

[Malaysian Institute of Human Resource Management, Malaysia] (MIHRM)

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1. Current economic and political situation in the country

Economy and labour market situation

The Malaysian economy registered a growth of 4.9% in the second quarter of 2015 (1Q 2015: 5.6%). Private sector expenditure remained the key driver of growth (5.7%; 1Q 2015: 9.6%), and contributed towards a continued expansion in domestic demand. This helped to offset the negative contribution from net exports during the quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a growth of 1.1% (1Q 2015: 1.2%).

Domestic demand expanded by 4.6% in the second quarter of 2015 (1Q 2015: 7.9%). This was driven mainly by private sector activity, which grew by 5.7% (1Q 2015: 9.6%) following continued growth in consumption and investment activities. Private consumption growth moderated to 6.4% (1Q 2015: 8.8%), as households adjust to the implementation of GST. However, continued wage growth and stable labour market conditions remained supportive of overall consumer spending. Private investment registered a growth of 3.9% (1Q 2015: 11.7%), supported by continued capital expenditure in the manufacturing sector, particularly in the export oriented industries.

The services sector grew by a more moderate rate of 5.0% in the second quarter (1Q 2015: 6.4%) due to slower growth in most sub-sectors. The wholesale and retail trade sub-sector recorded a moderate growth in tandem with lower growth in household spending following the implementation of GST. The finance and insurance sub-sector registered a marginal growth, weighed down by the insurance segment. Expansion in the real estate and business services sub-sector was supported mainly by the professional services segment. In the information and communication sub-sector, growth was driven by strong demand for data communication services amid attractive packages from telecommunications companies. Growth of the transportation and storage sub-sector was mainly supported by trade-related activity.

Political situation

The ringgit, Asia's second-worst performing major currency against the dollar this year, has become a subject of debate among politicians as the Country faces persistent criticism over his management of the economy. Much of that has been focused on 1Malaysia Development Bhd., a state investment company set up more than five years ago to build infrastructure that has drawn attacks from lawmakers for its borrowing levels.

“Bank Negara is telling markets to look beyond the political noise and the current market volatility, as fundamentals remain sound,” said Vishnu Varathan, a Singapore-based economist at Mizuho Bank Ltd. “The other message is that Bank Negara is apolitical as it is a highly professional and sound central bank.”

“The central bank wishes to reiterate that the current movements of the ringgit are affected by both global and domestic developments,” Bank Negara [said](#) on its website. “Global developments would include the investor expectations relating to monetary policies of major central banks and the trends in crude oil and gas prices. Domestic factors include concerns about government-linked entities and ratings related issues.”

The ringgit has declined more than 6 percent this year. On June 8, it dropped to 3.7743 to the dollar, the weakest since January 2006, according to data compiled by Bloomberg.

“While external developments are beyond the control of any open economy, every effort needs to be undertaken to bring about resolution to the domestic issues that confront our economy,” Bank Negara said. “Once these issues are resolved the performance of the currency is expected to be consistent with our sound economic fundamentals and growth prospects.”

The central bank is right in that the currency is driven by macro-economic forces and market forces, said Nizam Idris, head of foreign-exchange and fixed-income strategy at Macquarie Group Ltd. in Singapore.

“In itself, the political noise is not a significant factor for the ringgit,” he said. “But Mahathir’s comments basically bring the focus to 1MDB slightly more than what it could have been. It leads the market to think about potential contingent liabilities on the government and therefore a potential downgrade on Malaysia’s rating.”

2. HR challenges

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

(a) Employee retention

A lack of engagement is the main reason behind Malaysia’s retention problems, as 36% of employees locally say they are likely to leave their current organization in the next two years.

This is an increase from 29% of staff who said the same thing in 2012, according to Towers Watson’s 2014 Global Workforce Study and 2014 Talent Management & Rewards Study.

Overall, the percentage of employees in Malaysia who are highly engaged is still a low 40%, consistent with the global average, despite increasing from 36% in 2012. Additionally, 31% of highly engaged employees are reporting they are likely to leave their organization within two years, also an increase from 30% in 2012.

The reports, which surveyed over 32,000 employees globally, explored employee and employer perspectives on issues shaping the employment deal, with the aim of better understanding what keeps employees in Malaysia engaged, the issues they face, and what attracts them to join an organization, and why they leave.

"To address the increased retention challenges and improve employee engagement levels, it has been suggested that employers can start by creating a more consumer-like experience for employees and align the employment deal with company strategic priorities, given the strong relationship that exists between high levels of sustainable engagement and company financial results.

However, the key drivers of attraction and retention in Malaysia have stayed the same since 2012 – “pay/salary”, “job security” and “learning and development” for attraction; “pay/salary”, career advancement opportunities” and “relationship with supervisor/manager” for retention – but companies are still continuing to miss the mark.

“In a talent scarce market, companies not only need a well-defined employment proposition, it also needs to set itself apart from its talent competitors and define a compelling value proposition to connect clearly to its target talent segments,” said Mary Chua, director of talent & rewards in Towers Watson Malaysia.

(b) Women participation in the Boardroom

There is heavy emphasis that the quota of women participation in the higher management and boardroom must be increased. The Government has set a target of 30% by 2020.

(c) Reduction of Foreign Labour

This is another measure taken on a continual basis

3. MIHRM projects and initiatives

Major areas of [acronym] activity include the following:

- (a) HR Certification is strongly getting encouragement from the nation and the community.
- (b) Retraining and up skilling is another area of focus

4. Scheduled Conferences

1st MIHRM International Congress, 27-29 April, 2015, Kuala Lumpur, Malaysia

[Report by Aresandiran]

[President,

[MIHRM.]