

## **Slower Employment Growth Ahead**

Securing a healthy economic growth amid political stability is essential to achieve Malaysia's developmental goals. Stable economic growth has managed to partly solve problems such as poverty and unemployment. For an average person, a healthy economy means better job opportunities and higher income. This has become critical with the significant rise in the cost of living following hikes in fuel prices.

The Ninth Malaysia Plan (9MP) targets an ambitious average GDP growth rate of 6.0 per cent in 2006-2010, following a slower growth of 4.5 per cent in 8MP (2001-2005). It is going to be a tough challenge, with the rapid rise of China, India and others. A disturbing point is that the average 6.0 per cent GDP growth in 9MP is expected to generate a slower employment growth than that in 8MP. Economic growth is creating fewer jobs than it used to, making it more difficult for people to compete for jobs.

About 1.0 million new jobs is projected to be created in 9MP, dropping from 1.6 million jobs in 8MP. Total employment is projected to grow at 1.9 per cent during 9MP, slower than 3.3 per cent registered during 8MP. Technically, this is similar to saying that a 1.0 per cent GDP growth leads to a 0.32 per cent rise in employment during 9MP, decreasing markedly from the employment elasticity of 0.73 per cent under 8MP. Labour absorption capacity of the economy is expected to fall. The slower employment growth forecast is premised on the higher contribution of productivity (TFP) to GDP growth, while the contribution of labour would decrease. As workers become more productive, fewer are needed to generate the same amount of growth.

The changing structure of the economy, where more knowledge workers are required, means that growth will create fewer jobs than in the past when a larger number of production workers were needed. The shift to more capital-intensive manufacturing and wider usage of labour-saving automation also mean that less labour is needed. There is a trade-off between higher productivity and less labour usage. Economic growth alone will not be able to address the "jobless growth" that's coming. New jobs created from

emerging industries such as bio-tech and halal products could mitigate this problem somewhat. Active state intervention is crucial to stabilise the labour market from short-term economic cycles as well as the structural changes in the economy.

Recurring news on the issue of graduate unemployment is giving the picture that the job market is less upbeat. In addition, periodic news of voluntary separation schemes (VSS) due to restructuring exercises by corporations is raising worries over job security. These “down-sizing” exercises are not just happening in private companies but also in government-linked companies. This is made worse by the rising costs of production due to higher oil prices, and the large presence of foreign workers. It appears that “right-sizing” of companies are becoming a more common occurrence. Workers have to live with the fact that greater competition and liberalisation would require companies to adapt and change constantly, which also means less job security. On the other hand, this also shows that the Malaysian labour market is flexible enough to allow greater labour mobility.

The government has taken active steps to ensure that labour market conditions do not deteriorate. Many millions have been allocated for the graduate training scheme. These trainings are intended to reduce the mismatch in the job market and reequip graduates with language, communication and IT skills that industries find lacking. To spread job market information widely, internet-based networking to match job seekers and vacancies has been up and running. Job seekers can send their resumes online and this will save the cost of job search.

A comforting note is the fact that the unemployment rate in Malaysia (3.5%) is lower than its neighbours'. In the Philippines, the unemployment rate was at 11.4 per cent in 2005, while Indonesia's rate was at 10.3 per cent. Singapore's rate was at 3.2 per cent, but surprisingly, Thailand has the lowest unemployment rate in ASEAN at 1.4 per cent. Data on unemployment has to be compared cautiously because definitions differ across countries. Nonetheless, this indicates that Malaysia is still at an enviable level of “full”

employment. Still, jobless growth is becoming an unsettling trend in many countries where structural changes are taking place.

To ensure people are constantly employable, the government encourages life-long learning. Employees should be aware of up-to-date skills that are in line with current industry needs. Employees can withdraw from their EPF to finance their studies. Everybody has to keep up with and adapt to the changing market needs to ensure one has a decent job. The rat race is not getting any easier.

In Korea, a contributory employment insurance has been set up to assist displaced workers during economic downturns. The unemployed receive a job-seeking allowance and employment-promotion benefits such as skills training. With job security becoming a greater concern to ordinary Malaysians, an employment insurance scheme could be something to think about.

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