

Fitting Malaysia for Talents: Attending Supply and Demand

Hawati Abdul Hamid



Introduction

Malaysia's ongoing efforts to bolster its labour market and talent pool have long been a subject of national discourse. Despite the increasing number of graduates and the growing demand for skilled professionals, the country continues to face challenges in effectively aligning workforce supply with demand. Insights from the Khazanah Research Institute report titled "*Shifting Tides: Charting Career Progression of Malaysia's Skilled Talents*"¹, shed light on the key obstacles Malaysian graduates encounter in securing meaningful employment, while also outlining the necessary steps to better align educational outcomes with the evolving demands of the job market.

Views are short opinion pieces by the author(s) to encourage the exchange of ideas on current issues. They may not necessarily represent the official views of KRI. All errors remain the authors' own.

This paper was prepared by Hawati Abdul Hamid, Director of Research at the Khazanah Research Institute (KRI). It is based on the *Shifting Tides* report and was presented at the Policy Roundtable organised by the Malaysian Inclusive Development and Advancement Institute, Universiti Kebangsaan Malaysia (MINDA-UKM) on 2 April 2024. The author is grateful for the valuable feedback received from participants during the roundtable.

Author's email address:
hawati.hamid@krinstitute.org

Attribution – Please cite the work as follows: Hawati Abdul Hamid. 2024. Fitting Malaysia for Talent: Attending Demand and Supply. Kuala Lumpur: Khazanah Research Institute. License: Creative Commons Attribution CC BY 3.0.

Information on Khazanah Research Institute publications and digital products can be found at www.KRIInstitute.org.

¹ KRI (2024)

The Graduate Employment Landscape

Over the past few decades, Malaysia has made impressive strides in expanding its higher education system. The number of tertiary-educated individuals has increased dramatically, with university enrollments rising from a few thousand in the 1980s to over a million today². However, this surge in graduates has not been met with a proportional increase in high-skilled job opportunities. While graduate employability rates appear positive, they often mask deeper issues such as job quality and relevance to one's field of study.

One of the key challenges is the skills mismatch. Many graduates, particularly from non-technical fields such as social sciences, humanities, general business and management struggle to find employment in their field. As a result, many are underemployed, working in roles that do not require tertiary qualifications. This mismatch has led to a growing disconnect between the higher education system and the needs of the labour market. According to KRI's Graduate Career Tracking Survey (GCTS), more than one-third of Malaysia's local graduates who started off with mismatched jobs tend to remain in that predicament over time. Similarly, the Ministry of Higher Education (MOHE) Graduate Tracer Study (GTS) reveals that an increasing number of fresh graduates are accepting jobs that do not align with their qualifications or fields of study³.

Moreover, many young graduates are forced into non-standard employment. These roles, such as freelance work or short-term contracts, offer flexibility but often lack social security benefits such as unemployment benefits, health insurance or retirement plans. While some graduates turn to self-employment or gig work for its perceived independence, this type of employment leaves them without long-term security. Non-standard jobs typically do not provide the same opportunities for career development or wage growth as permanent roles, raising concerns about the long-term stability and sustainability of Malaysia's workforce.

The Job Creation Dilemma

Despite the growing number of graduates, one of the key problems facing Malaysia's labour market is the shortage of high-skilled, well-paying jobs. While sectors like social sciences, humanities, and general business programmes often face oversupply issues, technology and industrial-based sectors are grappling with a shortage of talent in specialised fields such as data science, artificial intelligence, cybersecurity, and engineering. The mismatch between graduate supply and job demand is widening, with sectors requiring specific skills not seeing enough qualified talent, while other fields experience oversupply.

In terms of starting pay, roughly half of fresh graduates entering the job market received a starting pay below RM1,500 since 2010. This low pay has contributed to widespread dissatisfaction, with more than half of graduates expressing their desire to change jobs, particularly among those who are overqualified for their current roles or earning low pay⁴. On a positive note, the survey of experienced graduates indicates that additional years of work

² Hawati Abdul Hamid (2022)

³ KRI (2024)

⁴ Mohd Amirul Rafiq Abu Rahim and Shazrul Ariff Suhaimi (2022)

experience have led to better employment outcomes, with older cohorts generally achieving more favorable in terms of pay and career progression. Nevertheless, skill-related underemployment and low pay persist for around one-third of experienced graduates, regardless of their years in the workforce.

To address this, Malaysia needs to focus on creating more high-skilled jobs, particularly in industries with growth potential. Sectors such as information technology, renewable energy, and high-tech manufacturing could serve as engines of job creation if supported by the right policies and investments. Encouraging innovation and research, offering incentives to companies that create high-value jobs, and fostering public-private partnerships could help bridge the gap between the supply of skilled workers and the demand for their expertise.

Aligning Education with Market Needs

To address the growing skills gap, focus should also be directed on reforming the education and training systems to better align with the evolving demands of the labour market. While the country has made great strides in expanding access to higher education, the emphasis now needs to shift toward equipping graduates with practical, job-specific skills.

A significant part of this challenge is the perception of Technical and Vocational Education and Training (TVET) programmes⁵. These programmes, which focus on hands-on, job-specific training, are better suited to industries that require immediate expertise. However, TVET programmes still suffer from a perception problem in Malaysia, with many students viewing them as a secondary option compared to conventional academic degrees. Changing this mindset while improving the quality and reach of TVET could help address the skills gap and provide a pathway for students to enter the workforce more effectively.

Additionally, expanding internship and apprenticeship programmes could help students gain real-world experience before graduation⁶. By embedding practical training into the education system, graduates will be better prepared to meet the demands of the labour market. This approach not only benefits graduates but also fosters stronger connections between educational institutions and industry, ensuring that curricula remain relevant and responsive to market needs.

⁵ Hawati Abdul Hamid and Tan Mei Yi (2023)

⁶ Wan Amirah Wan Usamah (2023)

Strengthening Policy Support for Graduates

Government initiatives play a crucial role in supporting graduates during their transition from education to employment. Over the years, Malaysia has introduced several active labour market policies designed to enhance graduate employability. These include job search assistance, skills retraining programmes, and financial incentives for companies to hire fresh graduates. While these efforts have been valuable, they often suffer from a lack of coordination and awareness.

For example, many graduates remain unaware of the full range of government support available to them. This is partly due to the fragmentation of programmes across different ministries and agencies, which can make it difficult for individuals to navigate the system. Streamlining these efforts and improving communication about available resources could help more graduates take advantage of the support on offer.

There is also a need for more inclusive social protection systems, particularly for those in non-standard employment⁷. Many freelancers, gig workers, and contract employees do not have access to social security benefits leaving them vulnerable to economic shocks. Expanding social safety nets to cover these groups would provide much-needed security and help reduce the risks associated with non-standard employment.

The Way Forward: Bridging the Supply and Demand Gap

As Malaysia strives to become a high-income nation, it must address the growing mismatch between the supply of skilled labour and the demand for high-quality jobs. While the country has made significant progress in expanding its educational system and producing a highly educated workforce, this alone is not enough. Without corresponding efforts to create jobs that fully utilise the skills and qualifications of graduates, Malaysia risks perpetuating a cycle of underemployment and job dissatisfaction.

To achieve a more vibrant labour market, Malaysia needs to focus on both supply and demand. On the supply side, reforms to the education system—particularly in the areas of skills training, internships, and industry partnerships—are crucial. At the same time, the government must create an environment conducive to high-skilled job creation, encouraging investment in sectors that can absorb the growing pool of graduates.

Ultimately, the key to success lies in fostering a dynamic, adaptable workforce that is prepared for the challenges of the future. By aligning education with market needs, supporting graduates through targeted policies, and promoting job creation in high-growth industries, Malaysia can ensure that its skilled talents are not only employable but also employed in fulfilling, well-paid positions. This will be crucial in driving the nation's economic growth and securing its place in the global marketplace.

⁷ Shazrul Ariff Suhaimi (2023)

References

- Hawati Abdul Hamid. 2022. "Malaysian Higher Education and Economic Growth: A Causality Analysis." Working Paper 3/22. Kuala Lumpur: Khazanah Research Institute.
- Hawati Abdul Hamid and Tan Mei Yi. 2023. "Unlocking the Earning Potential of TVET Graduates." Working Paper 4/23. Kuala Lumpur: Khazanah Research Institute.
- KRI. 2024. "Shifting Tides: Charting Career Progression of Malaysia's Skilled Talents." 2024. https://www.krinstitute.org/Publications-@-Shifting_Tides-;_Charting_Career_Progression_of_Malaysia%E2%80%99s_Skilled_Talents.aspx.
- Mohd Amirul Rafiq Abu Rahim and Shazrul Ariff Suhaimi. 2022. "Fresh Graduate Adversities: A Decade's Insight on the Graduate Tracer Study." Working Paper 6/22. Kuala Lumpur: Khazanah Research Institute.
- Shazrul Ariff Suhaimi. 2023. "Breaking Barriers: Exploring the Landscape of Youth Entrepreneurship in Malaysia." Views 14/23. Kuala Lumpur: Khazanah Research Institute.
- Wan Amirah Wan Usamah. 2023. "The Internship Experience and Its Returns: Effects on Young Bachelors' Employability." Working Paper 2/23. Kuala Lumpur: Khazanah Research Institute.