

Productivity: Malaysia's Game Changer

Unlocking the Potential of Productivity Ensuring Malaysia Transitions to an Advance Economy

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LET'S DISCUSS PRODUCTIVITY...

Today Malaysians from all walks of life, irrespective of ethnicity, socio-economic background, and geographic location, enjoy a better quality of life. Malaysia is highlighted in many international reports such as economic freedom, global peace, do business, tourism destinations and showcase many factors that boost the country's economy.

Malaysia is rated 12th most competitive country among 60 countries in the WCY 2014 by International Institute for Management Development, 20th out of 144 countries in the GCI 2014-2015 by the World Economic Forum (WEF) and 18th among 189 economies in the Doing Business Report 2015 by the World Bank. Malaysia is among the top 20 Investor Friendly destinations for the period 2014 to 2018 in the Economist Intelligence Unit's 2014 Business Environment Rankings, and also surfaces as the top 25 tourist destination in the Travel and Tourism Competitiveness 2015 Report by the WEF.

Despite the achievements made, there needs to be greater resolve to boost productivity on the domestic front, to drive economic growth, strengthen the fiscal position while ensuring adequate public funding to support continued economic expansion.

PRODUCTIVITY

Productivity is considered a key source of economic growth and competitiveness as it comprehends the basic statistical information for many international comparisons and country performance assessments.

Organisation for Economic Co-operation and Development (OECD) defines Productivity as a ratio between the output volume and the volume of inputs, and it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output.

"Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker"

—By Paul Krugman

MALAYSIA'S CHALLENGE

Excellent Employees



Optimize Processes



Better Performance



Productivity and innovation will be important for sectoral growth, the catalyst for greater income equity at all levels, and the best hedge against future economic instability. Spurring productivity and innovation will provide the basis for sustained economic growth, creating new economic opportunities and ensures continued wellbeing and prosperity of the rakyat. Amidst the current global economic environment, productivity growths coupled with innovation are the key to national prosperity.

Malaysia's challenges to boost productivity remains in the areas of labour market, market dynamics, regulatory burden and innovation ecosystem. Low creation of quality jobs, restrictive regulations, easy access for low skilled foreign workers and the mismatch between graduates and industry needs are among the reasons why there is a lack of potential contribution of human capital towards higher productivity in the country.

Malaysia registered a productivity growth of 3.5% in 2014, where productivity level rose to RM61,708 from RM60,437 in 2013. The growth signified that the country's labour productivity was a strong contributing factor to the GDP growth of 6% in 2014. Although there were improvements, productivity progress is relatively slower by international comparisons. Canada, Japan and Singapore are among the countries that underwent serious reforms to improve productivity growth which enhanced living standards, aided financial problems to the aging in terms of pension and health care costs and solved many potentially divisive societal problems.

Vision 2020 envisions Malaysia as a fully developed country along all dimensions – economically, politically, socially, spiritually, psychologically and culturally. The capital economy is about Gross Domestic Product (GDP) growth, big businesses, large investment projects, and financial markets, while the people economy is concerned with what matters most to the people, which includes jobs, small businesses, the cost of living, family wellbeing, and social inclusion. Having said this, comprehensive & robust policies and strategies are needed to lift the country's productivity. Failing to move to a productivity and efficiency-based economic growth in the coming years would mean that any economic strategy that we undertake now would only shelve the inevitable.

Malaysians are urged to change their mindset to ensure that a culture of productivity is embedded in the people and in all sectors. A holistic nationwide productivity movement involving the government, industry and individuals will ensure the country's long-term economic well-being, hence seconding a position among the developed economies.

Malaysia's future productivity growth will rely heavily on its ability to leverage the compound effects of incremental gains in labour productivity rather than an expanding workforce. This will reduce the country's ability to grow GDP by simply increasing employment, and will instead challenge industries to produce more with less. Malaysia needs nationwide productivity movement for mindset change to foster a culture of productivity into all Malaysians. These efforts need to be holistic, integrated and supported by all government, industry and enterprise.

INITIATIVES UNDERTAKEN BY LEADING ECONOMIES TO BOOST PRODUCTIVITY

Way To Go Singapore – Productivity Campaigns enable individuals to work less and yet achieve more.

iSPRINT scheme provides a one-stop integrated assistance scheme to boost productivity and innovation for SMEs across all sectors.

Inclusive Growth Programme supports companies that embark on productivity improvement projects and share productivity gains with workers.

Innovation & Capability Voucher (ICV) - easy-to-use voucher valued at \$5,000, encourage SMEs towards capability development.



Encourage acceleration in technological change and innovation (ICT) that leads to rapid productivity growth. E.g.: iPhone

Examines the relationship between human resources and technological change in detail and singles out the most significant productivity.

Prices of IT equipment (computers, faster broadband, IT gadgets) are made affordable to the public.

Invest more in existing technology, intellectual property, and research & development in areas of risk-taking entrepreneurial class and health.

Government creates a favorable framework for businesses to improve productivity focusing on Investment, Innovation and Human capital

Create a macroeconomic environment that gives high priority to full employment, reduction of working time, facilitate workforce movement from low to high productivity activities, both on an inter-regional and inter-industry basis

Government assistance in the promotion of the diffusion of new technologies

Fostering of competitive markets, particularly in the product market area

Increase investment in post-secondary education, both in terms of the teaching and R&D.

