



SPECIAL HIGHLIGHTS

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Progressive Wage Policy

Progressive Wage Policy (PWP) represents a significant shift in Malaysia's labour market landscape. The PWP, which was introduced by the Ministry of Economy in November 2023, builds on existing policies like the Minimum Wage and the Productivity-linked Wage System. Its objective is to motivate employers, particularly MSMEs to raise salaries through a structured system that ties wage increases to skill acquisition and productivity growth, thereby promoting higher wages, productivity and skill development.

The PWP is a voluntary programme that offers monetary incentives to encourage participation, with no penalties for non-participation. The programme will benefit entry level and non-entry level Malaysian employees from various sectors who earn a monthly salary of between RM1,500 and RM4,999. Participating companies will receive monthly incentives for one year, whereby incentives are up to RM200 per entry-level employees and up to RM300 for non-entry level employees. Entry-level employees refer to employees who are in their first year of service in a company and serve in that position. Non-entry-level employees are those who have filled positions in a company for more than a year.

The incentives would allow companies to adjust their business plans, taking into account the increased labour costs under the PWP. The wage increase must be in line with the PWP salary guideline and employees should complete skills training recognised by the Government. The salary guidelines, which will be updated annually and will vary across economic sectors and job category under the Malaysian Standard Classification of Occupations (MASCO), be determined by a special PWP committee.

Meanwhile, incentive amount being qualified for a company will be determined by the Government based on the country's fiscal position. Companies submitting incentive claims must provide documentary proof of employees having attended and completed skills upgrading training of a minimum of duration of 21 hours (3 days). Training can be conducted through any existing training platform and either in physical, remote online training, e-learning or hybrid mode.

This productivity-linked feature is part of the strategy under the PWP framework and national economic planning that emphasises continuous learning as well as encouraging companies to increase investment in technology and automation.



Participating companies will receive monthly incentives of up to RM200 per entry-level employee and up to RM300 for non-entry level employees.

Participation in the PWP is open only to companies that meet the following criteria:



The pilot project involving 1,000 companies was conducted from June to August 2024 with the primary objective of measuring employers' response to the PWP as well as to obtain feedback on the wage guidelines and overall implementation of the policy. For pilot, the specified salary limit is between RM1,500 to RM4,999 per month, covering five economic sectors as below.



An impact assessment to evaluate the effectiveness of the pilot project was conducted in September 2024. The report will be presented to the Cabinet before a decision is made on PWP's full-scale implementation.

Special Highlights

Future of Jobs Report 2023

In a time marked by rapid technological advancements and evolving market demand, gaining insight into the future job market has never been more essential. The World Economic Forum's Future of Jobs 2023 report highlights on how global health, economic and geopolitical challenges are reshaping the workforce landscape. These trends are stimulating demand for new occupations and skills as well as creating divergent outcomes for labour market globally.

Business and labour market transformation are being driven by technology adoption. The report stated that more than 85% of firms being surveyed believe that adopting new & advanced technologies as well as expanding digital access will play a major role in transforming their operations. Many firms also recognise that incorporating environmental, social and governance (ESG) standards into their practices will have a significant impact on how they do business in the future. These trends reflect the growing importance of technology and sustainability in shaping the direction of firms worldwide.

Furthermore, businesses anticipate that investments in green initiatives, such as transitioning to environmentally friendly practices, will lead to notable job creation. Similarly, the wider adoption of ESG standards and the localisation of supply chains are expected to generate new employment opportunities. However, these changes may also result in some job displacement as industries adjust to new ways of working.

Job growth in the future will be shaped by a mix of major global trends and the increasing use of technology. Roles related to technology, digitalisation and sustainability are growing the fastest, with most of them being in the technology field.

Within technology adoption, many firms in the next five years plan to adopt big data, cloud computing and artificial intelligence, with more than 75% expressing interest in using them. Digital platforms & apps are even more popular, with 86% of firms expecting to integrate them into their operations. The rise of e-commerce & digital trade is also significant, with 75% of businesses planning to embrace these tools.

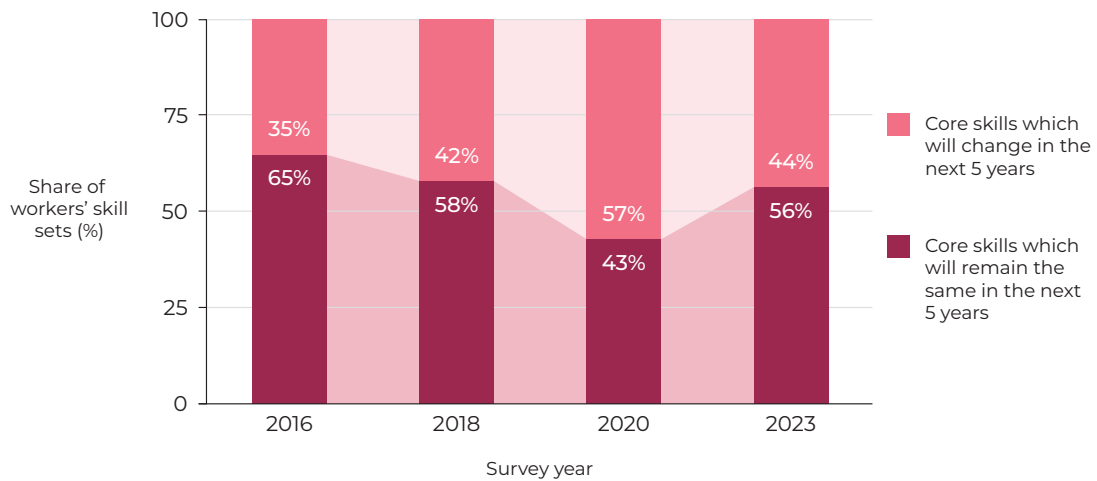
Job growth in the future will be shaped by a mix of major global trends and the increasing use of technology. Roles related to technology, digitalisation and sustainability are growing the fastest, with most of them being in the technology field. At the top of the list are AI and Machine Learning Specialists, followed by Sustainability Specialists, Business Intelligence Analysts and Information Security Analysts. Jobs in renewable energy, such as Renewable Energy Engineers and Solar Energy Installation Engineers, are also expanding quickly as economies move toward cleaner energy solutions.

Analytical thinking is increasingly recognised as a critical skill by companies, ranking as the most essential cognitive ability across various industries. It constitutes, on average, 9% of the core skills identified by employers, reflecting its importance in navigating complex work environments. Ranked second is creative thinking, emphasising the value placed on innovative problem-solving. These skills are considered crucial in the context of rapidly

evolving workplaces, where the ability to adapt is key. As firms face disruptions, three self-efficacy skills namely resilience, flexibility & agility; motivation & self-awareness; as well as curiosity & lifelong learning, are also gaining recognition as essential attributes that help workers thrive in dynamic environments.

Looking ahead to 2027, six in 10 workers will require additional training to remain competitive. A key focus of this upskilling effort will be analytical thinking and creative thinking. Alongside these, there is a growing emphasis on equipping employees with the skills necessary to harness the power of AI and big data. Additionally, leadership & social influence skills will also be prioritised as part of their broader skills-training strategies.

Evolution of the Workers' Core Skills in the Next 5 Years



Source: Future of Jobs Report 2023 by World Economic Forum

Moreover, firms highlighted significant barriers to industry transformation, particularly skills gaps and difficulty in attracting talent. In response to this issue, 48% of firms cited improving talent progression and promotion processes as a key strategy to enhance talent availability, surpassing efforts like offering higher wages (36%) and effective reskilling & upskilling (34%). Firms also cited that investing in learning opportunities and on-the-job training, alongside automating processes, are the primary workforce strategies they intend to adopt in order to meet their business goals.

Special Highlights

National TVET Policy 2030

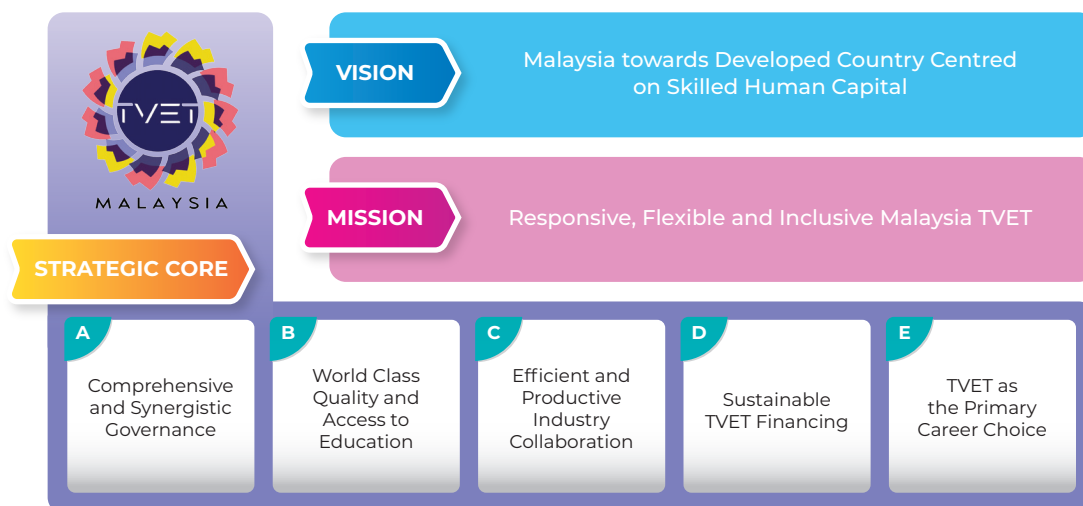
Malaysia has taken a significant step towards fostering a skilled and future-ready workforce with the launch of National Technical & Vocational Education and Training (TVET) Policy 2030 in June 2024. This initiative underscores the pivotal role of TVET in addressing the nation's skills gap and equipping Malaysians with the competencies necessary to thrive in an increasingly competitive and innovation-driven global economy.

On the governance side, the National TVET Council was established in 2020 to oversee and improve the coordination in the TVET ecosystem. Serving as the top-decision making body, the Council is also responsible for shaping the strategic direction and policy framework of TVET in the country. Meanwhile, TVET are overseen by two key authorities namely the Department of Skills Development and the Malaysia Qualifications Agency (MQA). They are tasked with ensuring the accreditation and quality control of programmes offered by TVET providers, thereby maintaining the integrity and standards of vocational education. As of October 2024, TVET ecosystem comprises 1,398 institutions which are strategically distributed nationwide. This includes 701 public institutions operated by the Federal Government Ministries and State Governments, alongside 697 private institutions.

Looking at TVET past performance, Khazanah Research Institute highlighted a long-standing trend in the robust employability outcomes of TVET graduates compared to their counterparts from local institutions. Since 2012, TVET graduates have consistently demonstrated higher employability rates. Between 2010 and 2020, the employability rate of TVET graduates saw a remarkable increase, rising from 65.5% to 87.6%. Concurrently, the proportion of TVET graduates remaining unemployed post-graduation declined significantly, from 34.5% in 2010 to just 12.4% in 2020. Recent statistics have also shown that TVET graduates are finding jobs at a record pace. The employability rate for TVET graduates increased to an impressive 94.5% in 2023, exceeding the Government's 2025 target of 86.7% well ahead of schedule. These findings reflect the efficacy of vocational education in meeting labour market demands.

Shifting the focus back to the Policy, it provides a comprehensive framework for addressing the evolving landscape of TVET in response to the challenges posed by emerging technologies. It outlines five strategic cores, which encompass 23 key strategies and 67 initiatives. The successful implementation of this Policy requires active participation of all relevant stakeholders, guided by the framework detailed below.





The policy framework focuses on five key elements essential for addressing current challenges and shaping future implementations – governance, quality, industry collaboration, funding and branding.

I. Governance

A lack of coordination impedes progress in achieving the goals of the national TVET agenda as programme implementers are spread across Ministries, agencies and State Governments as well as the private sector. This has resulted in duplication of functions and scope in implementing programmes while the limited coordination in data collection makes planning a haphazard affair. The ultimate result is an imprecise perspective of the national TVET landscape.

This issue is addressed by creating a comprehensive and synergistic system of governance to improve coordination; formulating policy on the TVET ecosystem; creating a digital platform for data-sharing; expanding access to TVET programmes; and creating a decentralised model to give joint mandate or responsibility to State Governments or economic corridors to develop skilled human capital.

II. Quality

The quality of TVET programmes and graduates have been questioned. Gap in the knowledge & industry experience of TVET providers have also raised concerns and resulted in a mismatch of skills and industry needs. The implementation of the Single Quality Assurance System for TVET programmes, though still at an early stage, is seen as not comprehensive enough and this has resulted in confusion regarding the quality and certification of TVET programmes. Industry players say the existing TVET curriculum must be aligned with the needs of industry to avoid negative perceptions of the quality of these programmes.

This issue will be addressed through the implementation of the Single Quality Assurance System for TVET programmes; better coordination in the offering and implementation of TVET programmes based on the economic direction of the country; the development of a higher quality TVET curriculum and certification that are responsive to the needs of industry; enhancing the quality of TVET instructors and presentation of programmes; improving the articulation of TVET pathways; and enhancing the employability & mobility of TVET graduates.

III. Industry Collaboration

A Khazanah Research Institute reports that there is a mismatch between industry needs and the skills of TVET graduates due to inadequate industry involvement in the TVET ecosystem. Policies to promote industry participation in the national TVET ecosystem is crucial as an industry-driven TVET will not only support industry needs but also enhance the employability of TVET graduates.

Constructive collaboration with industry will be fostered through sharing of expertise & knowledge of latest technologies between industry & TVET providers; expanding special incentives to encourage industry involvement; and drawing up legal provisions or policies for industry involvement.

IV. Funding

A framework for a sustainable funding model is key to the success of the national TVET agenda. Some of the key issues on TVET funding are centralised budget input, bureaucracy, lack of standardised fees and crucially, a total dependence on Government funding. Weaknesses in financial management also occur, such as in the disbursement of funds being based just on student expenditure and enrolment records of previous years, without taking into consideration the actual performance of the training providers.

Under the policy framework, a sustainable funding model will be developed, with allocation of funds from the Government to be based on performance so as to incentivise TVET providers as well as to develop a sustainable operational model for institutions.

V. Branding

A national branding of TVET is needed to avoid confusion over TVET programmes in the marketplace. Currently, there is no single branding in the promotion of TVET programmes that are conducted by the various Ministries or agencies, resulting in uncoordinated promotions that focus only on the identity of the implementer and their respective programmes.

To address this issue, a single national branding will be developed and TVET will be promoted as a key career choice through coordinated and high-impact promotions to enhance image of TVET. The role of career counsellors will also be strengthened to help in the promotion of TVET as a career of choice.

Moreover, in response to the emergence of new industries and in alignment with national policy documents, the TVET policy aims to cultivate a high-quality workforce to support potential high growth and high value industries. It focuses particularly on industries poised for significant development, including energy transition, technology & digital, electrical & electronics, agriculture & agro-based and rare earth industries. Furthermore, MSMEs can overcome the challenges associated with sourcing skilled foreign labour by tapping into a reliable pool of talent right here at home. This shift not only enhances workforce efficiency but also equip local workforce with the necessary skills to drive innovation, support sustainability and foster long-term growth in these critical industries.

All in all, the National TVET Policy 2030 emphasises the critical role of collaborative engagement among the Government, public & private TVET institutions as well as industry players in advancing the nation's human capital. By aligning efforts together, the policy serves as a vital tool for driving sustainable economic growth and enhancing societal well-being. It aspires not only to elevate the quality of life for the current population but also to lay the groundwork for a prosperous and resilient future for coming generations.



Special Highlights

World Competitiveness Ranking 2024

Since it was first introduced 36 years ago, the World Competitiveness Ranking being released by the International Institute for Management Development (IMD) has provided analysis of the economic competitiveness through statistical and real-world survey data. National competitiveness rankings are valuable tools for guiding policymaking and national performance as well as serving as benchmarks for measuring progress and identifying areas for improvement.

The ranking of countries is derived from analysis of hard data based on official statistics related to economy & productivity and soft data through survey among 100 company CEOs from each country to gauge their opinions on the state of business operations. The overall ranking is arrived at through analysis of data categorised under four main factors namely economic performance, Government efficiency, business efficiency and infrastructure, as well as 20 sub-factors (see diagram below).

Economic Performance

Macro economic evaluation of the domestic economy, employment trends and price.

- Domestic Economy
- International Trade
- International Investment
- Employment
- Prices

Government Efficiency

Extent to which Government policies are conducive to competitiveness.

- Public Finance
- Tax Policy
- Institutional Framework
- Business Legislation
- Social Framework

Business Efficiency

Extent to which the national environment encourages firms to perform in an innovative, profitable and responsible manner.

- Productivity
- Labour Market
- Finance
- Management Practices
- Attitudes and Values

Infrastructure

Extent to which basic, technological, scientific and human resources meet the needs of the business.

- Basic Infrastructure
- Technological Infrastructure
- Scientific Infrastructure
- Health and Environment
- Education

The World Competitiveness Ranking 2024, covering 67 economies, shows that the most competitive economies feature a combination of solid economic performance from efficient and effective public & private sectors, high-quality infrastructure and human & social capital that are underpinned by productivity and prosperity which in turn generate higher income and quality of life while preserving environment and social cohesion.

The rankings also shows that emerging markets such as China, India, Malaysia, Thailand and Chile, are catching up with more advanced economies, especially in innovation, digitalisation and diversification.



Malaysia's Competitiveness Ranking

Malaysia is ranked 34th in the World Competitiveness Ranking 2024 among 67 countries, compared to 27th in 2023, signalling opportunities for improvement and strategic growth. Within the Economic Performance factor, Malaysia slipped to 8th position, driven largely by a moderation in the domestic economy sub-factor (from 16th in 2023 to 35th in 2024) as the country adjusts to post-pandemic dynamics. In the Government Efficiency factor, Malaysia's ranking dropped from 29th in 2023 to 33rd in 2024, with the most significant decline observed in the Business Legislation sub-factor that fell from 45th to 50th.

Reflecting a similar trend, the Business Efficiency factor saw a decline from 32nd in 2023 to 40th in 2024, with sharp decreases in the Productivity & Efficiency sub-factor (36th to 53rd) and Management Practices (31st to 42nd). A contributing factor to this decline is the MSME indicator, which dropped from 41st to 51st. This metric, based on survey data assessing firms' adherence to international standards, underscores the need to strengthen the global competitiveness of MSMEs, which are key contributors to Malaysia's economic growth. On a more stable note, the Infrastructure factor maintained its position at 35th, providing a solid platform for future development efforts.

As a whole, Malaysia's performance reflects decent improvements in areas such as tourism receipts, population growth and inflation management, thus showcasing resilience and progress as a nation. The 2024 IMD's World Competitiveness Yearbook also reported that Malaysia faces several pivotal challenges in 2024 that require strategic focus to sustain its economic momentum and global competitiveness. Key priorities to elevate competitiveness include increasing investment in research & development to bolster business resilience and innovation. Optimising labour market to enhance workforce productivity is essential, alongside updating policies & regulations to align with the evolving global standards. Embracing advanced technologies will be vital to accelerating productivity growth, while addressing rising costs through targeted productivity enhancements will help maintain economic stability. These initiatives will position Malaysia to navigate challenges effectively and unlock new growth opportunities.