globalization, liberalization and information and communications technology have fundamentally changed the rules and nature of global trade, resource flows and competition. Obviously, the world is changing, the new event happen will affect labour market, and Government continue to face many challenges. In this paper researchers will examines the challenges of the global economy lie ahead of Malaysian labour market. And researchers know that the countries that are able to face to the challenges will grow in success, while those failing to do so will decrease the speed of development.

2. Discussion Section 2.1 Structure of Labour Force in Malaysia Since 1970, Malaysia has seen many changes. There have been reductions in poverty levels, improved health conditions and significant gains in per capita income.

The Gross National Product per capita in 1998 prices increased 223% from RM2,414 in 1970 to RM7,794 in 1998 (Malaysia, 2003). The unemployment rate which in 1970 was 8.1% declined to 3.5% in 2004.

This successful growth path has been achieved with the context of the need to achieve national unity and reduce poverty (Economic Report, 2004/2005). The direction of policies has been regularly redefined as required, from economic growth with social reengineering has succeeded in bringing about gains for the Bumiputra community especially in reducing identification of ethnicity with occupations (Nagaraj and Lee, 2003). The policy has worked, in large part due to expansion of opportunities for education, even though the Bumiputra population has increased faster than that of the other ethnic groups between 1970 and 2005. Economic growth has been accompanied by rising living standards, greater urbanization and access to health and education, and an improvement in the distribution of income, ameliorating the twin problems of poverty and racial imbalances.

The performance has been particularly remarkable after 1987 when the economy achieved above 7% growth in seven consecutive years reaching virtual full employment by 1995. With this background Malaysia now aspires to become a fully developed economy by 2020 (Athukorala and Menon, 1996). In the 1970s, the primary source of wealth for the economy has thus seen

diversification from agriculture and mining to include manufacturing and services today. Employment is expected to grow at an average rate of 1.9% per annum, contributing 1.1 million jobs during the Ninth Malaysia Plan period, particularly those requiring tertiary education. The economy is expected to maintain full employment with the unemployment rate at 3.5% in 2010 (Ninth Malaysia Plan, 2006). The structural changes observed in the economy are reflected in the changes in the labour force (Nagaraj and Lee, 2003). There has been a shift as well to occupations requiring greater education levels.

In 1970, 49% of the workforce comprised agricultural workers, 33% clerical, sales, and services workers, 13% production workers, and 5% professional, technical and administrative workers. In 2000, only 18% of the agriculture workers, 34% clerical, sales and services workers, 33% production workers, and 19% professional, technical and administrative workers.

2.2 The Challenges in Labour Force of Malaysia

1 Education and skill attainment

The quality of the labour force will be improved with the increasing share of the labour force with educational attainment at tertiary level to meet the demand of a knowledge-based economy (Ninth Malaysia Plan, 2006). One area of growing concern is the disproportionately low percentage of males at higher levels of education and interaction here with ethnicity (Nagaraj and Lee, 2002). The overall labour force participation rate (LFPR) is expected to be 67.3% in 2010 with the LFPR for male at 87.4% and female LFPR at 46.

3% in 2010. The labour force is estimated to increase to 12. million in 2010 (Ninth Malaysia Plan, 2006). Another stems from preferences for education and work, there are of course factors besides education that shape the occupational distribution patterns of males and females-these include aptitude, tastes, economic factors and gender discrimination (). But importantly, to the extent that women prefer not to go into science based fields, there may be shortage of workers with the requisite level of education; the emerging pattern suggests a strong link between development and education of women, but not between the development and the number of women scientist (Nagaraj, 2001).

There is therefore a need encourage girls to graduate in sciences and encourage boys to further their education.

2. 2. 2 Human Resource Development

A strong human resource base to support the development of a knowledge-based economy and enhance productivity and competitiveness will be one of the key strategies in ensuring that the nation is able to face the challenges of the globalization and sustain economic growth (Ninth Malaysia Plan, 2006). Therefore, the Government will take initiatives to encourage firms to intensify the implementation of the productivity-linked wage system (PLWS) to ensure that wage movements are closely aligned with productivity. But the firms have to meet some challenges during implementation, companies are aware that PLWS is important for enhancing competitiveness.

However, to ensure smooth transition of the system, there must be a strong commitment and cooperation from top management and employees.

Information sharing of relevant information pertaining to the system by

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management is necessary to ensure the system works (Economic Report, 2004/2005). And also it should be a fair and equitable performance measurement system. The system is able to be reviewed periodically and improvements made when necessary (Economic Report, 2004/2005).

Thus, if the companies implement the PLWS, the measurement system and the key indicators to be used should be collectively developed by both employers and employees and agreed upon by both parties (Economic Report, 2004/2005). 2. 2. 3 Employment Restructuring As the implementation of strategies and programmes to restructure employment in the various sectors and occupations will continue to be undertaken. Measures will be taken to improve the balance of Bumiputra and non-Bumiputra employment in both the public and private sectors (Ninth Malaysia Plan, 2006).

This will require concerted efforts of both the Government and the private sector. Previously, the concentration of non-Bumiputra in the private sector and the Bumiputra in the public sector has been change. Recently, there are increasingly the intakes of Bumiputra in the private sector in management and supervisory positions as well as in their businesses. The Government will endeavour to increase the participation of non-Bumiputra at all levels of the police, army and in the education fields. In this way, all the activities in the community will be reflective of the various races of Malaysia.

Thus education and training will still be an important vehicle to achieve the employment restructuring objectives (Ninth Malaysia Plan, 2006). In this regard, more places will be made available for qualified Bumiputra students

in public and private institutions of higher learning, particularly in science, ICT and other professional courses. At the same time, attention will also be given towards improving the performance of Bumiputra students especially in Science, Mathematics and the English language, through more effective teaching methods, a better provision of educational facilities and the establishment of more residential schools (Malaysia, 2003). Financing will be provided to the Bumiputra to assist them to pay the higher fees in the private institutions. 2. 2.

4 Migrant workers Migrant workers have added to the challenges of maintaining industrial harmony. As Malaysia has a long history of using foreign labour, at first introduced in post-independence Malaysia in the early 1970s in response to labour shortages in the plantation industries. Since then certain sectors of the economy, especially plantation and construction, have received a great number of foreign workers, and some sectors appear to be dependent on them, foreign workers were 7. 8% of the labour force in 2000 (Malaysia, 2001b). Now, Malaysia continues to remain attractive to foreign workers, the total number of registered foreign workers increased by 10. 2% to reach 1.

62 million. The majority of foreign workers are from Indonesia (69. 4%), followed by Nepal (10. 2%), India (6.

2%), and Vietnam (4. 6%), in addition, there are between 500, 00 and 800, 000 illegal or undocumented foreign workers in Malaysia (Hamid; Ninth Malaysia Plan, 2006). Nevertheless, especially for the manufacturing sector, the need to compete effectively in the global economy has led to observable

changes in the economy. There is an increasing focus on product quality and more differentiated demand for products, resulting in shift from mass production to flexible specialisation (Economic Report, 2004/2005). There is a shift to higher value-added, less labour incentive production, even as low value-adding, labour-incentive production is moving from Malaysia to other low labour cost countries, or using foreign labour which is lower cost.

So migrant workers have added to the challenge of maintaining industrial harmony, their wages are contractual, and when wages differ between the local and foreign workers, there have been disputes. Migrant workers are also from particular countries, and sometimes bring with them their inter-ethnic tensions and biases, leading to melees. As a result of labour migration, the resulting diversity of the workforce may also compound the nature of wage negotiation and contractual arrangements. In addition, there have been arguments that their presence has led to depressed wages.

It has long been argued that the problems caused by migrant workers are greater than their benefits (Azizah, 1998), but the needs of business in the light of a tight labour market have always been greater priority. Thus the challenge has arisen. 3. 0 Conclusion In this paper, the researchers have highlighted some of the challenges for Malaysia in the light of its commitment to take growth path of globalization.

These include developing a workforce with the necessary skills, equipping the existing workforce with necessary skills addressing the problems arising from the use of foreign workers, enhancing the improved worker protection. In the short run appropriate legislation needs to be put in place to allow for a

diversity of working arrangements while providing adequately for worker's protection. In the long run, there is a need to review the way education is delivered, so that schools become the great equaliser that they are meant to be by providing the entire right educational environment in which to succeed. Researchers believe that all the challenges that has been planned and predicted by the Government will be solved successfully and the labour market can become more healthy and stable.

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