



HUMAN CAPITAL DEVELOPMENT



**DEVELOPING A
HIGH-SKILLED
WORKFORCE**



YB DATO' SRI RICHARD RIOT ANAK JAEM
Minister of Human Resources

In developing our human capital, the Government is working towards building a high-skilled workforce while supporting the country's talent needs as we are now transitioning into a high-income country. This is in line with the strategic thrusts of the 11th Malaysia Plan which aims at accelerating human capital development for an advanced nation. To achieve these outcomes, the SRI looks at six focus areas: modernising labour law; creating a labour safety net; strengthening human resource management; conducting labour market analysis; upskilling and reskilling; and leveraging women talent.

This has resulted in positive outcomes in the country's human capital landscape and has contributed to continued growth in wages, with the mean monthly household income of Malaysians rising to RM6,958 in 2016 from RM4,025 in 2009 and median monthly household income reaching RM5,228 in 2016 from just RM2,841 in 2009. Additionally, Malaysia was ranked second in Southeast Asia and 33rd out of 130 countries in the Global Human Capital Report 2017 issued by the World Economic Forum (WEF) as compared to ranking 42nd in 2016, with strong scores across the capacity, development and know-how components.

Under the Ministry of Human Resources (MOHR), the labour market also saw significant development during the year with the passing of three major laws, namely the Self-Employment Social Security Act 2017, the Private Employment Agencies (Amendment) Bill and the Employment Insurance System Bill (EIS) 2017.

As we continuously develop our labour force, we must remain proactive in responding to global trends such as digitalisation and automation, in tandem with Industry 4.0, as well as crowdsourcing, which is changing the labour landscape. In view of this, the Government has taken the initiative to enhance the branding of TVET Malaysia with the aim to produce skilled manpower that meets the industry needs and becomes the choice of our youth career development. Our human resource agencies and education institutions must continue to focus on supporting and providing the development of relevant skills.

With good economic growth and positive outlook on the demand side, more quality jobs are expected to be created to absorb the increase in labour force. This development augurs well for achieving one of the targets of the 11th Malaysia Plan target, which is to increase the share of compensation of employees to GDP up to 40%, as compared to 33.6% in 2013.



YB DATO' SRI ROHANI ABDUL KARIM

Minister of Women, Family and Community Development

The women talent thrust forms an important component of the Strategic Reform Initiative (SRI) in achieving the NTP's goals on inclusiveness. Its initiatives are helmed by the Ministry of Women, Family and Community Development (KPWKM) that focuses on the "3R" principles, which are Retaining, Returning and Rising women talent towards a gender-balanced and sustainable pool of talent for the country.

Throughout the year, the Ministry has facilitated several initiatives such as the provision of affordable and accessible childcare centres and the promotion of flexible working arrangements to accommodate the needs of working mothers with young children. In 2017, 329 new childcare centres were established, bringing the total number of registered childcare centres to 4,143 compared to 2,045 in 2012. Meanwhile, 92 companies have adopted the flexible working arrangement since the start of the initiative in 2012. These efforts by the Ministry have seen significant achievements in the women labour force participation rate, which recorded an increase to 54.6% in Q3 2017 from 54.3% the year before.

Additionally, this year the Ministry played a key role in reinvigorating the women registry for board candidacy and harnessing their skill set via mentorship and training programmes. To date, 1,326 candidates are listed in the registry, of which 1,051 have undergone the Women Directors Training Programme that prepares them for Board positions. This has contributed to more women rising to the decision-making level and appointed as Board directors. As a result, in 2017, women made up 19.2%

of the Boards in the top 100 public-listed companies by market capitalisation in Malaysia, as compared to 16.6 % in 2016.

These achievements, among others, have put Malaysia on the global arena in championing the initiatives to promote participation of women in the corporate sector. As a validation to these achievements, the 2017 Corporate Women Directors International Report on Women Board Directors of Asia-Pacific Companies has ranked Malaysia third out of 20 Asia-Pacific countries for the achievement in women directorships. The study was based on a total of 1,597 large public-listed companies across the 20 economies.

Ensuring that women are well-represented in the labour force and key decision-making positions is a cross-sectorial effort that requires undivided commitment from the private sector. Though heartening progress is being made in the creation of environments conducive for women to be in the workforce, awareness on the importance of having gender diversity in the workforce is still low. The Ministry will continue to leverage on the Human Capital Development - Women Talent Steering Committee platform to resolve cross-cutting issues related to this SRI portfolio.



ENSURING EMPLOYMENT SECURITY

Malaysia's labour laws are being modernised to transform the local talent pool towards a 35% skilled workforce by 2020 in line with the country's efforts to achieve high-income nation status. As part of these efforts, labour safety net programmes have been introduced to protect the Malaysian workforce in difficult times and ensure that all prosperity gained from the transition to a high-income economy is shared with the rakyat. To this end, three major laws were passed in 2017.

The first law, the Self-Employment Social Security Act 2017 or Act 789 under the Social Security Organisation (SOCSO), was approved by Parliament in April 2017 and officially implemented on 13 June 2017 to extend social security coverage to the informal sector. The preliminary phase of this initiative involved providing coverage for taxi drivers and other services of a similar nature. To date, 2,800 taxi drivers have been registered and insured, of which eight have received benefits due to injury at work or while commuting. This scheme aligns the need for comprehensive social security coverage with the universal principles of social justice as stipulated in Article 23 of the Human Rights Declaration, International Labour Organisation (ILO) Convention 102 and Recommendation 202 of ILO.

The second law, the Private Employment Agencies (Amendment) Bill, was passed on 14 August 2017 and aims at providing protection to local workers who obtain employment abroad through private employment agencies. This law is expected to be implemented in 2018.

The third law, the Employment Insurance System (EIS) Bill 2017, was passed on 25 October and marked a major milestone in strengthening employee protection in Malaysia. The EIS, which will be administered by the SOCSO by 2018, allows for the establishment of an insurance scheme for laid-off workers to claim a portion of their insured salary for a period of between three to six months. Workers who lost employment will also be entitled to receive allowances based on reduced income and training attended. They will also be given priority to early re-employment opportunities. The scheme provides coverage to employees involved in voluntary or mutual separation schemes or those retrenched due to business restructuring or closure.

The Minimum Wages Order was introduced in 2012 and it has been reviewed once every two years since, with the last revision being in 2016. Statutory inspections conducted by the Labour Department of Peninsular

Malaysia, Labour Department of Sabah and Labour Department of Sarawak from January 2013 to December 2017 had found that 98% from 154,501 employers inspected had complied with the Minimum Wages Order. Moreover, the National Employment Returns (NER) 2016 study conducted by the Institute of Labour Market Information and Analysis (ILMIA) revealed that 76.3% of establishments surveyed had not recorded increases in their labour costs following the introduction of minimum wages.

“SOCSO's Return to Work Programme (RTW) provides return-to-work, retraining and employment support as well as job placement services to insured persons.”

Several other key laws are also currently under review, including the Occupational Safety and Health Act 1994, Private Employment Agencies Act 1981, Factories and Machinery Act 1967, the Employment Act 1955, the Industrial Relations Act 1967, as well as the Trade Unions Act 1959.

In further supporting employee well-being, SOCSO's Return to Work Programme (RTW) provides return-to-work, retraining and employment support as well as job placement services to insured persons, marking another effort to enable injured workers to return to work quickly. The programme also ensures minimal disruption to national productivity. Since the launch of the programme in December 2016, a total of 18,137 insured workers have successfully been rehabilitated and have returned to work.

In relation to the RTW, the Tun Razak SOCSO Rehabilitation Centre in Ayer Keroh, Melaka was established in 2014 and launched by the YAB Prime Minister on 21 April 2017. The centre provides treatment and rehabilitation services to employees injured at work or while going to or returning from the workplace. To date, 2,187 patients have benefited from the centre's services.

In addition, the Malaysia Outplacement Centre (MOC) by the Human Resource Development Fund (HRDF) is a separate but related initiative which aims to enhance the employability of retrenched Malaysian workers by serving as a one-stop centre providing advisory on career counselling and planning as well as job applications and matching. To date, it has helped 3,162 retrenched workers regain employment.



1Malaysia Outplacement Centre providing counselling, planning and preparation for next career move or placement.

STRENGTHENING COMPANY FUNDAMENTALS BY FOCUSING ON HUMAN RESOURCES

Effective management of human resources is a key success factor for all businesses. In 2017, the Ministry of Human Resources (MOHR) focused on ensuring that Malaysian companies were properly equipped and prepared to adapt to the changes in labour laws and the creation of labour safety net systems. The Ministry recognised that the changes introduced will only be effective if industry players can understand the reason behind these changes and comply with the requirements.

To support this, during the year, the coverage of HRDF was extended from Manufacturing, Services and Mining & Quarrying to other sectors as well. Engagements with private sector players were held to cover employers with one employee or more across all sectors (with the exception of the public sector, statutory bodies, NGOs, financial and construction sectors), ensuring all workers in Malaysia have access to the training fund.

Additionally, the National Human Resource Centre (NHRC) Portal by HRDF, a platform for users to obtain HR resources in the form of high-quality

research papers and whitepapers which aid in human capital growth planning, has been utilised by 1,315 individual users and 20,444 companies as of December 2017. The portal is slated to undergo some improvements in 2018 to provide better service and a more seamless experience to a greater number of users.

“HRDF has developed a small- and medium-sized enterprises (SME) Diagnostic Tool called the MyFuture to enable a structured approach to training.”

HRDF has also developed a small- and medium-sized enterprises (SME) Diagnostic Tool called MyFuture to enable a structured approach to training. MyFuture helps to identify gaps in the human capital capabilities of SMEs, enabling HRDF to suggest more structured capacity-building programmes for them. To date, 1,296 companies have gone through assessments and received recommendations for the structured training programmes.

To improve human resource management of foreign workers, the Government has also introduced online systems to facilitate hiring applications from the employers. The introduction of the online systems is also aimed at avoiding the involvement of middle-



men, minimising recruitment costs, shortening the recruitment period and deterring cases of abuse and trafficking of migrant workers. With effect from 1 January 2017, employers are held accountable towards the management of foreign workers in accordance with Malaysian laws via the signing of the Employers Undertaking (Surat Aku Janji Majikan).

FORMULATING EFFECTIVE LABOUR POLICIES

Since its establishment in 2012, the Institute of Labour Market Information and Analysis, or ILMIA has strived to become the focal point for comprehensive labour market data to aid the Government in formulating effective labour policies, hence contributing to the country's achievement of high-income status. The Labour Market Information Data Warehouse (LMIDW) was launched on 18 July 2017, with the Data Flow Management System (DFMS) developed as a vital part of LMIDW to manage all labour market data-sharing initiatives and disseminate labour market data.

Standard Operating Procedures (SOP) to operationalise the Data Sharing Mechanism were also developed to guide all labour market data providers. The LMIDW presently involves participation from 14 agencies and departments within MOHR and four other Ministries and agencies, namely the Ministry of Education, Ministry of Higher Education, Ministry of Youth and Sports and Council of Trust for the Bumiputera (Majlis Amanah Rakyat - MARA). To date, a total of 142 labour market indicators can be generated from the 43 types of LMIDW data for use by stakeholders such as policymakers, industry players, academia, legislators, media houses and jobseekers.

In 2017, ILMIA continued its collaboration with TalentCorp to produce the Critical Occupations List (COL), an initiative under the 11th Malaysia Plan, to address skill mismatches in the labour market. The updated COL is scheduled for publication in February 2018 to be used to coordinate policy interventions related to higher education and TVET, upskilling, scholarship, and management of highly skilled foreign workers and Malaysian talent abroad. In addition, the National Employment Returns

(NER) Study 2017 is underway and is expected to be completed by March 2018. Starting in 2017, the NER will be conducted on a yearly basis to enhance information timeliness that will lead to better understanding of labour-market dynamics, including the breakdown of local versus foreign employees, types of employment, salaries and gender diversity.

ILMIA has also developed a National Wage Index (NWI) to support policy measures that address human resource planning, labour utilisation, wage fixing, social security and labour costs. The NWI will be constructed through quarterly surveys of stratified samples of enterprises that are representative of the Malaysian economy, employees and occupations. To date, five quarterly surveys have been conducted since September 2016, the findings of which will be published by March 2018.

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However, the lack of recognition for ILMIA's role as the central authority for all data on the labour market is limiting its effectiveness. This requires a greater investment of time and resources in nationwide awareness campaigns. ILMIA also needs better access to subject matter experts such as labour economists, data scientists and data management personnel. In view of this, ILMIA will work with MOHR to address its challenges.



1Malaysia Outplacement Centre: one-stop centre for retrenched Malaysian workers to regain employment.

NURTURING A HIGH-INCOME WORKFORCE

This focus area supports the nation's talent needs by upgrading the skills and competitiveness of the Malaysian workforce to equip the country with a sufficiently skilled workforce to achieve its high-income goal by 2020.

The Recognition of Prior Experiential Learning (RPEL) Programme was launched in 2016 to recognise the experience, skills and competencies of Malaysian workers with the relevant paper qualifications. As of December 2017, 3,182 candidates completed their portfolio development and received their Diploma in Skills Malaysia Level 4 certification of Malaysian Skills Certification (Sijil Kemahiran Malaysia, SKM).

To further develop the local talent pool, the Train and Replace programme by HRDF aims to replace skilled foreign workers and expatriates with Malaysians. This programme was announced by the YAB Prime Minister during the presentation of the Budget 2016 and has seen a total of 899 replacements of foreign workers as of December 2017.

On the other hand, the 1Malaysia Skills Training and Enhancement for the Rakyat (1MASTER) programme by the Department of Skills Development (Jabatan Pembangunan Kemahiran, JPK) is an initiative under the National Blue Ocean Strategy (NBOS) to upskill workers across different industries, while the Centres of Excellence in Technology (CoETs) initiative by HRDF has helped with the enhancement of 26 institutions to meet current industry needs and technology changes in the computerisation of manufacturing. Finally, the OKU (Persons with Disabilities) Talent Enhancement Programme (OTEP) by HRDF, launched on 1 May 2017, has provided competency-based training to 129 disabled persons as of December 2017.

The abovementioned efforts have thus benefitted a total of 4,210 people and contributed towards an increase of 0.7% in the skilled workforce, resulting in 28% of skilled workers in Q3 2017 compared to 27.3% in 2016.

Nonetheless, MOHR also acknowledged that there is some difficulty in securing the buy-in and involvement of employers to send their employees for upskilling programmes. Furthermore, there are overlapping issues on accreditation by the Malaysian Qualifications Agency (MQA) under the purview of Ministry of Higher Education, and JPK under MOHR. Indeed, multiple agencies and Ministries are presently involved in upskilling programmes, creating a possible duplication of efforts. To address these issues, MOHR is taking the lead in producing the Malaysia TVET Masterplan in collaboration with six other Ministries, namely the Ministry of Education, Ministry of Higher Education, Ministry of Youth and Sports, Ministry of Rural and Regional Development, Ministry of Agriculture, and Ministry of Works.

ENABLING FEMALE PARTICIPATION IN THE LABOUR MARKET

Initiatives to raise female participation in the labour market are based on "3R" principles, which are Retaining female workers in the workforce, Returning them to work after a period of absence, and Rising them to the top-decision-making level in the corporate sectors.

Under the Retaining and Returning principles, several initiatives led by TalentCorp have been implemented to attract and retain the nation's latent talent pool. The Career Comeback Programme (CCP) is a programme that aims to connect women on career breaks to job opportunities and encourages employers to adopt policies that support gender diversity in the workplace. In 2017, 650 women participated in the CCP of which 195 women have since returned to work. These women are in the financial services, business services and education sector, holding administrative, human resources, accounting and finance and customer service roles.

Additionally, Career Comeback Grants is another initiative to incentivise employers to recruit and retain women who have been on career breaks. Under this scheme, the Retention Grant offers employers that successfully retain women returnees for at least six months a grant that is equivalent to



TalentCorp Career Comeback Programme targeting women who are on career break.

the returnee's one-month salary (with a limit of up to RM100,000 per employer).

Augmenting the CCP's efforts, TalentCorp held its 4th Career Comeback Networking & Job Fair on 25 August 2017. The event saw a 20% year-on-year increase in the number of employers offering a variety of full-time and flexible job opportunities to more than 300 women who had left the workforce for various reasons. These employers included UEM Group, Maybank, BASF, Astro and Experian, representing many of the country's priority key sectors.

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Recognising also that women talents are attracted to companies that offer flexible working arrangements (FWAs) and family-friendly policies, TalentCorp offers the Resourcing Grant, which is given to companies that implement or enhance a programme or campaign to recruit women returnees. Under this grant, TalentCorp co-funds 75% of the cost incurred to run the programme, up to a maximum of RM100,000.

To date, 72 companies have applied for the Retention Grant and one company has applied for

the Resourcing Grant. As of November 2017, more than 60 companies in Malaysia have implemented FWAs since TalentCorp launched its efforts in promoting FWAs.

Another key enabler to facilitate women's return to work is the provision of quality childcare services at the workplace. Previously, childcare centres built higher than the second floor of high-rise buildings required approvals on a case-by-case basis. Private sector players also regularly cited high costs as the reason for not building childcare centres on lower floors, while building such centres on higher levels involved a cumbersome process to obtain approvals.

In this respect, PLANMalaysia (Jabatan Perancangan Bandar dan Desa, JPBD) under the Ministry of Urban Wellbeing, Housing and Local Government proposed amendments to the guidelines for the establishment of childcare centres, including kindergartens and nurseries, to allow for childcare centres to be established on Levels 1 to 5 of buildings. These amendments were approved by the Cabinet on 21 June 2017 and subsequently tabled to the National Council for Local Government on 10 July 2017.

Moving forward, JPBD will consolidate the new amended guidelines into a single document and present it to local authorities for approval and implementation.

Maybank: Championing Women in The Workplace

Thanks to Malayan Banking Berhad's (Maybank) commitment to its innovative People Transformation initiative, which it first undertook in 2009, it has become recognised nationally and globally as an employer that promotes gender diversity, work-life integration, and a parent-friendly work environment.

Nora Abdul Manaf, Group Chief Human Capital Officer at Maybank, has been with Maybank since 2008. She notes that Maybank's women employees have registered a favourable engagement score of 85% in its recent 2017 engagement survey of its workforce, compared to 82% in 2014. "These engagement levels are at global high-performing levels, and signify that we have transformed our people practices to truly create an inclusive, fair, and enabling environment for our diverse talents to flourish. Women's empowerment is an ethical, responsible, critical, and fair business practice. Sustained change requires consistent and deliberate actions - we are committed to continue pursuing this goal," she adds.

Since 2009, Maybank has taken several initiatives to improve gender equality in the workplace. Maybank's meritocracy-based Diversity and Inclusion Policy, which governs its employment practices and activities, explicitly prohibits discrimination or harassment. In addition, Maybank enacts multiple communication and engagement platforms, such as the Conversation Series dialogues, regular town halls and roadshows featuring top management, the Ask Senior Management channel, the yearly International Women's Day recognition and celebration, and others.

Senior deserving women are provided further professional educational courses at institutions such as Harvard, Cambridge, and INSEAD, to hone cutting-edge leadership skills and keep abreast with current developments. In its Transitioning Leaders to CEO signature leadership programme, 45% of the participants were women. Maybank also formed the cross-functional Maybank Women Mentor Women Council in 2014 in support of the

development of Maybank's women talent. The Council has paired over 100 women to support their development as effective leaders through its mentoring programme.

"The many interventions that have been placed systematically have provided opportunities for our women to accelerate their growth by stretching ambitions, potentials and capacities, both professionally and personally. Women form 55% of our workforce, and female representation in management has grown from 38% in 2009 to 45% in 2017. Women in top management positions have also increased from 15.68% in 2009 to 30% in 2017," Nora enthuses.



Nora Abdul Manaf, Group Chief Human Capital Officer at Maybank.



Maybank celebrates the International Women's Day annually.

Nora acknowledges that the banking industry globally is an industry that is still under-represented by women. "Within Maybank, we work intensively to create a work climate that is without - or at least have fewer - barriers, and to more systematically build the next generation of our women leaders via many targeted initiatives. This is closely and constantly watched, monitored at all levels to address blockages and hurdles responsibly."

In the long-term, however, she hopes that employers in the country will take on more initiatives that not only create an enabling and inclusive workplace for women to thrive, but also empower their participation in leadership roles in the workforce. "This will create a ripple effect that promotes inclusion and provide women talent the right opportunity to thrive in their career while being able to balance work and life."

Meanwhile, in an effort to increase the number of the qualified childminders, Kursus Asuhan Permata (KAP) which was designed to provide childcare minders with the relevant knowledge and skills, has been extended to the National Service Training Programme (Program Latihan Khidmat Negara, PLKN) candidates. In 2017, 201 candidates have been trained and another 180 candidates have expressed their interest to undergo the training.

As part of the effort to increase the accessibility of the KAP, the online version of KAP conducted via Massive Open Online Course (MOCC) was launched on 8 August 2017. This online programme requires 23 weeks of online revision and an additional week of practical coursework at Sultan Idris Education University (Universiti Pendidikan Sultan Idris, UPSI).

The abovementioned initiatives have resulted in a commendable 54.6% women labour force participation rate in Q3 2017 compared to 54.3% in 2016.

PLACING MERITED WOMEN IN KEY DECISION-MAKING POSITIONS IN PRIVATE SECTOR

The YAB Prime Minister had first announced in 2011 the country's aspiration of having at least 30% Women on Boards to ensure inclusive participation of women across the workforce by 2020. This is the main initiative under the Rising principle. In 2017, he announced the intention to name and shame public-listed companies with no women on their boards starting in 2018. In the 2018 Budget speech, the YAB Prime Minister also announced that Government-linked companies (GLCs), Government-linked investment companies (GLICs) as well as statutory bodies will be required to have at least 30% participation of women as board of directors by end 2018.

In April 2017, the Securities Commission has also launched the Malaysian Code of Corporate Governance (MCCG) that includes requirements for public-listed companies with a market capitalisation of RM2 billion or more to adopt the best practice of having 30% women on their boards. Failing which,

they are required to provide clarifications and rectification timeline in their Annual Report. Bursa Malaysia is now taking a step further to reflect the improvement in the MCCG in its public company listing requirements.

“The percentage of women directors in all public-listed companies stands at 13.3%, while the percentage of women directors in the top 100 public-listed companies registered at 19.2%. ”

To date, the percentage of women directors in all public-listed companies stands at 13.3%, while the percentage of women directors in the top 100 public-listed companies registered at 19.2%. These numbers are encouraging, as the percentage of women directors in all public-listed companies was a mere 7.5% in 2008, whilst the percentage in the top 100 public-listed companies was 13.2% in 2014. This achievement was facilitated through the 30% Club, an organisation that promotes awareness regarding boardroom gender diversity, and the NAM Institute for the Empowerment of Women Malaysia (NIEW), which manages training and provides a registry of potential female board candidates under KWKPM.

In 2017, the 30% Club conducted four sessions of its 30% Club Business Leaders Roundtable as part of its Board Mentoring Scheme with Chairmen and Board Directors of approximately 50% of Bursa Top 100 companies, such as Petronas Holdings, Boustead, Top Glove, the Employees Provident Fund, RHB Insurance Bhd, PLUS Bhd and Telekom Malaysia. As a result, 29 public-listed companies have sought assistance from the Club under the PWC Mentorship programme for their female Board candidates.

Under the efforts of NIEW, a total of 1,051 women director candidates attended the Women Directors Training Programme (WDP) between 2012 and December 2017. As of December 2017, 74 women from WDP alumni were placed on the board of directors of public-listed companies.



MOVING FORWARD ▶▶

In pursuing the high-income nation status by 2020, the Human Capital Development (HCD) SRI is one of the key enablers towards having a 35% skilled workforce to meet the workforce skillset requirements in all the key economic sectors. The efforts will require full cooperation from public and private sectors. MOHR will thus continue engaging the relevant stakeholders across the focus areas to realise SRI-HCD portfolio's aspiration by 2020.

It is also acknowledged that women participation in the workforce and decision-making positions are essential towards making up the 35% skilled workforce, mitigating the brain drain issues and enhancing business practices. Hence, KPWKM will continue to work collaboratively with its stakeholders to enable more women to be in the workforce with equal access to key decision-making roles.
