High domestic demand, strong exports boost labour market

Increased domestic demand and stronger exports spurred the labour market. Job vacancies rose in the manufacturing sector, which stepped up production to meet increasing demand, particularly in the second quarter of this year.

Employment rate increased rapidly by 3.2% in 2002 as compared to 2.8% in 2001, with the increase attributed to more job openings in the manufacturing sector, especially in the electronics industry.

Since 2001, many electronic companies transferred their high-end operations from high-cost production centres from abroad to Malaysia. There were some relocations out of Malaysia, notably in the low-end electrical product lines to low-cost operation centres, particularly China. But these were small and did not adversely affect the total employment in the electrical and electronics sector.

The smaller expansion of the labour force coupled with expanding job opportunities led to an increase in employment, thus stabilising the unemployment situation that had been on the increasing trend since the onset of the financial crisis in 1997.

The manufacturing sector is expected to employ 123,400 new workers or 40% of total new employment created in 2002, arresting the 0.4% drop in employment recorded in 2001.

As most industries had not fully recovered from the economic downturn of the past two years, the current improved situation has not exerted undue pressure on wages.

For certain sectors, especially those that had undergone restructuring and consolidation, the implementation of the Voluntary Separation Scheme (VSS) placed some restraint on wage increases.

The employment of foreign workers is expected to continue to meet the acute labour shortage in certain sectors such as agriculture, construction and services. With the termination of the amnesty period for illegal workers on July 31, 2002, their employment would be more regulated.

The services sector continued to command the largest share of employment with an additional 174,800 or 56.7% of new jobs, bringing the total number of workers in the sector to 4.9 million workers or 50% of total employment.

Within the sector, new jobs created were largely in the wholesale and retail trade, hotels and restaurants (63,000 or 20.4%), finance, insurance, real estates and business services (35,300 or 11.5%), other services (29,800 or 9.7%) as well as transport, storage and communications (22,300 or 7.2%).

Employment in the construction sector continued to register positive growth rate of 2.3%, made possible through sustained demand for affordable housing together with the ongoing implementation of civil works projects.

In the agriculture sector, employment continued its decline for a third consecutive year since 2000, mainly due to structural changes. Larger areas of rubber and oil palm plantations were being converted into more lucrative housing estates, thus displacing existing agriculture workers.

The agriculture sector remained the third largest employment generator, employing 1.4 million workers and accounting for 14.2% of total employment in the country.

Malaysia has to prepare its labour force to suit the needs of a knowledge-based economy, with a number of programmers in human resource development initiated with emphasis on the inculcation of new skills.