

HUMAN CAPITAL
**Perak Labour Force
Towards 2020**

- What is the composition of the Perak labour force in the national context since 1982?
 - What are the issues and challenges related to the Perak Labour Force?
- What are Perak’s potential strategies in confronting labour force issues and challenges?

When official figures were first released in 1982, Perak had a total labour force of 638,600 people, representing 11.8% of the national labour force of 5.3 million at that time. In 1982, the gender ratio

was 406,500 males to 232,100 females. By 2014, the total labour force in Perak had increased by 55% to 989,100 people, comprising 629,900 males and 359,200 females (see Figure 1). Despite an

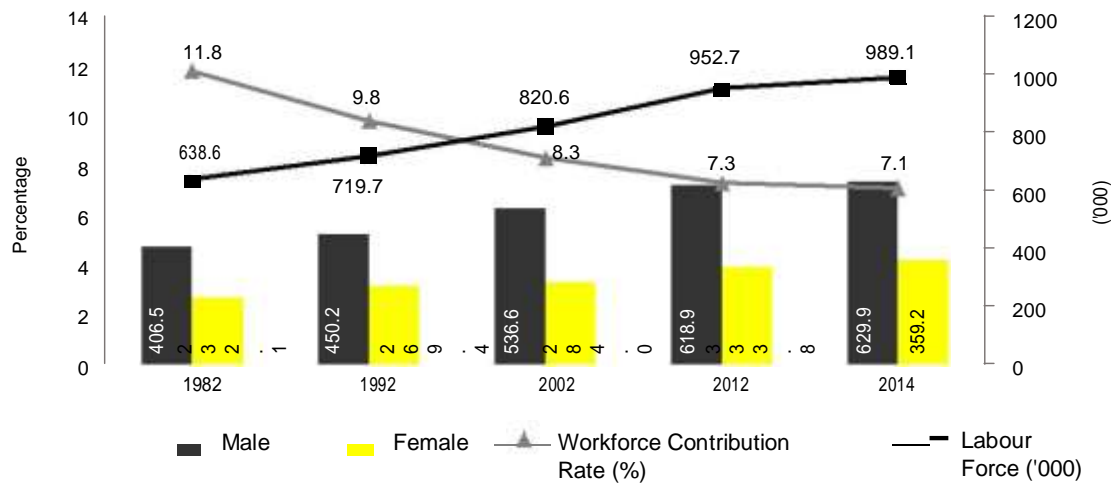


Figure 1: Perak’s Labour Force, by Gender 1982 to 2014
Source: Institut Darul Ridzuan (Extract from Department of Statistics, Malaysia)

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actual increase in the Perak labour force, the State's contribution to the national labour force dropped from 11.8% in 1982 to 7.1% in 2014. The availability of man-power within the State; and, the diversity and capacity of that manpower are crucial components in ensuring continued and accelerated economic growth in Perak. A major challenge for Perak appears to be recruiting and retaining talent within the state, and this is linked to trends of population 'out-migration'.

Out-migration of the labour force in Perak is probably linked to the state's proximity to more developed state economies in neighbouring Selangor and Penang. This enables ease of mobility for Perakians to these other states where employment opportunities and better salaries are available.

LABOUR FORCE PARTICIPATION

Labour Force Participation includes people who are in employment and people who are actively looking for employment. *Figure 2* indicates the male Labour Force

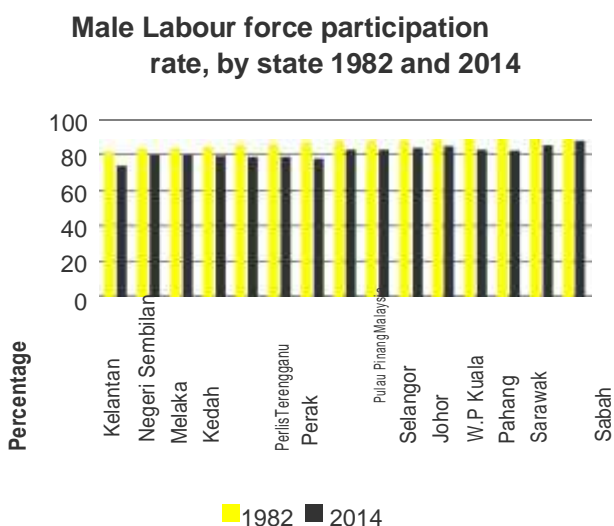


Figure 2: Trends in Male Labour Force Participation in Malaysia (1982 – 2014)

Source: Institut Darul Ridzuan (Extract from Department of Statistics, Malaysia)

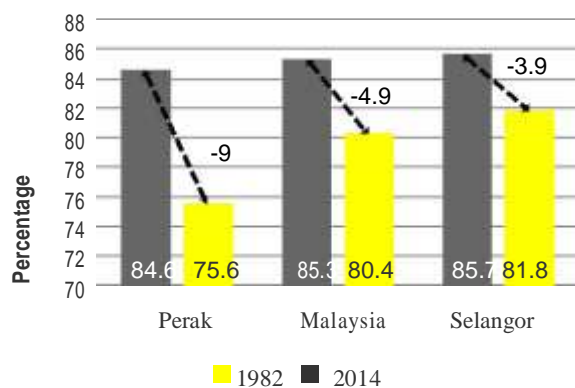
Participation Rate (LFPR) by state between 1982 and 2014. The figure shows that all states within Malaysia have suffered a decline in male LFPRs in the last 3 decades. It is of concern to note that the male LFPR in Perak has declined almost twice as much as the LFPRs for Selangor, and Malaysia as a whole.

These figures suggest that there are high levels of out-migration by males, or that significant numbers of males choose to stay out of the employment market. Out-migration of talent to other states has a negative impact on Perak as it drains the State of much needed talent to develop the economy.

Figure 3 shows female LFPR in all states in Malaysia for the years 1982 and 2014. In contrast to male LFPRs, this figure shows that female LFPRs have increased in almost all states over the last three decades. The exceptions to this trend were the states of Perak and Terengganu, where rates dropped. In 1982, Perak had a female LFPR of 44.8%, just above the national level of 44.5%, and close to the levels in Selangor of 45.5%. However, by 2014 the female LFPR in Perak had dropped to 44.4%, significantly below the higher national average of 53.6% and the increased female LFPRs in Selangor of 60.6%.

Although, the decline in female LFPRs in Perak was not as marked as the decline in the male LFPR, it still represents a worrying trend of falling LFPRs

National, Perak and Selangor Male Labour force participation rate, 1982 & 2014



for both genders over the last 3 decades. Smaller declines in the female LFPR, when compared to the male LFPR, may be attributed to cultural norms, where it remains generally more acceptable for men to migrate in search of employment, than women.

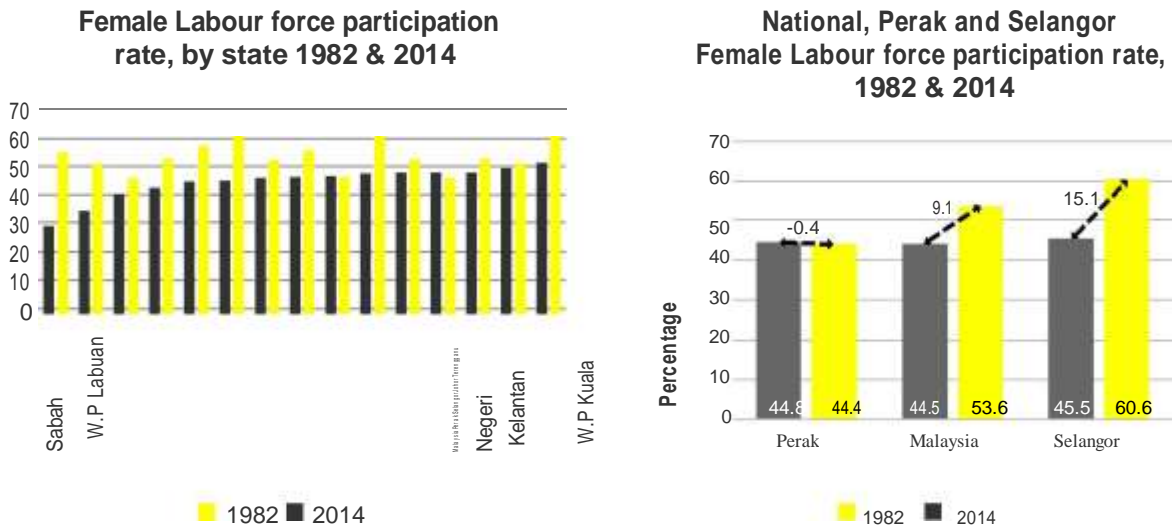


Figure 3: Trends in Female Labour Force Participation in Malaysia (1982 – 2014)
 Source: Institut Darul Ridzuan (Extract from Department of Statistics, Malaysia)

It should be noted that, although the female LFPR in Perak has decreased over the last 3 decades, and at 44.4%, remains below the national rate of 53.6%, it is nevertheless, significantly above rates for South Asia

(30.5%), the Middle East (18.9%) and North Africa (24.0%) (based on data in the Global Employment Trends 2014 Report by the International Labour Organization, ILO).

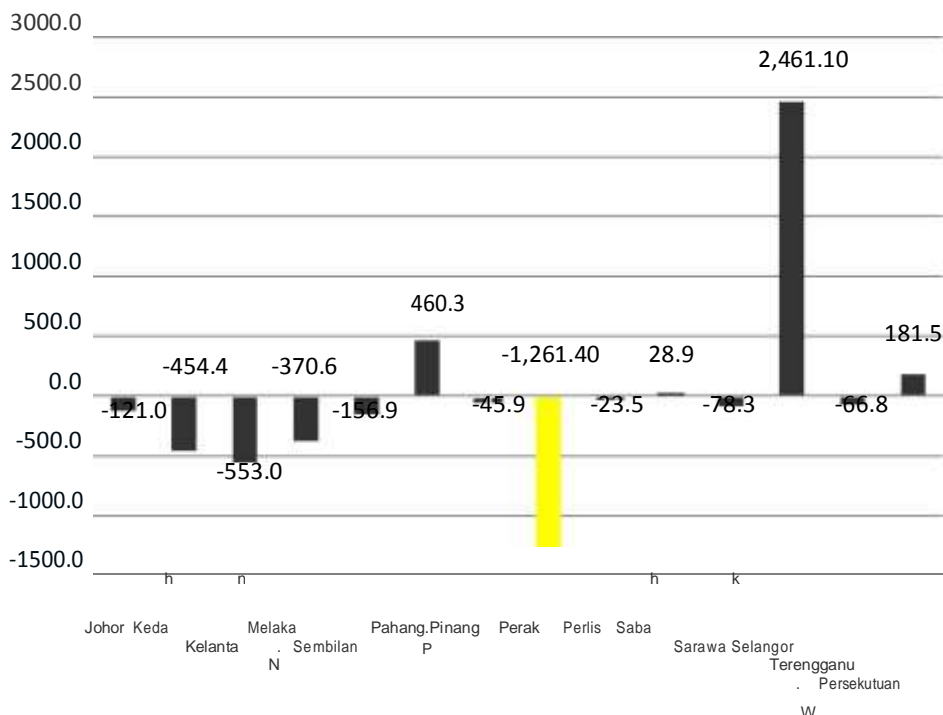


Figure 4: Net-Migration by State from 1980 - 2000 ('000)
 Source: Institut Darul Ridzuan (Extract from Department of Statistics, Malaysia)

WHY ARE PEOPLE LEAVING PERAK?

The data presented above clearly show that the labour force in Perak is declining. A major factor contributing to these declining rates appears to be out-migration of the labour force to other states, and this is supported by the results of “The Migration Survey” undertaken by the Department of Statistics, Malaysia (DOSM). *Figure 4* shows that between 1982 and 2000, about 1,261,400 people migrated away from Perak, the largest out-migration from any state in the country. The figures also clearly show that in-migration to Selangor was highest, with about 2,461,100 people moving into that state. The data on falling LFPRs and net out-migration from Perak, support the earlier statement that recruiting and retaining talent in the state is difficult. Why is this so?

A recent study conducted by IDR on “*Human Capital Issues and Challenges of the Manufacturing Industry in Perak*” identified several possible factors. In particular, the study high-lighted the fact that companies in Perak face difficulties in retaining staff; and, have high rates of staff attrition due to better compensation and benefits offered by competitors in other states. It was concluded that employers in Perak were unable to cope with the rising costs of business due to this competitive culture.

RECOMMENDATIONS

In order to promote economic growth in Perak, it is crucial that current trends in decreasing man-power and labour supply are reversed. A shortage of skilled labour, with appropriate knowledge and capacity, will prevent the economic development of Perak from reaching its full potential. Perak needs to attract the right talent in order to take its economy to the next level. Immediate actions that can be implemented to change the current scenarios regarding man-power in Perak are outlined below:

1. Perak must create more knowledge intensive opportunities in the state so that it can attract and retain skilled man-power. This can be done by investing in new areas of economic growth such as bio-technology; Halal pharmaceuticals; and, medical tourism; and, through the creation of high-tech research centres geared up for commercialisation. By creating these opportunities, eventually Perak can attract skilled personnel from all over Malaysia and beyond.
2. Perak can further leverage technology through improvements in connectivity; and, by capitalising on emerging trends in the global workforce. It has been estimated, that by 2020, half of the world’s population will be working “remotely”, i.e., staff can be based anywhere in the World, as long as connectivity is excellent. Perak should take the opportunity to create appropriate environments to attract more remote workers to come and live in the state, but whose employers may be based in the US, UK or elsewhere. This model is already being practiced by a company called *Carii* from Canada, which has its whole development team based in Bali, Indonesia.

