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Strategies for Human Resource Development

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INTRODUCTION

In the sixties and seventies, human resource development (HRD) was recognized as one of the many objectives towards long-term economic growth of Malaysia. HRD has, however, taken the center stage of development priorities in the 1980s due to Government's industrialization program as well as the growing realization of the importance of human resources in the push for economic growth. The Fifth Malaysia Plan spell out the need to focus on HRD in raising the productivity of labor force in the country, while on the other hand the Industrial Master Plan (IMP) sets out the direction for future development of human resources in the context industrial development

Malaysia is well endowed with natural resources which have contributed successfully to its economic growth. However, development both at home and in the world economy necessitate the transformation of the Malaysian economy from one that is agriculture-based to a more diversified portfolio, with manufacturing taking a dominant role. This development also entails changes in HRD so that Malaysia can develop appropriate manpower to fulfil its industrial needs. It is essential that the human resources so developed, is suitable to the needs of Malaysia's industrial requirments in the long run. In line with this, therefore, the thrust of HRD must be the raising of labor productivity through training and skill upgrading in view to meeting the manpower needs of the economy.

RECENT ECONOMIC DEVELOPMENT

The Malaysian economy is an open economy with the external sector contributing more than 60 percent of the value of its Gross Domestic Product (GDP). As such, the development of the Malaysian economy is closely tied to the changing fortunes of the world economy. The

recession in the world economy in the early 1980s had significant impact on the Malaysian economy. In the earlier phase of adjustments, counter cyclical policy was adopted. However, due to the severity of the impact of the world economic recession and its implication on the income of the external sector of the Malaysian economy, a second phase of adjustment measures was launched. The Government proved it has the political will to take more stringent yet necessary adjustment measures aimed at strengthening the Government's financial position, improving the competitiveness of Malaysia's position and improving its export competitiveness. These measures proved to be successful in bringing about a turnaround in economic growth, from a negative growth of 1 percent in 1985 to a remarkable growth of 8.7 percent in 1988. The lackluster performance of the economy during the mid 1980s and the structural changes in the economy had brought about significant influence and impact on the direction of Malaysia's HRD. Table 1 shows the structural changes in GDP trends by sectors.

The agricultural sector has traditionally been the pillar of economic growth in Malaysia. Before the mid 1980s, its contribution to GDP reached a height of 23 percent and since then it has been declining slowly. On the other hand manufacturing sector has been picking up gradually and in 1985 it reached the 20 percent level of contribution to GDP and continues to assert itself. In 1987 it bypassed the agricultural sector's contribution for the first time when it achieved a level of 22.5 percent contribution to GDP. It is expected that the manufacturing sector's contribution to GDP will be 27 percent in 1990 and is forecasted to be more than 35 percent in the year 2000. Agriculture sector's contribution is expected to decrease from 21 percent in 1985 to 19 percent in 1990 and then, to a level of less than 15 percent by the year 2000. Undoubtedly, these structural changes will have significant impact on human resource development in Malaysia. It is expected that the service sector will also gain prominence in the economic development of the country. Unlike the manufacturing and agriculture sectors, however, the service sector is less sensitive to the price fluctuations of export commodities in the world market. Due to its close linkage to other sectors in the economy, service sectors like transportation, financial and modern service , will continue to support the other sectors in terms of both revenue earnings and employment creation.

Table 2 shows the employment structure of the Malaysian economy. As can be seen, the agriculture sector (inclusive of forestry, livestock and fishing) was responsible for 50 percent of the total

TABLE 1. Malaysia: Share of gross domestic product by sectors
(percentage)

Sector	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Agriculture	22.9	22.4	22.6	21.1	20.1	20.8	21.4	21.9	21.1	20.2	19.5
Mining and quarrying	10.1	9.0	9.2	10.0	10.5	10.5	11.1	10.6	10.5	10.3	9.9
Manufacturing	19.6	19.2	19.2	19.5	20.3	19.7	20.9	22.5	24.4	25.6	26.6
Construction	4.6	5.0	5.2	5.4	5.2	4.8	4.1	3.4	3.2	3.2	3.4
Utilities	1.4	1.4	1.4	1.5	1.5	1.7	1.8	1.8	1.8	1.9	1.9
Transport and commerce	5.7	6.0	5.9	5.9	6.0	6.4	6.7	6.7	6.7	6.7	6.7
Wholesale & retail trade & hotels	12.1	12.0	12.1	12.3	12.3	12.1	10.6	10.5	10.5	10.6	10.7
Finance	8.3	8.3	8.4	8.5	8.5	8.9	8.7	8.9	8.9	9.1	9.1
Government services	10.3	11.9	12.0	11.8	11.8	12.2	12.5	12.4	11.8	11.4	11.1
Other services	2.3	2.2	2.3	2.2	2.2	2.3	2.3	2.3	2.2	2.1	2.1
Less: Bank Charge	1.9	1.8	2.3	2.6	2.8	3.2	3.3	3.7	4.2	4.7	4.8
Plus: Import Duty	4.6	4.4	4.2	4.5	4.4	3.9	3.0	2.7	3.2	3.6	3.8
GDP (purchase value)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Leading sectors (Primary & Secondary)	57.2	55.6	56.2	56.0	56.1	55.8	57.6	58.4	59.1	59.4	59.4
Service sectors	42.8	44.4	43.8	44.0	43.9	44.2	42.4	41.6	40.9	40.6	40.6

Source : Economic Planning Unit, Malaysia

TABLE 2. Malaysia: Employment estimates by sector, 1970-1990

Sectors	1970		1980		1985		1990		Average Annual Growth Rate (%)		
	('000)	(%)	('000)	(%)	('000)	(%)	('000)	(%)	1971-1980	1981-1985	1986-1990
Agriculture, forestry, livestock and fishing	1714.6	50.5	1800.5	37.2	1759.6	31.3	1969.8	30.3	0.5	-0.5	2.3
Mining and quarrying	88.6	2.6	62.2	1.3	44.4	0.8	39.1	0.6	-3.5	-6.5	-2.5
Manufacturing	386.5	11.4	748.8	15.5	855.4	15.2	1157.1	17.8	6.8	2.7	6.2
Construction	136.7	4.0	269.9	5.6	429.4	7.6	406.8	6.2	7.0	9.7	-1.1
Electricity, gas & water	26.5	0.8	33.9	0.7	43.5	0.8	46.6	0.7	2.5	5.1	1.4
Transport, storage & Communication	115.1	3.4	189.5	3.9	244.3	4.3	273.0	4.2	5.1	5.2	2.2
Wholesale and retail trade hotels and restaurants	371.1	10.9	719.7	14.9	917.3	16.3	1178.9	18.1	6.8	5.0	5.1
Finance, insurance, real estate & business services	31.5	0.9	140.7	2.9	198.9	3.5	220.6	3.4	16.1	7.2	2.1
Government services	396.6	11.7	644.3	13.3	819.5	14.6	861.2	13.3	5.0	4.9	1.0
Other services	128.7	3.8	225.7	4.7	312.3	5.6	356.6	5.4	5.8	6.7	2.7
Total	3395.9	100.0	4835.2	100.0	5624.6	100.0	6509.7	100.0	3.6	3.1	3.0
Labor Force	3681.9		5122.2		6039.1		7046.5		3.4	3.3	3.1
Unemployment	286.0		287.0		414.5		536.8				
Unemployment Rate (%)	7.8		5.6		6.9		7.6				

Source ; Economic Planning Unit, Malaysia

employment in Malaysia in 1970. Since then, its contribution to employment had declined significantly. This sector is estimated to contribute 30 percent of employment in 1990 and is forecasted to go down to 21 percent by the year 2000. Although the manufacturing sector had already displaced the agriculture sector as a leading sector, nevertheless, in terms of ability to absorb labor entry into the market, agriculture will continue play a significant role. By 1990 the manufacturing sector will be responsible for 18 percent of employment as compared to 11 percent in 1970. This is expected to increase to 19 percent by the year 2000.

Economic growth does not only brought about structural changes but also changes in labor demand patterns. The types and quality of labor demand by all sectors differ substantially. Whilst the agricultural sector will require less technically trained labor, the manufacturing sector on the other hand, will require a more technically skilled work force. The demand on skilled and technically oriented workforce is expected to grow as the industrialization program in the country moves from a basic-assembly type to a more advanced manufacturing and fabrication level.

CRITICAL ISSUES IN HUMAN RESOURCE DEVELOPMENT

The unemployment rate in 1989 is in the region of 7.9 percent and is expected to go down slightly to 7.6 percent in 1990. At the same time the economic growth is estimated to be 7.6 percent in 1989 and is forecasted to slow down to 6.5 percent in 1990. An examination of the performance of the economy in the past years suggest that high unemployment rate which existed in the recession years did not seem to be reduced in any significant way although there was a general improvement in the economy (see Figure 1). To a large extent this indicates that there is a problem in the labor market. What are therefore the critical issues facing the economy in terms of HRD? In order to answer this question, one have to examine critically Malaysia's educational and training delivery system, its wage structure, labor mobility and the labor market itself.

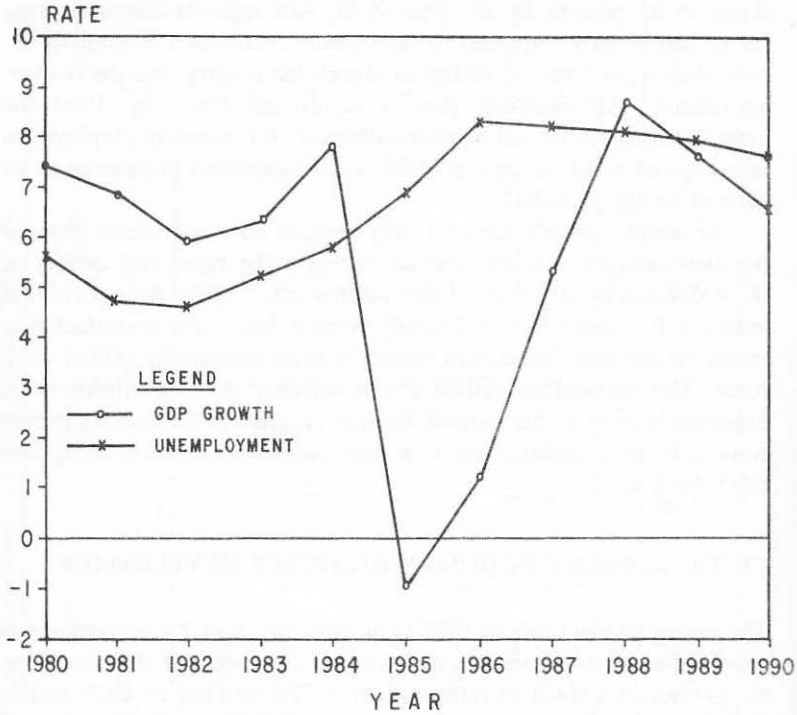

FIGURE 1. Malaysia: GDP and unemployment, 1980-1990. *Source* : EPU

EDUCATION TRAINING AND DELIVERY SYSTEM

Recent studies by the World Bank on the impact of recession in the Malaysian economy, indicate the existence of a mismatch between the skills available and that needed by industries. This mismatch is further aggravated by the cutback in public sector expenditure and the freeze in public sector employment. As a result, the Malaysian economy not only witnessed increasing unemployment due to retrenchment but also the emergence of a new phenomena in the form of graduate unemployment. This new phenomena points to a certain extent to the weakness of our education and training delivery system. Though in recent years, certain major reforms have been carried out in the education and

training system, by their very nature the impact of these reforms will only be seen in the distant future. Under these circumstances it is therefore very essential to look at training, more so vocational training, provided by the various public sector agencies and their ability to respond fast to changing requirement of the market. Various factors such as the suitability of the course design, lack of up to date equipment, rigidity in the schemes of service of trainers or instructors which prevent the recruitment of high caliber instructors, as well as the lack of market orientation contribute to this inability to provide a consumer/market oriented output of trainees.

THE WAGE STRUCTURE IN THE LABOR MARKET

Much had been discussed about the rigidities of the wage structure in the private sector. In certain sectors of the economy, where wages makes up a substantial portion of the cost of production, rigidities in the wage structure can affect the competitiveness of the country's exports. In other sectors where wages may not be a major proportion of the cost of production, nevertheless the rigidities of the wage structure reduce the ability of the industry to respond effectively to the changing market environment. Therefore, attempts must be made to reduce these rigidities and allow wages to be fixed to productivity. This is expected to improve the degree of freedom of the industry to respond positively to wages in the market. Also efforts towards improving productivity through training, retraining and better work ethics should also be pursued.

LABOR MOBILITY

Labor mobility or immobility is also another cause of concern in HRD in Malaysia. Recent development in the employment situation does show some degree of labor mobility rigidities in Malaysia. Certain industrial areas such as Wilayah Persekutuan, Johor and Melaka are not only facing shortages of skilled and trained workers in the industry but are also unable to attract workers from outside the affected region. This problem is further compounded by the stiff competition from neighboring countries like Singapore, which had better wages and incentives. It is possible that the unwillingness of the private sector to offer better wages and incentives may be a contributory factor to this

lack of mobility. It could also be due to lack of skills. However, in the plantation sector, local workers are being replaced by illegal immigrant workers. This is due to the unattractiveness of employment in the estate sector as well as to the ability of local workers to wait or to search for more attractive jobs. In other words the ability to withhold entry into the market show a certain attitude and selectiveness among the labor force.

LABOR MARKET INFORMATION

Labor market information is still very much at the infant stage in Malaysia. This is still an area which needs to be focused on in the future. Lack of market information on labor requirement by the various sectors had been seen by many as one of the contributory factors towards poor labor mobility especially in the less industrially developed part of the country.

HUMAN RESOURCE STRATEGY

Elements of a human resource strategy should include fine tuning of the skill delivery and education system and improvement in the functioning of the labor market with the view towards building industrial competence and quality manpower for a balanced growth of the economy. At the same time HRD strategy will have to contribute as a conscious and deliberate vehicle to restructure society through training and employment so as to reduce economic disparities between ethnic groups and regions in the country.

The future manpower needs of the economy would require a technically oriented workforce, the quality of which is basically determined by the amount and quality of education and training embodied in it. In view that the education and training delivery system is also responsible for molding positive and progressive values and skills, work ethnics and industrial disciplines, the role of education and training is even greater. Greater investments in primary and secondary education, which act as the building blocks for the future labor force, will need to be in place. Vocational education will also have to be strengthened in order to expand the pool of trainable labor. Curriculum, course content and teaching techniques at all levels of education have to focus more on practical application so as to create

versatility and flexibility in students. At the tertiary level, realignment of student intake into more specialized and technical fields would become a preferred option. Building skills in numeric and communication abilities will be an added advantage.

Human resource development efforts would also need to include a review of the present system of recruitment and schemes of service of teachers and instructors especially those involved in the teaching of professional and technical courses. In addition, exposure to the industrial working environment would be critical for both trainers and students to ensure higher product quality as well as to match output with market requirements.

The role of training must be complementary to education, and this complementarity needs to be built upon in the next decade. This will ensure that education, training and even retraining becomes one long and consistent sequence of steps towards creating a knowledgeable, highly skilled and trainable workforce that will be able to meet the needs of a dynamic and quality-oriented labor market.

This strategy for human resource development could not materialize if the private sector, which is the main consumer of skills and labor, does not participate effectively in the expressed the training process. Already, employers have expressed the "mismatch" between the training experiences of students and the requirements of industry. In view that mismatches are a gross waste of resources, in terms of time, money and manpower, a concerted strategy involving the private and the public sector training processes would become even more urgent. This is necessary at the time when the economy is moving towards higher value-added and higher technology products. The recent establishment, of the National Vocational Training Council (NVTC) by the government, is a first step towards coordinating private-public sector efforts at skill building for the market.

Funds will also have to be created for the funding of training, and this is an area where both the sectors can begin articulating their thinking. Some sectors have suggested using Employees Provident Fund contributions of workers as a source of training funds for workers. Training levies are another. The Government itself has provided the double-deduction incentive for training in specific skills for the manufacturing sector.

Apart form the educational and training facilities provided by the public sector the participation of the industry in providing similar facilities must be considered as an attractive addition. There is a need

for industries and industrial association to look into the possibilities of establishing training institution to meet the specific needs of the industry. Consideration should also be given towards training, that were provided by equipment or technology vendors. Cooperation between private and public sector can lead to the development of a Training Park along a similar line as the Technology Park. Generally an improved and stepped-up participation by the private sector with or without Government participation will further enhance efforts towards improving the skill and quality of human resources.

As had been mentioned, an important aspect of HRD strategy for the 1990s is the development of appropriate manpower for Research and Development (R & D) and Science and Technology (S & T). This is matter of great importance in view of the need to remain competitive in the world economic environment. A strong base in S & T and vigorous support of R & D will therefore become more crucial and the nurturing of indigenous competence in R & D which is able to adapt and adopt new technologies will need to be afforded greater prominence. Commercialization of local R & D is a necessary thrust of such a strategy. It is, therefore, compelling that here again coordination and cooperation between producers and users be assiduously built, so that R & D once born has a life of its own in the marketplace. It is desirable to see more collaboration between the industry and the public sector R & D institutions and local universities.

Although the paper has stressed on HRD for industrialization, this does not indicate any lesser role for agriculture. In fact, agriculture will form the basis for the resource-based industrial development envisaged under the Industrial Master Plan. The National Agriculture Policy (NAP) currently being implemented is aimed at revitalizing the agriculture sector through greater emphasis on commercial farming and estate-type production. The management of such enterprises requires more specialized manpower with technical, management and entrepreneurial skills, as well as manpower for agricultural R & D directed towards achieving higher productivity and crop diversification. HRD strategy will, therefore, have to incorporate the vital role of agriculture manpower in addition to that of industry. The development of human resources for the service sector is also to be addressed in view that service support the growth of the key economic sectors.

The strategy of human resource development mentioned thus far incorporates a vision of a more efficient and effective labor market with better allocation of labor resources to sectors which need labor

and skills, which rewards factors that are more productive, and allows mobility of labor between regions and occupations. The better operation of the labor market is best served by good labor market information and its monitoring. Greater efforts will therefore have to be undertaken to build a better labor market monitoring system.

A more flexible wage system that is reflective of productivity and market conditions will also have to be developed. The tripartite involvement of the private sector, unions or workers, and the Government to discuss and build-in such flexibility in the wage system is necessary, so as to ensure that while wages reflect economic fundamentals, workers are not adversely affected in terms of their standard of living.

CONCLUSION

The 1990s will be a decade of new challenges for the economy. Structural transformation towards greater industrialization calls for a greater role of HRD in view that the industrial machine requires human resources that are not only technically oriented, but also highly disciplined, dedicated and adaptable. The task of creating and nurturing such manpower will rest on an education and skill delivery system that is responsive to the needs of the market. To be able to do this, it has, inter-alia, to interface more effectively with industry. The development of a better labor market information system, and the evolvement of a flexible wage system would be a building blocks towards a better functioning labor market that allows for greater labor mobility between sectors, occupations and regions.

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