

# **Malaysian Institute of Human Resource Management (MIHRM)**

## **MALAYSIA / KUALA LUMPUR**

### **1. Current economic and political situation in the country**

In general, Malaysians can expect the year 2014 to be a challenging year, while not only facing rising cost of living and deteriorating standards of living, but also other economic costs and welfare losses, arising from rising unemployment, tightening credit conditions and slowing down of real economic activity. Inflation is expected to be higher this year and also next year (2015), on account of mostly policy-driven arising from fiscal structural adjustment measures through subsidy rationalization and broadening of the tax base by implementing goods and services tax (GST), effective on 1 April 2015. Minimum wage policy and currency depreciation, aimed at boosting exports and avoiding shrinking current account surplus provide additional sparks for rising prices and cost of living in the country.

Rising cost of living is the key concern of the citizen, and therefore, controlling runaway inflation should be a national priority of the Government

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### **Economy and labour market situation**

Unemployment is undisputedly on the rise, adding further to the current misery of the CITIZENS. Unemployment rate stood at 3.4% in November 2013, while seasonally adjusted figure was much higher at 3.5%. More importantly, overall labour force participation rate now exceeded 69% (August to November 2013), indicating that previously discouraged workers, especially housewives with working experience are now joining back the labour force to supplement diminishing purchasing power of family incomes. Full implementation of minimum wage policy, effective January 2014 is expected to further encourage labour force participation, resulting in higher number of workers seeking employment in the months and years ahead. Labour in-migration is also on the increase, not only from foreign countries, but also from rural to urban as well as from Sabah and Sarawak to Peninsular Malaysia. Youth and graduate unemployment are emerging issues that need to be tackled fast, as unemployment rates among these categories are very much higher than the national average, as seen in the "stressed economies" in the euro zone. Issues pertaining to migrant workers, especially from Sabah and Sarawak need to be tackled in a careful manner.

## **Political and Socioeconomic Situation**

The country continues to enjoy political stability and the economy performed better than expected in 2013, recording a strong growth of 5.6%. The overall growth performance was driven by higher growth in domestic demand, which outweighed the negative impact from the weak external environment. Domestic demand recorded the highest rate of expansion over the recent decade, underpinned by higher consumption and investment spending. Despite the uncertainties in the external environment, domestic consumer confidence picked up amidst positive income growth, continued strength in the labour market, the low inflation environment and supportive financing conditions.

The economy is expected to remain on a steady growth path, with an expansion of 5-6% in 2014. Economic activity will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector. Private investment is expected to remain robust, driven by capacity expansion by the domestic-oriented firms and the continued implementation of projects with long gestation periods. Investments by the external-oriented businesses is also expected to be higher amid the gradual improvement in external demand, while private consumption is projected to grow at a more moderate rate in the second half of the year, although it will continue to be well supported by sustained income growth and positive labour market conditions.

## **2. HR challenges**

The main challenges facing the HR profession in Malaysia at present are:

- Malaysia's low participation of women in labour markets continues to be challenge. While current initiatives to leverage on women's talent are laudable, other policy options must be explored, evaluated, and tailored, to enable Malaysian women to fully contribute to Malaysia's transformation towards a high-income, inclusive and sustainable economy.
- Attracting, and retaining skills are needed for the creation of modern high-productivity jobs. In line with this, the World Bank supports the Government's New Economic Model recommendation that the education system needs to be reviewed and the 'rote-learning' approach shifted to an approach that stimulates 'creative and critical thinking'. Malaysia can also benefit from complementing its talent base by bringing scarce skills from abroad
- The small and medium industries dependent on foreign labour is an issue as leads to other socio economic issues. Hence the implementation of minimum wage was to reduce the dependence on foreign labour. The success is yet to be seen.
- The introduction of retirement age to 60 from previous 55 has extended the stay of employees on the job. Many companies are facing issues pertaining to this change as it affects the succession planning and also high costs of medical bills that will be ensuring.
- The changing Asia economic landscape anticipated in 2015 and its impacts is beginning to be seen and this another challenge of HR.

### **3. MIHRM projects and initiatives**

Major areas of MIHRM activity include the following:

1. MIHRM launched its 14<sup>th</sup> Malaysia HR Awards in Jan 2014 and the awards submission will close on 30<sup>th</sup> May 2014 and the Awards Dinner shall be held on 13<sup>th</sup> November 2014
2. The Professional learning system was revamped and the professional learning and qualification is now provided as a package for a well organised career path for the participants to rise in the ladder.
3. A number of seminars are being planned to brief the industry on the Data Protection Act
4. The institute is also working with a local university to conduct the 'HR Directors programme.

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