

## MEDIA RELEASE

### MALAYSIA'S LABOUR PRODUCTIVITY CONTINUES TO RECORD POSITIVE GROWTH IN SECOND QUARTER 2019

Malaysia's labour productivity rose at a healthy rate in the second quarter supported by strong growth in value added and employment. Labour productivity as measured by value added per hour worked recorded growth of 2.4%, while value added per person employed grew at 2.8%.

Minister of International Trade and Industry, Datuk Darell Leiking said among the challenges in sustaining productivity growth are the external factors. Nevertheless, during this quarter Malaysia's economy grew at 4.9% and productivity grew at 2.2%, amid the global scenario.

*"Gross export registered growth of 0.2%, which is supported by export of manufactured goods in resource-based and non-resource-based exports that includes iron & steel and chemicals & chemicals products as well as commodities. Further, in total stock of foreign direct investment, Malaysia registered growth of 10.3% indicating that Malaysia continues to be an international investment destination with its business-friendly approach, exhibiting Malaysia's ability to sustain its positive productivity growth", he added.*

#### **Labour Productivity Per Hour Worked**

With the growth in value added of 4.9% and total hours worked of 2.4%, Malaysia's labour productivity as measured by added value per hour worked by all persons, including employees, proprietors, and unpaid family workers, grew by 2.4% in the second quarter of 2019.

Construction sector continues to register the highest growth in productivity per hour worked at 3.3% compared to other sectors in the five (5) main economic sectors. Services and manufacturing sectors, both recorded 2.5% growth while agriculture sector grew at 2.2%. However, mining and quarrying sector experienced a contraction of 0.7% due to growth in hour worked (3.5%) is larger than the growth in value added (2.9%).



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Further analysing the services sector's labour productivity performance, as being one of the lead contributors to Gross Domestic Production (GDP), it is evident that the sector's performance was supported by the growth of all its subsectors namely real estate and business services subsector (4.7%), financial and insurance subsector (4.6%) and transport and storage subsector (3.7%).

Manufacturing sector is another major contributor to the country's GDP. Out of eight (8) main subsectors, wood product, furniture, paper products and printing (7.1%) contributed the most to the sector's performance, while textile, wearing apparel and leather products (5.7%) and transport equipment, other manufacturing and repair (4.4%) were the second and third main contributors.

### **Labour Productivity Per Person Employed**

From the second quarter of 2018 to the second quarter of 2019, Malaysia's labour productivity per person employed grew at 2.8%, reflecting a 4.9% growth in value added and a 2.1% growth in employment. Labour productivity per person employed is calculated by dividing real value added by the number of employed person by all persons, including employees, proprietors, and unpaid family workers.

The highest labour productivity growth among five (5) main economic sectors was recorded by construction sector at 3.2%, driven by its value added growth of 0.5%. Second highest growth was registered by services sector at 3.0%. While, manufacturing sector grew at 2.4%, agriculture sector 2.1%, and mining and quarrying 1.4%.

For services sector's, labour productivity growth was mainly driven by the real estate and business services subsector with a growth of 4.5%, transport and storage subsector 4.4% and other services 4.1%. Further, all its subsectors recorded growth.

While, the manufacturing sector's performance was driven primarily by the higher growth in the subsectors, which includes transport equipment, other manufacturing and repair (5.3%), wood products, furniture, paper products and printing (4.3%), and non-metallic mineral products, basic metal and fabricated metal products (4.1%).



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## **Sustaining Productivity Growth**

Strengthening productivity is a vital element in making the economic growth more resilient and sustainable. Productivity growth can be maximised through the utilisation of physical inputs by way of enhancing the application of knowledge embodied in capital, labour and new technologies. Continued growth in productivity will lead to enhanced standard of living as it will improve Malaysia's wellbeing by raising income per capita while enhancing society's quality of life. However more needs to be done, to improve further in the areas mentioned.

International Monetary Fund (IMF), Managing Director, Christine Lagarde states that among the key ingredients to stimulate Malaysia's productivity are Improving Governance and Tackling Corruption, Investing in High-Quality Education, and Boosting Labour Force Participation of Women.

Productivity, and its improvement, is both a political imperative and a business necessity. Hence, lifting productivity can be a protagonist played by the public sector and as well as the private sector. This approach can and should be adopted by the local private sectors in Malaysia to boost productivity to greater heights.

Technology and new talent models are transforming the way the world works today. Investing in high-quality education is crucial in the Industry Revolution 4.0 (IR4.0) because this can reduce skill mismatches, raise wages and help all Malaysians harness the potential of new technologies. This does not necessarily have to start in school, thus allowing workers to attend Technical and Vocational Education and Training (TVET) courses will also help them upskill while getting the necessary skills certificates. The promotion of TVET among local workers will help reduce the country's dependence on foreign workers, receive decent wage, improve governments' talent shortages, while creating opportunities for highly paid jobs thus improving their standard of living.

Empowering women is another key element in improving productivity. It is said that Malaysian women tends to have less access to the labour market and fewer career opportunities compared with their peers in neighbouring countries. In a recent survey showed that 80% of women were interested in flexible work arrangements, however only 20% had ever used them, while 60% of working mothers are unable to perform jobs from home. Nevertheless, progress is being made in this area.



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New laws have been implemented to protect women's jobs while they are on maternity leave and to remove gender discrimination in the workplace. The government's recent budget includes measures to increase paid family leave and mandate that any government-linked company have at least 30 per cent female representation on its board. With all these put in place, it is expected that these efforts could raise female labour force participation rates to over 56 per cent by 2020.

With the continued growth trend of labour productivity, complemented with the concerted efforts at all levels, Malaysia's economy will be able to face the global challenges towards better quality of life for all Malaysians

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**Ministry of International Trade and Industry**

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**About MITI**

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation.

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