

Challenges in Hiring and Talent Upskilling in Malaysia as an Upper Middle Income Country: Paving the Way Forward for a Resilient, Skilled Workforce in the Manufacturing and Services Sectors

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Background

This policy brief is part of IDEAS' project entitled *Challenges in Hiring and Talent Upskilling in Malaysia as an Upper Middle Income Country: Paving the Way Forward for a Resilient, Skilled Workforce in the Manufacturing and Services Sectors*. Funded by the Center for International Private Enterprise (CIPE), this project aims to:

1. Examine challenges faced in hiring and training workers in the manufacturing and services sectors in Malaysia
2. Execute a roundtable discussion with different stakeholders, including the researchers, TVET experts, academia, business associations, and human resource agencies, among others.

I. Introduction

Malaysia's economy is on an upward trajectory to recovery from the effects of COVID-19 pandemic and the period of political instability that only arguably ended following the country's 15th General Election. The World Bank (2021) predicted that Malaysia would soon transition from its current status as an upper-middle-income economy to a high-income economy between 2024 to 2028. Despite Malaysia's impressive achievements, the nation's productivity growth has fallen behind in recent years, coupled with below-average growth for upper-middle income comparators worldwide (World Bank, 2021).

With Malaysia having recently ratified both the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2022, the country is seeking to attract foreign direct investment (FDI). Given this development, the Ministry of International Trade and Industry (MITI) among other programs developed the National Policy on Industry 4.0 (Industry4WD). [Industry4WD](#) aims to transform the Malaysian manufacturing sector and its related sectors to be more systematic, resilient and smarter.

The manufacturing and services sectors have always been at the forefront of Malaysia's economic growth. These sectors are the major contributors for the country's gross domestic product (GDP) as illustrated in Table I below.

Table I: GDP by economic activity in Q4 2018

Economic Activity	Sub-sectors	Share
Services	<ul style="list-style-type: none"> Wholesale and Retail Trade Information and Communication Finance & Insurance 	56.0%
Manufacturing	<ul style="list-style-type: none"> Electrical and Electronic Petroleum, Chemical, Rubber & Plastics Transport Equipment Manufacturing & Repair Products 	22.8%
Construction	<ul style="list-style-type: none"> Civil Engineering Specialised construction activities Non-Residential buildings 	4.2%
Mining & Quarrying	<ul style="list-style-type: none"> Crude Natural Gas 	7.9%
Agriculture	<ul style="list-style-type: none"> Oil Palm Rubber & Forestry 	7.9%

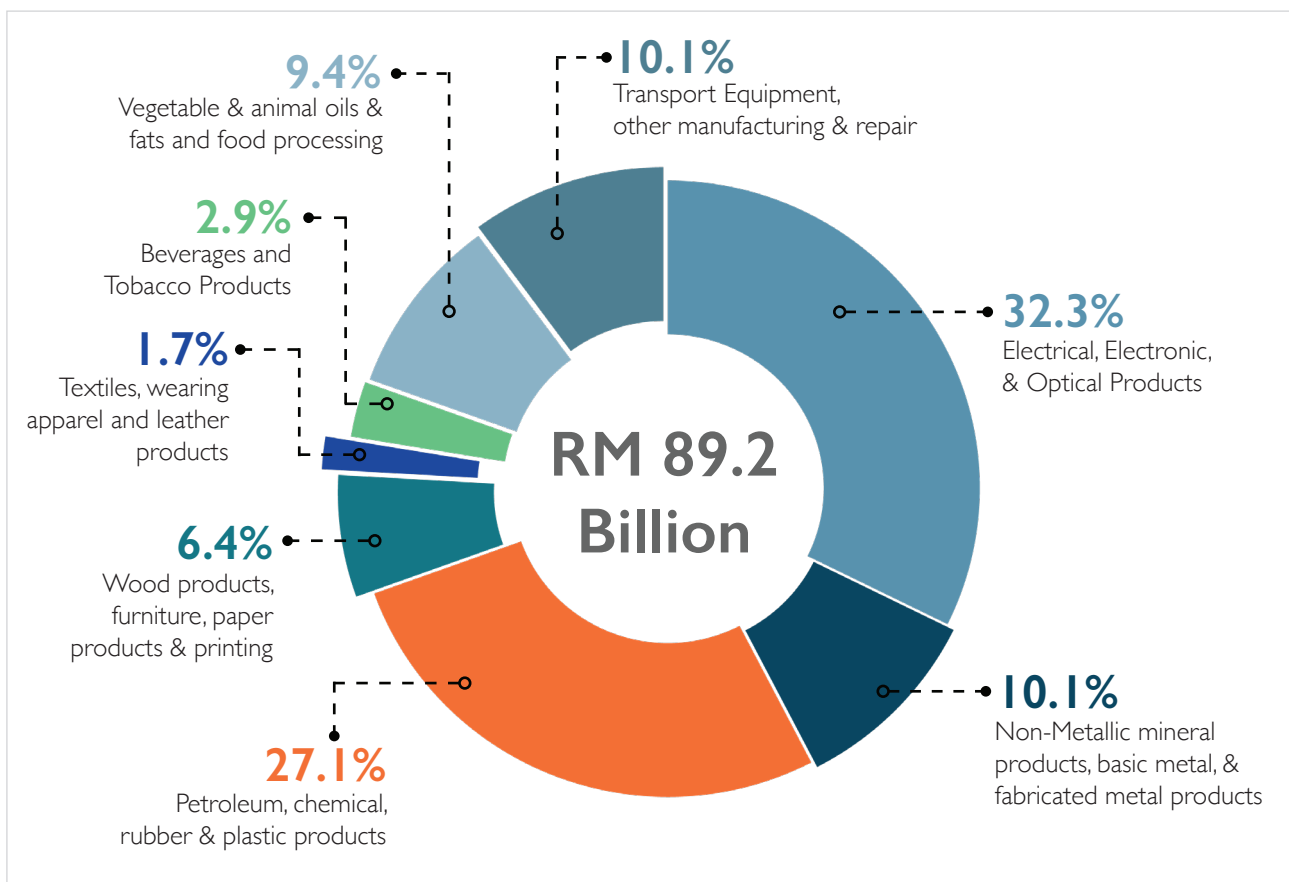
Source: DOSM (2018) Gross Domestic Product, Fourth Quarter 2018.

1.1 Manufacturing sector in Malaysia

The manufacturing sector has been one of the main drivers of exports, growth as well as job creation in Malaysia. This sector contributed 24.3 per cent to Malaysia’s GDP in the second quarter of 2022 (DOSM, 2022). Nevertheless, in the 2000s, [Bank Negara Malaysia](#) reported that the performance of the manufacturing sector had deteriorated. The sector has been exhibiting signs of premature deindustrialisation from 2000 onwards. The loss of competitiveness in the manufacturing sector has led to premature deindustrialisation. This is detrimental to Malaysia’s economic development as the manufacturing sector is an essential source for the creation of high-quality, high-productivity, high-income employment.

This loss of competitiveness is not only unique to Malaysia as other Asian economies have also shed employment in the low-skill sectors. Unlike Malaysia, countries such as South Korea and Chinese Taipei, have prevented premature deindustrialisation by creating employment in other high value-added segments of the manufacturing value chain (Chen and Xiangming, 2005). Fortunately the downward spiral has been reversed recently in the Malaysian context, due to the productivity gains in the Electrical and Electronics sub-sector specifically where horizontal diversification and increased high-skilled employment took place (Bank Negara Malaysia, 2019). It should be noted that the manufacturing sector is supported by various sub-sectors as shown in Figure 1.

Figure 1: Manufacturing sub-sectors contribution in Q1 2022



Source: Author’s illustration based on information from Gross Domestic Product, Second Quarter 2022. Department of Statistics Malaysia (2022)

The manufacturing sector recorded steady growth in the first quarter of 2022 as illustrated in Figure 1 above. Out of the RM 89.2 billion produced in this quarter– Electrical, Electronic & Optical products accounted for 32.3 per cent, followed by Petroleum, Chemical, Rubber & Plastic products (27.1 per cent). As of October 2022, Malaysia’s manufacturing sales reached up to RM158.9 billion, rising 12.9 per cent compared to a year ago. This growth in sales value was mainly driven by the Petroleum, Chemical, Rubber & Plastic Products sub-sector (23.8 per cent), Electrical & Electronics Products (16.6 per cent) and Food, Beverages & Tobacco Products (4.6 per cent) sub-sectors (DOSM, 2022). According to [MIDA](#), the Electrical, Electronic, & Optical industries mark themselves as indispensable assets for the country’s economy. The current industry has shifted towards producing higher value-added and innovative products featuring elements of the Fourth Industrial Revolution (4IR) (MIDA, 2022). The Electrical, Electronics and Optical products remain the largest sub-sectors that are supported by over 600,000 employees (DOSM, 2022).

Additionally, the total employees engaged in the manufacturing sector had increased by 3.6 per cent as compared to 2021. This accounted for 2,321,179 employees working in this sector. This contribution was made from the Electrical & Electronic Products (5.6 per cent), Food, Beverages & Tobacco Products (4.3 per cent) and Petroleum, Chemical, Rubber and Plastic Products (2.0 per cent) sub-sectors. The number of employees from 2015 to 2019 increased for the manufacturing sector as shown in Table 2. However, the increase was not substantial as compared to the services sector which will be discussed in the following section.

Table 2: Number of employees in the manufacturing sector in Malaysia (2015-2019)

Year	2015	2016	2017	2018	2019
Number of Employees	1,027,044	1,032,897	1,057,591	1,075,635	1,090,614

Source: Author’s illustration based on data collected from DOSM Monthly Manufacturing Statistics from 2015 to 2019.

As the manufacturing and services sectors are interlinked in the 4IR, it is important that Malaysia invests resources to strengthen both sectors in the medium to long term. Globalisation becomes more important for businesses in sustaining economic growth by innovation and technological advancement (Lim and Lee, 2022). Goldberg et. al. (2008) argue that businesses may acquire technological knowledge and skills by engaging in international business activities. These activities include foreign direct investment, export and import of foreign inputs, cross-border worker mobility, and training. Given rapid digital adoption and the introduction of smart manufacturing, there is an urgent need to upskill our local talents.

1.2 Services sector in Malaysia

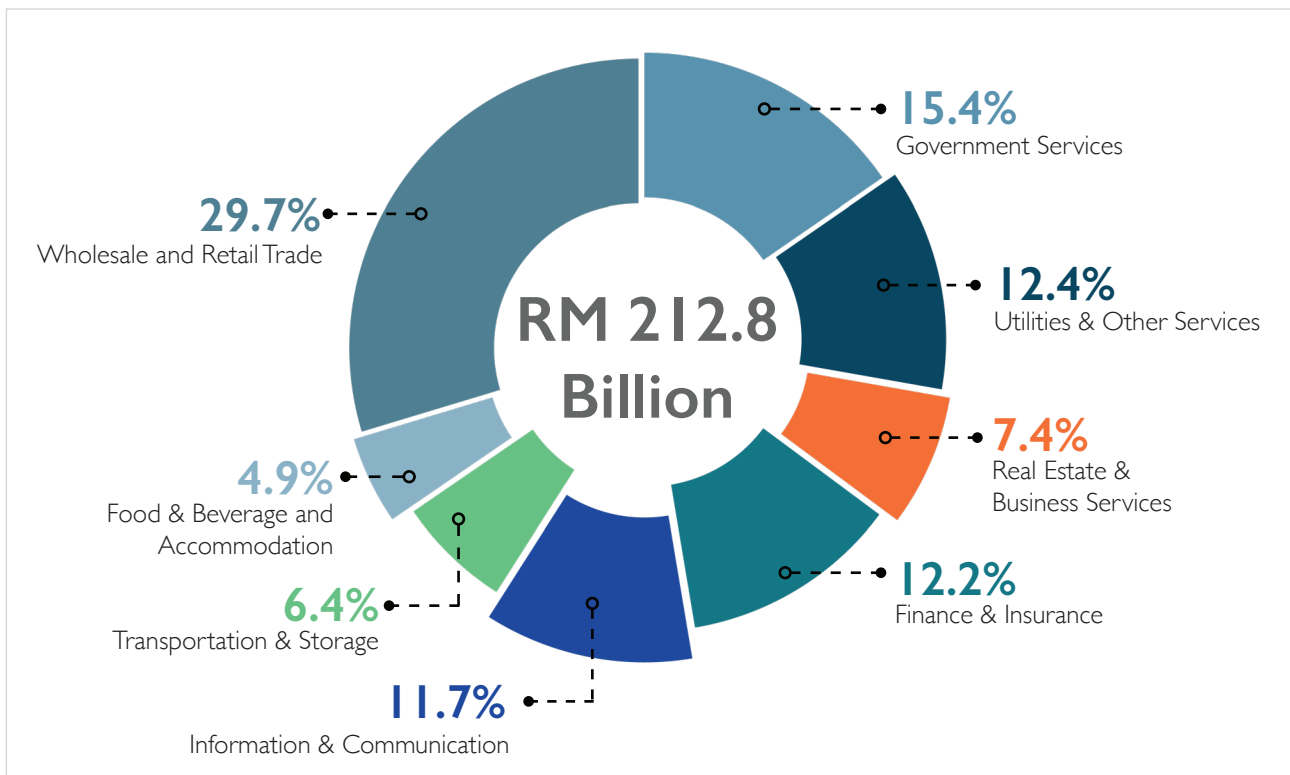
The services sector contributed 58.1 per cent towards Malaysia’s GDP in the second quarter of 2022 (DOSM, 2022). [MITI](#) affirms Malaysia is committed to liberalising its services sector given the rapid expansion of global trade in services. As mentioned earlier, through free trade agreements, the country has opened up several important service sub-sectors to foreign participation. This comes with a goal to advance competitiveness, promote growth, and improve quality and standards of this sector. In 2018, the services sector garnered a total revenue of RM 1,673.8 billion (DOSM, 2018). This is equivalent to an increase of 8.4 per cent as against 2017. The highest contribution for the services sector in 2018 was recorded by the Wholesale & Retail Trade, Food & Beverages and Accommodation. DOSM (2018)

further reported that the increase was also driven by the Information & Communication sub-sector. Today, the total revenue for the services sector reached to RM517.4 billion in the third quarter of 2022 (DOSM, 2022). The total number of workers in this sector has also risen to 3.8 million people. Sub-sectors such as the Private Health, Private Education, and Arts, Entertainment & Recreation contributed a total of RM 15.9 billion in revenue (DOSM, 2022).

MATRADE (2018) revealed that in the past several years, Malaysia has expanded its professional service providers with greater focus to modern and knowledge-intensive industries. These industries include Oil and Gas, Aerospace, Engineering, Architecture, Information and Communications Technology (ICT), Healthcare, Education as well as Financial Services. The Wholesale and Retail Trade sub-sectors accounted for 30 per cent of the total GDP from the services sector (Lee, 2019). This was no surprise - as observed by DOSM, these sub-sectors had shown tremendous growth in the past years. Another remarkable performance in the services sector is E-commerce. In the third quarter of 2022, the E-commerce income was recorded at RM 289.2 billion. Collectively, the E-commerce and ICT sectors were estimated to be valued at RM 270 billion which is equivalent to 18.5 per cent of Malaysia's GDP (DOSM, 2018).

As shown in Figure 2 below, the Wholesale and Retail Trade contributes 29.7 per cent of the RM 212.8 billion produced in the first quarter of 2022 by the services sector. Meanwhile, Government Services represents 15.4 per cent, and the Finance and Insurance sub-sector makes up 12.2 per cent of total contribution (Figure 2).

Figure 2: Services sub-sectors contribution in Q1 2022



Source: Author's illustration based on information from Gross Domestic Product, Second Quarter 2022. Department of Statistics Malaysia (2022)

Table 3: Number of employees in the services sector in Malaysia (2015-2019)

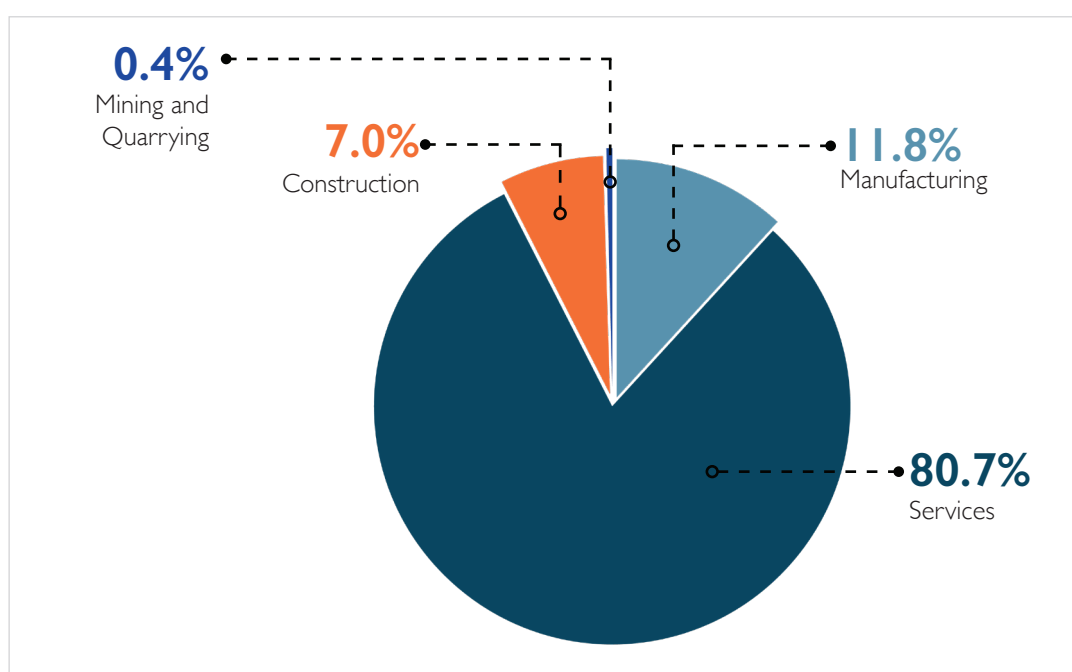
Year	2015	2016	2017	2018	2019
Number of Employees	3,453,408	3,540,436	3,617,668	3,711,948	3,808,699

Source: Author's illustration based on DOSM (2022), Quarterly Services Statistics Third Quarter 2022.

As portrayed in Table 3 above, there had been a steady increase in the number of employees from the year 2015 to 2019. During the COVID-19 pandemic, Malaysia's workers were struggling to remain employed and those in managerial positions and professionals were no exception (HRDF, 2020). In response to this, the Malaysian government introduced the *PENJANA* initiative as part of the economic recovery plan. The *PENJANA* initiative aims to upskill and re-skill in-service employees with high-technology programmes and knowledge-based markets (HRDF, 2020). It was also reported that 97 per cent of *PENJANA* employment is located in the services sector (HRDF, 2020). As the country continues to enhance the usage of technology and digital tools, a stable labour market would be requisite to sustain high value-added investments in Malaysia. The next section delves into the structure of employment and its needs.

1.3 Malaysia's talent pool

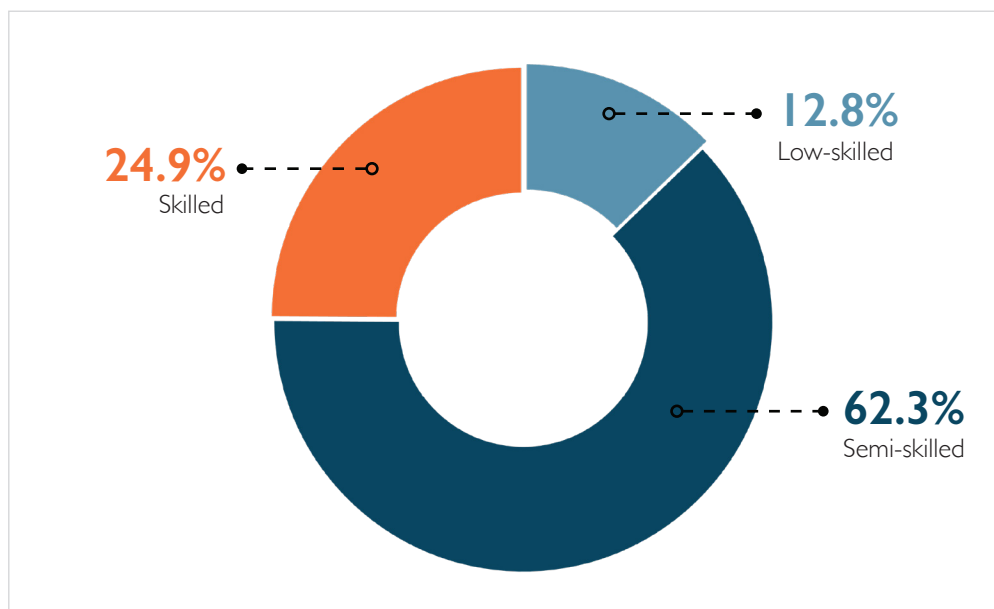
Based on the latest quarterly data, as a snap-shot, the employment share mirrors the structure of the economy and the tradable sectors which were presented in the previous section. Based on Figure 3, the services sector represents the biggest employer, whereby almost 81 per cent of the formal workers are based in the services sector. The second biggest employer is the manufacturing sector, with about 12 per cent of the formal workers based within this sector (DOSM, 2022).

Figure 3: Shares of employment by economic activity in Malaysia in Q3 2022

Source: Department of Statistics Malaysia (2022)

When we dove deeper into the skill sets needed across the economy, it was found that the semi-skilled workforce represented a majority of the workforce in the formal market of about 62 per cent (Figure 4). For this quarter, demand for skilled workers represented about a quarter of the formal workforce (DOSM, 2022).

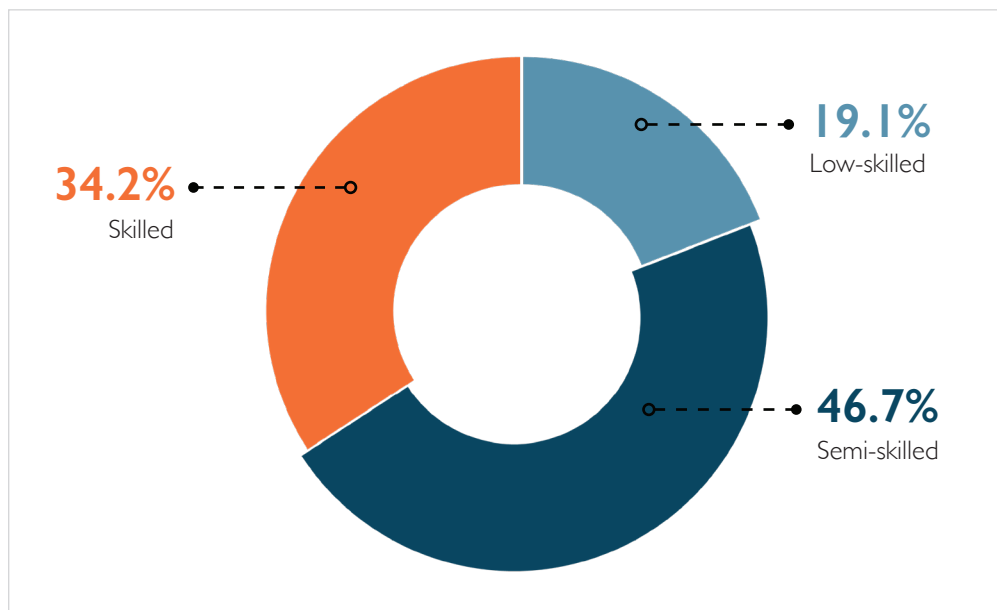
Figure 4: Labour demand by types of skills in Q3 2022



Source: Department of Statistics Malaysia (2022)

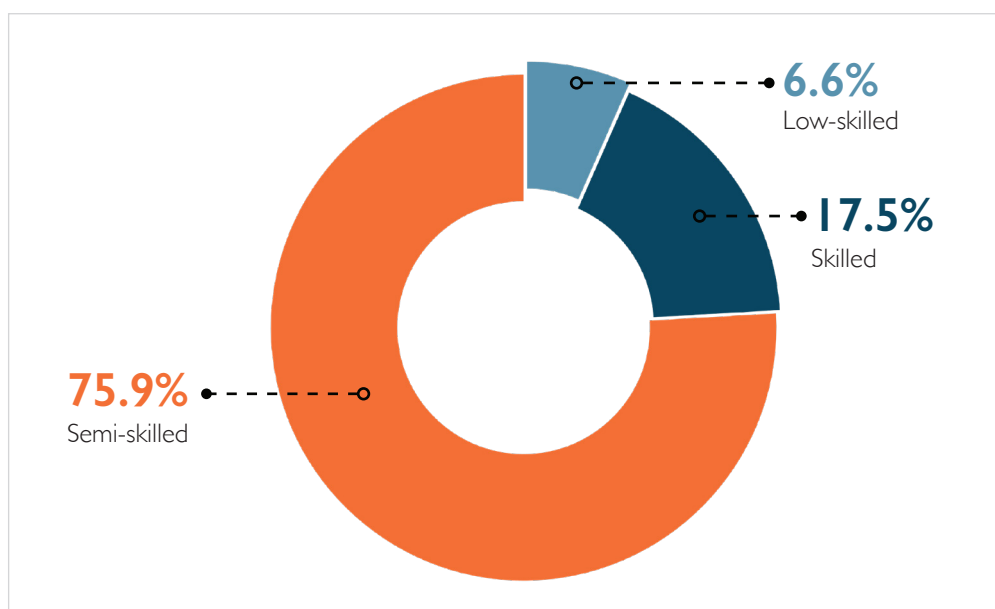
As an upper middle income country, a sizable semi-skilled workforce backed by a growing skilled workforce is seen as a healthy sign. Nevertheless as Malaysia is entering the status of an ageing society in the next decade as highlighted by the [World Bank](#), where as of 2020, more than 7 per cent of Malaysia's population are aged 65 and above, there is an urgency to develop our skilled workforce before we enter into the aged society status, where the trend would be irreversible like the one seen in developed countries like Germany or Japan to date. For these countries, they have managed to reach a developed country status and industrialise before it was too late (World Bank, 2020).

For the services sector almost half of the sector was represented by the semi-skilled workers followed by the skilled workers which made up about 34 per cent of the overall services sector workforce (Figure 5). When we compared this number to that in the manufacturing sector, it was found that the skilled workforce represented only 18 per cent of the total filled jobs in the said sector (DOSM, 2022).

Figure 5: Filled jobs in the services sector by skills in Q3 2022

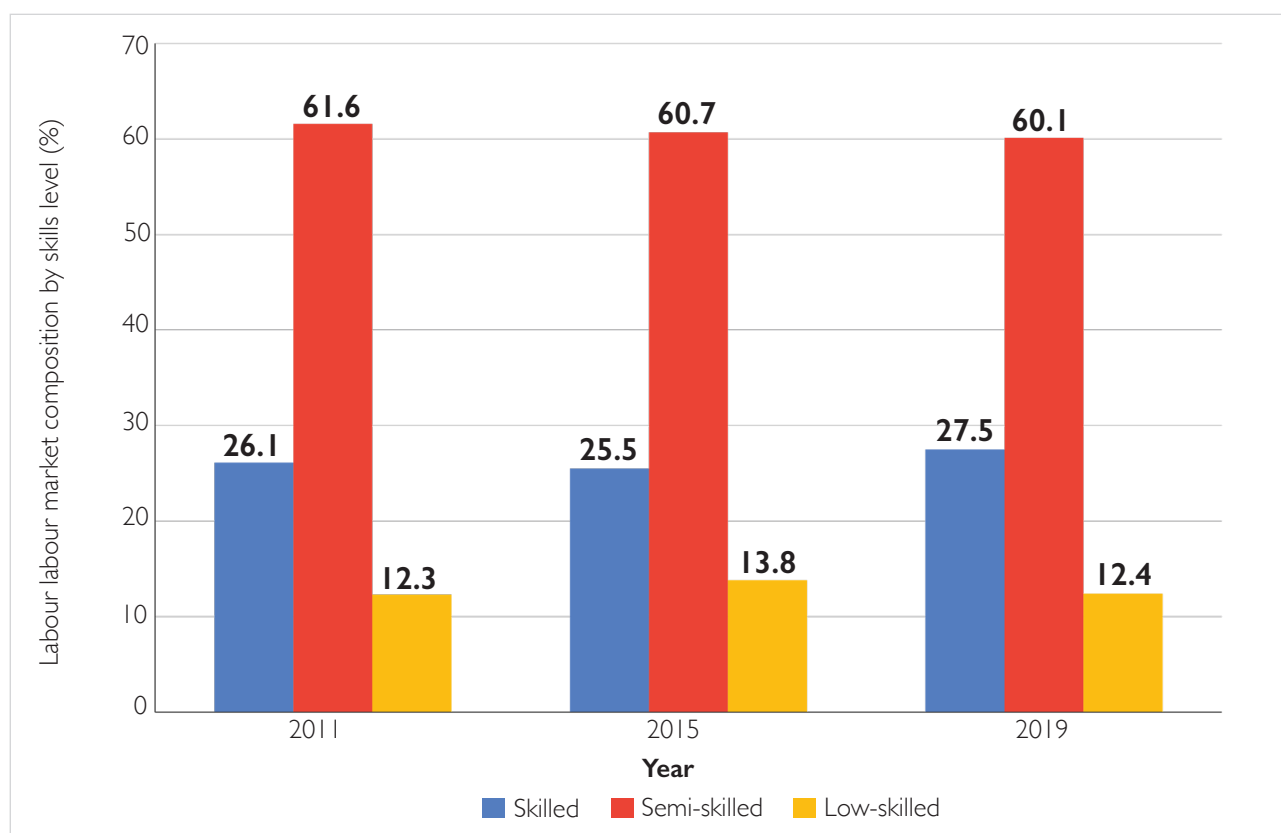
Source: Department of Statistics Malaysia (2022)

The labour structure presented in Figure 6, suggests that more improvements need to be made in encouraging adoption of digitisation and automation solutions in the manufacturing sector as to date demand in semi-skilled workers outstrips the demand for skilled workers by almost four fold (DOSM, 2022). To encourage automation and digitisation, other weaknesses are explored in the next sections.

Figure 6: Filled jobs in the manufacturing sector by skills in Q3 2022

Source: Department of Statistics Malaysia (2022)

Figure 7: Malaysia labour market composition by skills level, 2011-2019 (%)



Source: Institute of Labour Market Information and Analysis (ILMIA)

As mentioned before, as a developing economy, it is healthy to have a large share of semi-skilled workers. Nevertheless the representatives of workers in the skilled category should continue to rise as we prepare to enter the next phase of development. Figure 7 highlights a worrying trend: in the years of observation there has only been a 1.4 per cent increase in skilled workers whereby the share of low skilled workers have remained somewhat the same in both 2011 and 2019.

To understand why such a trend is occurring, the next section explores the challenges related to hiring and training workers in these sectors in Malaysia.

2. The future economy and the coming skills mismatch

It has been commonly observed by both private sector players as well as economists that one major factor hindering Malaysia's ongoing development and economic competitiveness is the lack of skilled labour within the services and manufacturing sectors, particularly in terms of the skills commonly associated with up and coming sectors such as the digital economy and the green economy. It will thus be crucial for Malaysia to proactively anticipate and create future skills, made all the more difficult by the short 'shelf life' of skills today and the diversity to be found in the Malaysian economy.

2.1. Anticipating future skills: the short shelf life of skills and Malaysia's economic diversity

When looking at the specific skills that will be required to power development in the future economy, the [Global Skills Report](#) by Coursera ranked Malaysia 39th globally in its 2022 ranking. The report ranks countries based on their proficiency in certain skills deemed vital for the future economy, including within the digital sectors. The skills are broken down into i) business, which involves skills that involve the management and operation of firms, ii) technology, which involves skills that involve computer science and applied mathematics, and finally iii) data science, or skills that involve the creation and use of information (Coursera, 2022).

In the case of Malaysia, it was found that while Malaysia scored highest in business-related skills at 69 per cent, it scored lower in technology and data science at 49 per cent and 57 per cent respectively. As such, Malaysian policymakers and business leaders focusing on upskilling should seek to leverage upon Malaysian workers relatively high ranking in business skills, while also seeking to raise the proficiency of Malaysian workers in the areas of technology and data science, in order to ensure the Malaysian workforce is future-ready (Coursera, 2022).

As noted by our roundtable experts, skills today have a short 'shelf life', meaning skills are both emerging and becoming redundant at a rapid pace. As such, our ability to identify and create those skills must be just as fast. It is pertinent for both policymakers and the private sector to correctly identify future skills and how to respond to the demand for these skills in a proactive manner, rather than in a reactive manner as has been the case thus far. Further compounding this difficulty is the economic diversity to be found in Malaysia. As pointed out by our experts, technological adoption and digitalisation differs across economic sectors. It also differs depending on geographical location in Malaysia, with certain states such as Sabah less economically developed and with different human capital development needs. As such, our experts stressed that deeper collaboration between industry and skills institutions can help create more detailed labour market information at a faster and more proactive rate as well as at a more granular level.

2.2 Hard skills versus soft skills

While much focus is often made on employees gaining the necessary technical skills to meet the future skills demand, focus must also be made on employees developing the necessary soft skills, including communication and marketing skills, creative thinking, teamwork, and leadership. There must be a more holistic approach towards how we educate graduates and workers, with a focus on imparting them with values and life skills.

It should be noted that in a recent [survey](#) conducted by the Economic Planning Unit (EPU) and the Social & Economic Research Initiative (SERI) on digital talent needs and challenges faced by firms in Malaysia (from both the manufacturing and services sectors), it was found that the top factor affecting the ability of Malaysian companies to meet talent needs was ‘insufficient qualified candidates with satisfactory soft skills’, while the second most significant factor being ‘insufficient candidates with necessary academic/technical qualifications’ (EPU and SERI, 2021).

Another [survey](#) carried out by the World Bank and Talent Corporation in 2014 also found that 81 per cent of employers identified communication skills as the major deficit in fresh graduates, followed by creative/critical thinking at 56 per cent, analytical at 51 per cent, and problem-solving competencies at 49 per cent (World Bank and Talent Corporation, 2014).

In another February 2022 [study](#) by TVET @Asia on industry perspectives on the issues and challenges facing TVET in Malaysia, one of the themes that emerged in terms of issues facing TVET and TVET graduates in Malaysia was the lack of soft skills, which was broken down into social and communication skills, technology skills, teamwork, and leadership abilities. The study stressed that when it came to graduates’ competencies, there ultimately had to be a balance between technical skills and soft skills to ensure their competitiveness in the labour market (Nur’ Adnin, 2022).

Ultimately, the pandemic encouraged many workers to upskill and gain necessary technical skills. While this has indicated the versatility of Malaysian workers in upskilling, the Malaysian labour market still struggles to meet the full set of skills in demand. Beyond technical knowledge, Malaysian workers must also upskill in terms of soft skills such as communications, marketing, teamwork, and leadership.

As stressed by one of the experts at our roundtable discussion, the Malaysian education system must move beyond a narrow vision of education which focuses on producing workers to a more holistic model which imparts students with values and life skills. Helping to mould graduates with a wider range of knowledge will ultimately increase their overall competitiveness in a labour market undergoing an increasing amount of automation, and in which soft skills will increasingly be in demand.

2.3 Challenges facing skills institutions in Malaysia

The skills pipeline in Malaysia is facing several challenges in meeting the current and future skills demand. This includes the currently overly-complicated governance of the TVET system in Malaysia, with multiple government ministries overseeing TVET and TVET accreditation systems. There is also inadequate collaboration between industry and skills institutions, which prevents the latter from developing a clear, accurate understanding of what employers are looking for in candidates. Lastly, access to labour market information, including current and future skills, will be crucial to ensuring Malaysia’s skills supply can meet skills demand.

2.3.1 Consolidating the governance of TVET

It has been observed that one of the challenges meeting skills demand in Malaysia is the governance of necessary skills institutions, including that of TVET. In TVET @Asia’s above-mentioned [study](#) on the issues facing TVET in Malaysia, the governance of TVET emerged as one of the major themes. The study pointed to the uncoordinated governance of TVET in Malaysia, observing that with a total of eight

ministries overseeing TVET within the country, this creates confusion in terms of the different certifications and accreditations, the inefficient allocations of government resources, and the overall lack of direction of Malaysia's TVET strategy. As well, the existence of two accreditation bodies that recognise TVET certification in Malaysia, namely the Malaysian Qualifications Agency (MQA) and the Department of Skills Development (DSD), has also led to confusion within the private sector about the accreditation system and therefore overall TVET standards in Malaysia (Nur' Adnin, 2022).

IDEAS' own research into the government provision of TVET in Malaysia found a total of ten ministries overseeing TVET within Malaysia (see Table 4).

Table 4: List of government TVET providers and training programmes

Government TVET providers	Training programmes
Ministry of Education	<ul style="list-style-type: none"> • Vocational colleges • Technical schools • Scholar schools
Ministry of Higher Education	<ul style="list-style-type: none"> • Polytechnics • Community colleges • Malaysia Technical University
Ministry of Youth and Sports	<ul style="list-style-type: none"> • Youth Advanced Skilled Training Centre • National Youth Training Centres
Ministry of Agriculture and Food Industry	<ul style="list-style-type: none"> • National Agricultural Training Programme • University College of Agroscience Malaysia
Ministry of Rural and Regional Development	Council of Trust for Indigenous People (MARA) by the Ministry operates skills training institutes such as <ul style="list-style-type: none"> • German-Malaysian Institute (GMI) • British Malaysian Institute (BMI) • Malaysia France Institute (MFI)
Ministry of Works	<ul style="list-style-type: none"> • Construction Industry Development Board • Akademi Binaan Malaysia • Malaysia Public Works Department (JKR)
Ministry of Energy, Science, Technology, Environment, & Climate Change	Industrial Training Program such as <ul style="list-style-type: none"> • Psychology or Counselling • Economics, Business, Administration • Science & Technology, Computer Science, Information Technology
Ministry of Water, Land, and Natural Resources	<ul style="list-style-type: none"> • Energy Commission Continuous Development Program • Forest Research Institute Malaysia (FRIM)
Ministry of Defence	<ul style="list-style-type: none"> • Pre-settlement, resettlement, and post-resettlement courses and training for veterans
Ministry of Health	<ul style="list-style-type: none"> • Ministry of Health Training Institute (Medical Laboratory Technology)

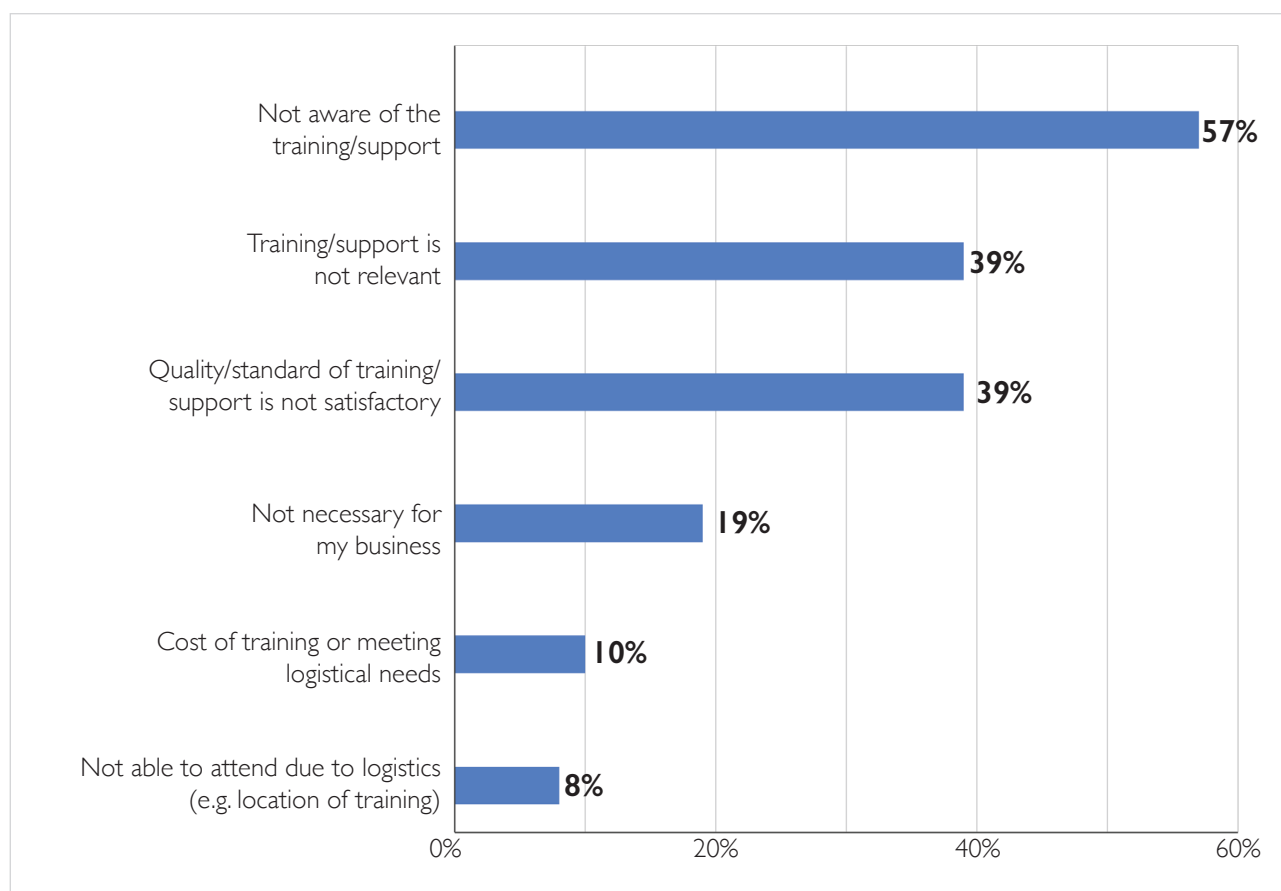
Source: UNESCO-UNEVOC (2019), MyRIVET (2022), ISIS Malaysia (2022)

Ultimately, the fragmentation of TVET delivery in Malaysia needs to be addressed in order to promote greater alignment to industry needs. As argued in an August 2022 [article](#) on TVET and labour upskilling by Malaysian news outlet The Edge, a 'robust and effective governance system [for TVET] is much needed to consolidate the different curriculums provided by the various TVET institutions and unify standards for the accreditation of TVET programmes', resulting in an 'updated national accreditation that ensures quality candidates are able to meet industry needs'. Reforms of the TVET governance model is especially pertinent in light of the effects of COVID-19, with industries reliant more than ever on TVET graduates due to the heightened demand for their skills in the post-pandemic economy. Indeed, as noted by one of our roundtable experts, current skills needed in Malaysia are largely centred on the semi-skilled positions (Poo, 2022).

2.3.2 Pushing for greater collaboration between industry and skills institutions

Beyond reforming the governance of skills institutions in Malaysia such as TVET, there must also be more meaningful collaboration between the industries and education/training institutions. It should be noted that while the necessary government upskilling resources are currently available for firms to utilise, [research](#) by EPU and SERI found that some 57% of firms did not use said resources due to lack of knowledge of the training/support available (EPU and SERI, 2021) (see Figure 8).

Figure 8: Reasons for not using government resources in digital upskilling (%)



Source: Economic Planning Unit (EPU) and the Social & Economic Research Initiative (SERI), 2021

The issue of passive collaboration between industry and education/training institutions has seemingly been a long standing issue in Malaysia. In another 2014 [survey](#) between World Bank and Talent Corporation, it was found that 34 per cent of companies had never collaborated with universities, whether in terms of approaching universities to recruit candidates or being approached by universities to place their candidates into entry-level positions. The survey also found a further 53 per cent had never engaged career centres in their recruitment efforts (World Bank, 2014).

Despite companies stressing that youths lacked the requisite skills, their lack of communication with skills institutions prevents the latter from developing a clear, accurate understanding of what employers are looking for in candidates. For example, as observed by our roundtable experts, the best examples of TVET institutions within Malaysia are those with strong connections to the industry (including even in a geographical sense).

Additionally, it was also noted during the roundtable discussion that employers remain hesitant to utilise the resources of the HRD Corp, despite contributing to it. As one of our experts noted, some 50 per cent of companies who engage in upskilling generally use their own funds instead of tapping into the Fund. This has been attributed to bureaucratic hurdles, which makes accessing the funds difficult for companies (HRD Corp, 2022).

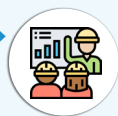
2.3.3 Labour market information to meet future demand

Policy makers need to be proactive rather than reactive in developing the talents. The ready accessibility of accurate labour market information is crucial for addressing labour-related issues, including in the field of supply and demand. Further collaboration between skills institutions and the private sector can help build the necessary repository of data (World Bank, 2014).

In a 2021 [study](#) conducted by the Department of Statistics Malaysia, the Institute for Labour Market Information and Analysis (ILMIA) was tasked with developing the Labour Market Information Data Warehouse (LMIDW), which would collect data regularly from stakeholders or respective data owners. Under the LMIDW project, ILMIA collaborated with five separate ministries, including the Ministry of Human Resources, Ministry of Education, Ministry of Higher Learning, Ministry of Youth and Sports, and Ministry of Rural Development. The study identified several challenges in Malaysia's current labour market information system, including weaknesses in the governance of labour market information, the lack of accurate and updated data, low quality data, lack of awareness and usage of labour market information, lack of data analysis, and changes in current economic trends (Mohd Basir, bin Omar, Mohd Bakri, bin Zaini, Manikam, Nor Azelan, 2021).

As noted by our roundtable experts, access to accurate labour market information, including current and future skills, will be crucial to ensuring Malaysia's skills supply can meet skills demand. Further collaboration among stakeholders is needed to ensure that the demands of the industries are met by the supply of graduates who are well equipped with different skills.

3. Policy Recommendations



Improve the training and upskilling of local workers. It is suggested that to support the automation and digitisation wave in Malaysia, collaboration on training for upskilling of workers is very much needed. Existing producers in Malaysia highlighted that their workers need to be trained in specific technologies to ensure that the adoption of technologies can be undertaken seamlessly. Programs such as apprenticeship and on the job training will be beneficial when led by the private sector.



Encourage greater collaboration between skills institutions and industry. The issue of passive collaboration between industry and education/training institutions has seemingly been a long standing issue in Malaysia. Collaboration between different stakeholders needs to be reignited.



Focus on upskilling and reskilling. Beyond reforming Malaysia's skills supply system, there should be a focus on upskilling and reskilling people already in the workforce. Efforts should be made to encourage the private sector to further utilise current government upskilling and reskilling initiatives, such as through promotional activities, educating private sector leaders on the importance of upskilling and reskilling, and tackling bureaucratic hurdles that companies face in utilising government resources.



Adopting a holistic approach to education. The Malaysian education system should move beyond a narrow vision of education focused on producing future workers which meets immediate industry needs to a more holistic understanding of education which imparts future graduates with values and life skills, as well as helps them to appreciate their respective capabilities. When one considers the lack of soft skills found in many Malaysian graduates today, it is evident that moving beyond a narrow focus on technical knowledge will help prepare Malaysian graduates for a future labour market which demands workers with the necessary communications, teamwork, and leadership skills.



Reforming TVET programs. Beyond streamlining the various programs, policy makers need to adopt a more participatory approach when it comes to training. Instead of simply focusing on meeting industry needs, TVET trainers should also focus on the needs of the trainees themselves, including their skill sets and targeted sectors.



Empowering MSMEs with the proper tools and skill sets is key for enabling businesses to participate in the manufacturing, services sectors as well as in the digital economy ecosystem. Even though financing for automation and digitisation was highlighted in the 2021 and the 2022 Malaysian Budget, a more structured approach in targeting MSMEs in need and disseminating medium-term support plans must be developed. Support in financing that is not backed by upskilling and reskilling activities will not enable entrepreneurs to be more competitive in the digital economy.

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