



**PERSEKUTUAN MAJIKAN-MAJIKAN MALAYSIA
MALAYSIAN EMPLOYERS FEDERATION**

**MALAYSIA'S PRODUCTIVITY
CHALLENGE: IN WHAT WAYS CAN
MALAYSIA INCREASE PRODUCTIVITY
TO REMAIN COMPETITIVE**

by

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PRESENTATION OUTLINE

- Malaysia's journey towards high income economy by 2020
- Productivity level is still lagging behind compared to highly developed nation
- Malaysia's ranking in 2012 (WCY) World Competitiveness Index
- Issues and challenges on increasing Malaysia's productivity
- Implementation of Productivity Linked Wage System (PLWS)
- Conclusion

HIGH INCOME NATION BY 2020

- High income nation by 2020
 - GDP growth 5.4% p.a. (1991-2020)
 - **Target** per capita income or productivity level at RM50,627 or USD15,341
 - **Vision** 2020 GNI Per capita RM72,053 or USD21,834
 - Productivity growth maintained 4.6% and above

CURRENT ECONOMIC, EMPLOYMENT AND PRODUCTIVITY GROWTH

	2010	2011
GDP growth	7.2%	5.1%
Employment growth	2.8%	2.4%
Productivity growth	5.8%	4.6%
Productivity level	RM51,674	RM54,023



INTERNATIONAL COMPARISON GNP PER CAPITA

GNP Per Capita	1990	2020 _F
High Income Country (Average)	19,098	58,422
High Income Country (Minimum)	7,620	14,818
US	23,330	78,704
UK	16,300	84,239
Australia	17,090	55,522
Singapore	11,860	55,093
Korea	6,000	39,428
Turkey	3,070	12,162
Malaysia	2,503	15,341

Source: EPU



INTERNATIONAL COMPETITIVENESS INDEX 2008-2012

Countries	2008	2009	2010	2011	2012
Malaysia	19	18	10	16	14
China	17	20	18	19	23
India	29	30	31	32	35
Thailand	27	26	26	27	30
Taiwan	17	23	8	6	7
Australia	7	7	5	9	15
Korea	31	27	23	22	22
Japan	22	17	27	26	27
USA	1	1	3	1	2
Germany	16	13	16	10	9
Singapore	2	3	1	3	4
Hong Kong	3	2	2	1	1

Source: IMD WORLD COMPETITIVENESS YEARBOOK 2012

INTERNATIONAL COMPETITIVENESS

- In 2010 Malaysia improved to rank 10th but dropped to rank 18th in 2009
- However, Malaysia continued to improve again to rank 14th in 2012

OVERALL GLOBAL RANKING

- 2011 (n: 16) 2012 (n: 14)

4 Factors (by overall)

	2010	2009
1. Economic Performance	8	9
2. Government Efficiency	9	19
3. Business Efficiency	4	13
4. Infrastructure	25	26

INFRASTRUCTURE WEAKNESS

- **Energy intensity**
(Commercial energy consumed for each dollar of GDP)
- **Secondary school enrollment**
(Percentage of relevant age group receiving full time education)
- **Dependency ratio**
(Population under 15 and over 65 years old divided by active population)
- **Total health expenditure**
(Percentage of GDP)
- **Total R & D personnel nationwide per capita**
(Full time work equivalent per 1,000 people)

HIGH PRODUCTIVITY GROWTH BUT PRODUCTIVITY LEVEL LAGGING

- Gratifying to note Malaysia's productivity had surpassed growth recorded by most OECD countries such as:
 - **Canada**
 - **Denmark**
 - **Finland**
 - **Norway**
 - **Australia**

HIGH PRODUCTIVITY GROWTH BUT PRODUCTIVITY LEVEL LAGGING

- But ahead of
 - **China**
 - **New Zealand**
 - **South Korea**
 - **Japan**
- However, there is crucial need to continuously strive for higher productivity and competitiveness in the economy

- **Malaysia's** productivity level of **USD14,217** was relatively lower than some OECD and Asian countries such as:
 - **Korea** (USD39,490)
 - **Singapore** (USD55,702)
 - **Australia** (USD58,683)
 - **Hong Kong** (USD65.174)

PRODUCTIVITY LEVELS AND GROWTH OF MALAYSIA AND SELECTED ASIAN COUNTRIES

Countries	USD Thousand	Per cent
Hong Kong	65,174	2.7
Singapore	55,702	2.1
Taiwan	43,827	1.9
Malaysia	14,217	4.55
Thailand	4,801	-1.1
China	4,443	8.7
Philippines	3,341	0.5
Indonesia	3,040	5.0
India	2,827	4.8

Source: MPC Productivity Report 2011/2012



PRODUCTIVITY LEVELS AND GROWTH OF MALAYSIA AND SELECTED HIGH INCOME COUNTRIES

Countries	USD Thousand	Per cent
Ireland	96,559	2.85
United States	92,369	1.19
Japan	74,258	-0.20
United Kingdom	66,906	0.50
Finland	64,345	1.88
Australia	58,863	0.30
Canada	56,988	0.59
Korea	39,490	2.07
New Zealand	34,786	-0.29
Malaysia	14,217	4.55

Source: MPC Productivity Report 2011/2012

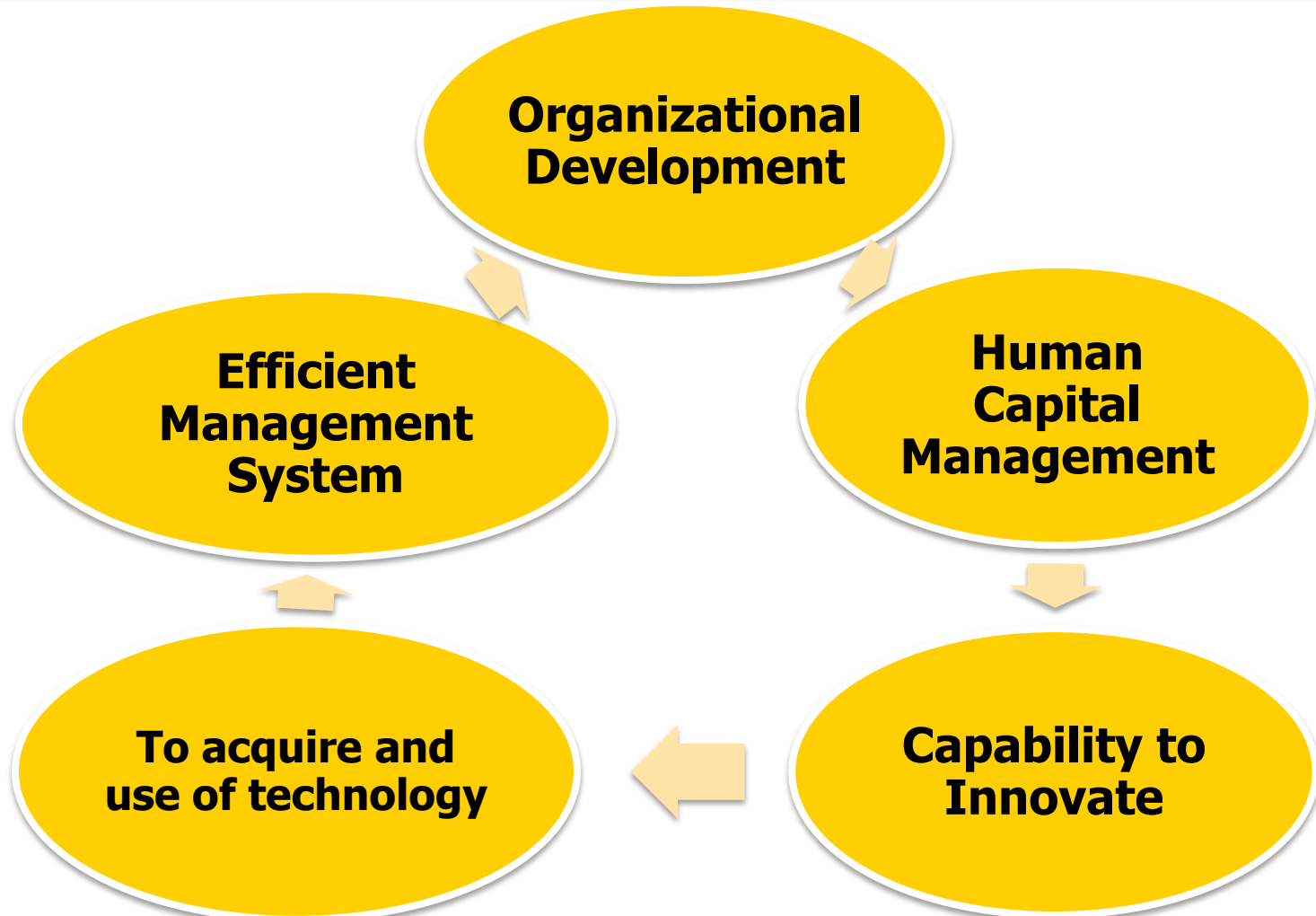
PRODUCTIVITY LEVELS IN ASIAN AND OECD COUNTRIES

- In the Asian region, **Hong Kong, Singapore and Taiwan** productivity levels are much higher than Malaysia ranging from USD 65,000 to USD44,000 compared to **Malaysia only USD14,000**
- In the OECD countries, **9 countries having highest productivity levels** ranging between USD97,000 and USD35,000, with Ireland the highest and New Zealand the lowest levels.

ISSUES AND CHALLENGES IN INCREASING MALAYSIAN PRODUCTIVITY

- Malaysia's productivity growth is increasing but productivity level is low.
- Factors for low level of productivity:
 - Dependent on large number highly unskilled labour (70%)
 - Contribution of services sector to GDP as per cent of GDP is only 54%
 - Low level of technological development
 - Lack of R & D activities and innovation
 - (Full time work equivalent per 1,000 people)

PRODUCTIVITY DRIVEN GROWTH IS WHAT MALAYSIA REQUIRES TO ACHIEVE HIGH INCOME STATUS



PRODUCTIVITY IMPROVEMENT

- To achieve productivity improvements, it can only be attained through **five inter-linked catalyzing factors** (slide 16) would enable individuals and institutions to thrive:
 - Enhancing business environment to be more conducive is among the factors that can improve productivity. The need to ease in the public delivery system and facilitate business investment
 - Computers and related equipment are now the fastest growing segment of tangible investment
 - At the same time, a polarization in Malaysia labour markets is taking place as skilled labour is in demand whereas demand for low-skilled workers is declining

1. ORGANIZATIONAL DEVELOPMENT

- Modern Business Licensing is one of the initiatives implemented and facilitated by PEMUDAH to abolish unnecessary license and simplify business procedures in the country. The ease of doing business in the country should be improved.



World Bank Report on Doing Business 2012

Factors	2011	2010
1. Starting a business	113	116
2. Dealing with construction permits	108	109
3. Registering property	60	85
4. Paying taxes	23	24
5. Trading across borders	37	37
6. Enforcing contracts	59	59
7. Getting credit	1	1
8. Resolving insolvency	55	57

2. HUMAN CAPITAL MANAGEMENT

- To obtain high level of TFP growth, it is necessary to have competitive and highly skilled human capital
- In the era of rapid changes, human capital development programmes emphasising on training skilled workers with a mix of critical and applied skills required by industries and lifelong learning in the economy is pertinent

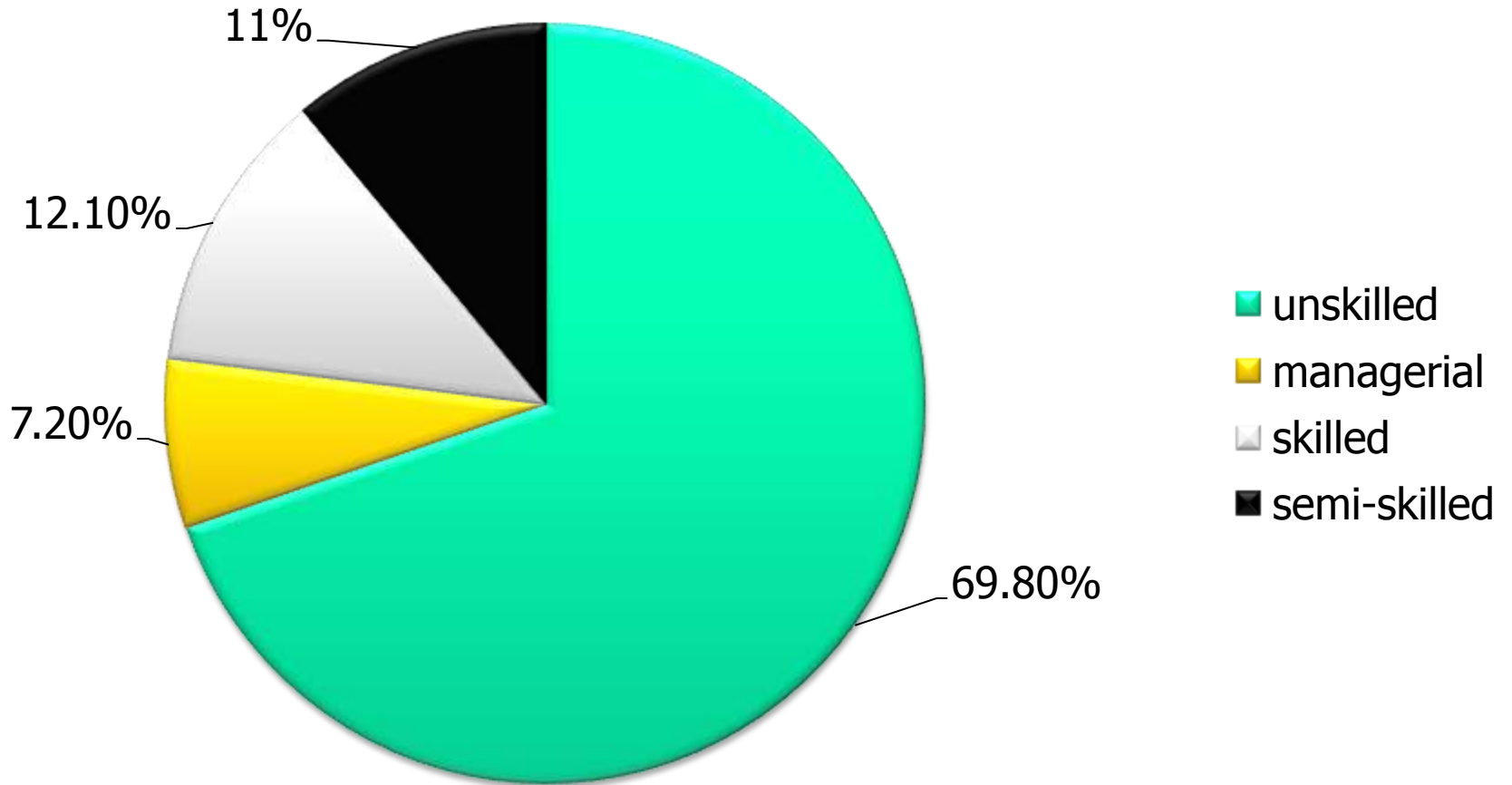
HUMAN CAPITAL MANAGEMENT

- To examine the business hiring and hiring practices, the structure of its operations and systems for rewarding their employees and their contributions efforts.
- Need flexibility in the labour market and promoting greater understanding between employers and employees are crucial to improve long-term TFP performance.

HUMAN CAPITAL MANAGEMENT

- Problem of mismatch between labour demand and supply
- Problem of increasing unemployed graduates
- Imperfect access to information – restrict the market clearing mechanism situations where labour demand changes rapidly
- 70% of our workers are unskilled compared to South Korea 39.3%

HIGH PERCENTAGE OF UNSKILLED WORKFORCE



- Private Sector is promoting
 - Multi-skilled
 - Multi-tasking
 - Certification of skills

3. CAPABILITY TO INNOVATE

- For sustainable growth enterprises will have to restructure their business operation in order to move up to a higher value chain and compete effectively in the global market.
- To do so enterprises need to be creative and innovative, they must also be efficient in managing their businesses as well as in the delivery processes

CAPABILITY TO INNOVATE

- Whatever innovative initiatives to be undertaken, the aim is towards business excellence
- There should be clarity, inter-connectivity between customers needs, the enterprises efforts and their achievements.
- MPC facilitates enterprises to become global players through the enhancement of productivity and innovation.

4. TO ACQUIRE AND USE OF TECHNOLOGY

- ICT technology can permeate the economy and bring significant productivity gains in all economic sectors
- Malaysia's continued economic growth depends upon improvement in technological progress and capital deepening
- Therefore, more investment in new technologies such as ICT capital have to be allocated to each unit of labour as well as to broadened the knowledge-based of the workers

5. EFFICIENT MANAGEMENT SYSTEM

- Malaysia's productivity and competitiveness depends on new initiatives driven by efficient management system
- Efficient management of capital and improving the quality of workers will attract investors to invest in the country

EFFICIENT MANAGEMENT SYSTEM

- Computers and related equipment are now the fastest growing segment of tangible investment
- At the same time, a polarization in Malaysia labour markets is taking place as skilled labour is in demand whereas demand for low-skilled workers is declining

IMPLEMENT PRODUCTIVITY-LINKED WAGE SYSTEM

- To ensure a closer link between wages and productivity so as to enhance competitiveness
- To develop wider and systematic approach towards improving productivity and wages
- Ensure that wage increases commensurate with higher productivity increases
- To ensure that employees obtain a fair share from productivity growth and performance improvement

BENEFITS OF PLWS

- Improve competitiveness
- Provide recognition for improved performance
- Creates openness and commitment
- Provides for equitable sharing
- Provides job security and stability in difficult times
- Improves the standard of living
- Enhances skills and knowledge
- Provides the drive for innovation

CONCLUSION

- Going for higher income economy and to be competitive, Malaysia must sustained its GDP growth of at least 6 per cent continuously by 2020
- Productivity growth must grow persistently at 5 per cent and productivity level will also rise higher
- Employment rate must be maintained at full employment level
- Human capital must be upgraded through training and the number of unskilled workers must be reduced

CONCLUSION

- Provide conducive environment to encourage FDI
- Encourage industries to invest in new technology and encourage innovation that will increase productivity
- Promote R & D activities
- Encourage industry to implement productivity linked wage system (PLWS)



THANK YOU