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Halting Training Levy Collection Risks Undermining Malaysia's Talent Development

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In the wake of recent reports by the Auditor General and the Public Accounts Committee (PAC) highlighting mismanagement and financial irregularities involving the Human Resource Development Corporation (HRD Corp), Malaysia finds itself at a critical crossroads in its efforts to promote skilled workforce development through a systematic and inclusive training ecosystem. Several parties have called for halting the levy collection and allowing employers to determine their own training strategies[1].

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[1] New Straits Times (2024b)

While the governance issues highlighted in the reports are concerning, the call to halt levy collection is even more worrying, as it risks reversing three decades of effort to promote solidarity in workforce development within Malaysia's heterogeneous firms and industries[2]. The HRDF was established in 1993 with a clear vision of pooling resources from employers across various industries and utilising them to fund training programs aimed at upskilling Malaysian workers to meet the nation's development aspirations.

This initiative went beyond financial contributions to foster a collective responsibility for developing the nation's human capital[3]. By mandating that employers invest in training through levies, the aim was to ensure the Malaysian workforce continues to be competitive in the global economy and able to meet evolving industry demands.

Ensuring an agile training ecosystem in Malaysia is critical, especially in an era marked by rapid changes where the need to up/reskill has become even more pressing[4]. This can only be achieved with the support of a sustainable and inclusive financing model, exemplified by the levy-grant system.

Since Malaysian firms are predominantly small and medium enterprises, the levy system has provided SMEs with access to training that would otherwise be unaffordable, ensuring they are not left behind[5]. More importantly, the mechanism has fostered a culture of collaboration between government bodies, industries, and training institutions on workers' development and career paths. It has encouraged stakeholders to work together towards common goals, transcending sectoral interests for the collective benefit of the nation.

Critics of the system argue that levy suspension would alleviate financial burden on businesses which already strained with other industry-specific fees and levies[6]. While this concern is valid, it is crucial to consider the long-term ramifications of such a decision. Suspending levy collection risks dismantling a structured framework that Malaysia has painstakingly built to future-proof its workforce. It sends a message that investment in talent development is discretionary rather than imperative—a notion that could erode the foundation of solidarity and commitment to training.

[2] HRD Corp (2023)
[3] The Malaysian Reserve (2021)
[4] Berita Harian (2024)
[5] HRD Corp (2023)
[6] New Straits Times (2024a)

Strengthening the system

The recent issues surrounding HRD Corp has understandably shaken public confidence in the administration and oversight of levy funds. Calls for transparency and accountability are warranted to ensure that funds intended for training are used judiciously and effectively. However, addressing governance issues should not overshadow the fundamental importance of maintaining a robust ecosystem for training investment.

Instead of abandoning the levy system altogether, Malaysia should focus on reforming and strengthening it. Key steps in this process include enhancing transparency in fund allocation, improving governance frameworks, and ensuring that training programs meet industry needs and workforce demands. Greater oversight and accountability could be achieved by transforming HRD Corp into a statutory body, as suggested by the PAC[7]. From an operational perspective, it is essential to strengthen the monitoring and evaluation of training providers by implementing stricter governance measures in the approval process. This could involve setting specific requirements and regulations, such as Malaysian Qualifications Agency (MQA) certification and the provision of financial statements. Additionally, the effectiveness of training programs should be systematically assessed by independent parties.

Given the challenges of high informality, skill mismatches, and unemployment, it is crucial to consider extending benefits to freelancers, unemployed youth, and women—groups that need training the most but currently lack access. A portion of undisbursed funds could be allocated to assist them[8]. Additionally, fragmented training initiatives governed by competing agencies, both within the Ministry of Human Resources and across other government bodies, need to be streamlined to improve coordination, reduce duplication of efforts, and enhance the overall effectiveness of public fund utilisation[9]. By addressing these challenges proactively, Malaysia can reaffirm its commitment to talent development while restoring public trust in the effective use of collective funds.

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[7] MalaysiaKini (2023)
[8] Khazanah Research Institute (2024)
[9] ibid.

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