
6 Prepping the nation for skills-based hiring

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Covid-19 was an unprecedented public health crisis that altered the lives of billions worldwide. Its after-effects are likely to be felt for many years. The severity of the pandemic extended to health impacts and economic activity and led to upheavals in labour markets. Malaysia was no exception as the unemployment rate hit a record high in May 2020 at 5.3% – the highest since 1989.

Undeniably, Covid-19 also highlighted inequities in the workforce and exacerbated skill shortages alongside shifts like the transition to hybrid and flexible work where 87% of businesses reported either dealing with or expect to deal with a skills gap in their workforce in the following years.¹ The rapid changes in economic trends because of technology also spilled over to skills demand. Employees need to gain skills beyond their degrees.

However, education degrees have often served as the benchmark for professional competency and a necessity for employment. This perception tends to perpetuate the illusion that work and the knowledge required for it are inherently static items, when that has not been the case. A 2016 World Economic Forum (WEF) report found that work and the conditions for employment are in constant flux such that “in many industries and countries, the most in-demand occupations or specialities did not exist 10 or even five years ago, and the pace of change is set to accelerate”.² This indicates that a subject studied in secondary school may

not be relevant once they have graduated from an institution of higher learning. Thus, additional skill courses are needed after graduation.

For Malaysia, conversations surrounding skills in the post-pandemic era have mostly centred around adopting digital-related proficiency. This is understandable given the increasing transitions from traditional work, in which employees are physically required to be at the workplace, to remote work, where employees can be working from anywhere and the growing dependency on digital or online platforms for day-to-day activities. Unfortunately, this tends to drown out other vital discussions on skills, particularly ones that highlight hybrid abilities or talents that go beyond technical and occupational prowess. Hybrid abilities are a combination of soft and hard skills. Rapid technological growth has resulted in non-technical jobs (focusing mainly on soft skills) now being attached to new technology elements (requiring technical or hard skills).

This chapter provides an overview of the current skills-based hiring by businesses in Malaysia and how the pandemic has altered this. The second part describes Malaysia's readiness to embrace this shift from the perspective of educational institutions and businesses. Institution readiness is central to policy interventions and planning – which will be detailed in the final section of this chapter.

1.0 Skills-based hiring trend

One of the biggest pandemic “winners” was the social media app TikTok. While many businesses failed at the peak of the pandemic, TikTok saw tremendous success at the beginning of the pandemic and became an overnight unicorn company with 151% growth year-on-year in 2020 and saw more than 360 million downloads in Southeast Asia alone.³ With a 111% year-on-year increase in revenue,⁴ its rapid rise led its parent company, ByteDance, to pursue expansion in foreign markets – including Malaysia. This resulted in an increased demand for talents that could grow its presence in the broader regional market.

Naturally, one would expect TikTok to focus its talent-hiring activities on niche IT-related skills, especially when it has excelled through the development of intelligent algorithms and a user-friendly interface.

However, technology firms, such as TikTok, also look for employees in non-tech areas like marketing and project management.⁵ Algorithms can only do so much, but great marketing campaigns and successful strategic planning and management are the keys to maintaining user loyalty.

This shift in demand contrasts with what was traditionally required at least a decade ago. Business priorities then focused on providing leaders with success-guaranteed skills and succession planning⁶ and looking for talents with the highest level of education. It was not long until businesses realised that these approaches could not make for sustainable growth. It is crucial to identify the emerging non-technical skills that will be relevant to Malaysia in the coming years.

Covid-19 expedited three significant trends that could transform work – remote working, digitisation and automation.⁷ With lockdowns to curb the spread of the virus, remote working became the only alternative for businesses to continue operating. As such, around 20% to 25% of workers in advanced economies worked remotely from three to five days a week on a long-term basis. This will most likely remain as the new norm in endemicity.

However, as much as technology is the main game changer in the world of work, mastery of socioemotional and higher cognitive skills – such as the ability to think analytically, problem-solving and creativity – will be prioritised in the future. This is reflected in WEF's 2020 future of jobs report, which highlighted that jobs requiring human-to-human interaction would remain unaffected. There will likely be increasing demand by employers for highly skilled workers in jobs that involve higher cognitive and socioemotional skills, such as communication, collaboration, emotional intelligence and leadership.

Yet industries in Malaysia still face difficulties finding talents with a balance of technical and socioemotional skills. With the emerging industrial revolution and the impacts of the Covid-19 pandemic on work, workplace and workforce, many organisations have to be innovative and keep one step ahead in their strategic decisions – or risk losing to organisations with more resources and flexibility to innovate and make risky strategic plans.

Figure 6.1: Emerging types of future skills

Analytical thinking and innovation	Active learning and learning strategies	Complex problem-solving	Critical thinking and analysis	Creativity, originality and initiative
Leadership and social influence	Technology use, monitoring and control	Technology design and programming	Resilience, stress tolerance and flexibility	Reasoning, problem-solving and ideation
Emotional intelligence	Troubleshooting and user experience	Service orientation	System analysis and evaluation	Persuasion and negotiation

Source: Future of jobs 2020 report, WEF

Note: Light blue box = clusters of non-technical skills, dark blue box = clusters of technical skills

The Malaysia Critical Occupation List (MyCOL) study⁸ shows that many businesses are increasingly seeking candidates with hybrid competencies in response to Covid-19. This is partly attributed to hiring freezes and salary cuts and the inevitable need to prioritise hiring that can benefit strategic growth in the long run. For many of the industries covered under the COL, current trends in the labour market are not about talent under-supply but under-skilled.

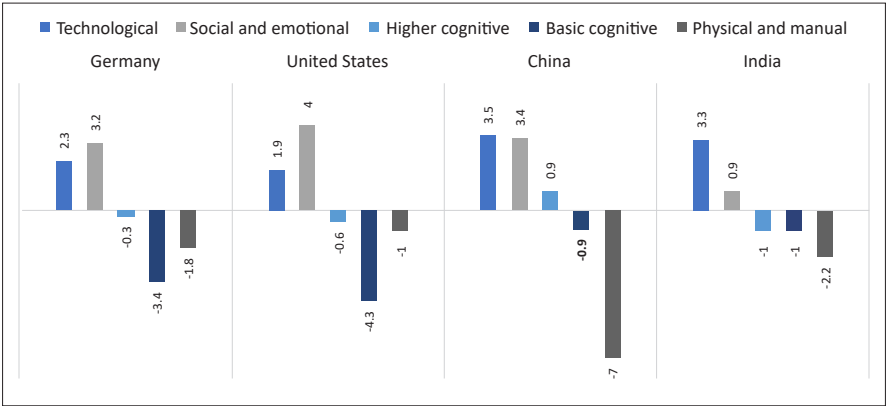
This demand is echoed across Malaysian employers from a range of industries. The Malaysian Association of Themepark & Family Attractions (MATFA), for example, cited that although tertiary education institutions might produce many marketing graduates, not many possess the creativity to drive sales and marketing for the tourism and theme park industry. It was also highlighted that the same talents are also required to possess in-demand skills such as digital marketing. Coca-Cola Malaysia echoed a similar expectation. It needed marketing talents who could deliver beyond compelling marketing materials. They must also be adept at route-to-market strategies for different products and services while understanding how they can contribute to growing the company's revenue.

This experience is not limited to Malaysia. In the United States, the shift to skills-based hiring began before the pandemic, especially between

2017 and 2019, in what was labelled a “structural reset”. The Burning Glass Institute reported that the structural reset represented a measured and potentially permanent shift in American hiring practices as it reflected 63% of changing occupations, compared with only 27% of “cyclical reset”, which occurred in response to the pandemic.⁹ As a result, this was projected to add 1.4 million jobs that did not require a bachelor’s degree in the next five years. This reset could have major implications for how employers find talent and open up opportunities for the two-thirds of Americans without a college education. In effect, employers will become more specific about skills in job postings, spelling out the soft skills that may have been assumed to come with a college education, such as writing, communication and being detail-oriented.

The cyclical reset cushioned the impact of labour shortages during Covid-19 and also forced employers to rethink their preferences permanently – spelling wide-ranging impacts that will likely heighten the structural reset and change the American hiring landscape. In fact, what was notable about the “reset” phenomenon was the impact on middle-skill jobs and the increasing demand for soft or social skills. In the United States, the impact on middle-skill jobs can be seen when the skill requirements for job openings that require a bachelor’s degree are not significantly different from those that do not require the same educational attainment.

Figure 6.2: Change in share of total work hours by skills, 2018-2030



Source: Lund, Madgavkar, Manyika, Smit, Ellingrud & Robinson (2021)¹⁰

This is consistent with the McKinsey Global Institute (MGI) findings,¹¹ which predict the need for workers in all sectors to become more adaptable in the future as emotional intelligence and adaptability may become significant differentiators. Countries like China, Germany and India are experiencing the same shift in demand for socioemotional and higher cognitive skills within the next eight years.

1.1 Impact of skills-based hiring in Malaysia

The discussion on emerging trends shows that the expectation towards employable skills is dynamic and highly reactive towards impacts of crises such as Covid-19. With employers exercising dynamism and responsiveness in hiring, what does this mean for Malaysian talents and businesses?

For local talents, the practice of skills-based hiring may present itself as a double-edged sword. On the one hand, less-fortunate individuals who could not acquire formal education and credentials stand a better chance of gaining formal employment in this new skills-focused landscape. This may level the playing field, especially given the education inequalities exacerbated by the pandemic. For one, the closure of schools and other educational institutions along with the disparity in accessibility to online learning has deepened education gaps, particularly between urban and rural schools, as well as between children from high-income and lower-income families. With a rate of loss of 0.95 years (11.4 months), Malaysia recorded the highest learning loss rate among Asian developing countries.¹² At such alarming rates, Malaysia is predicted to face increasing numbers of talents with less access to formal education and employment in the next 10 to 15 years. This will have significant impacts on the economy through a gradual loss of around RM80 billion of gross domestic product (GDP) for each learning loss year and a decrease in potential earnings. A transition to skills-based hiring could alleviate the negative consequences of a lost generation of Malaysians whose educational outcomes remain deeply affected by Covid-19.

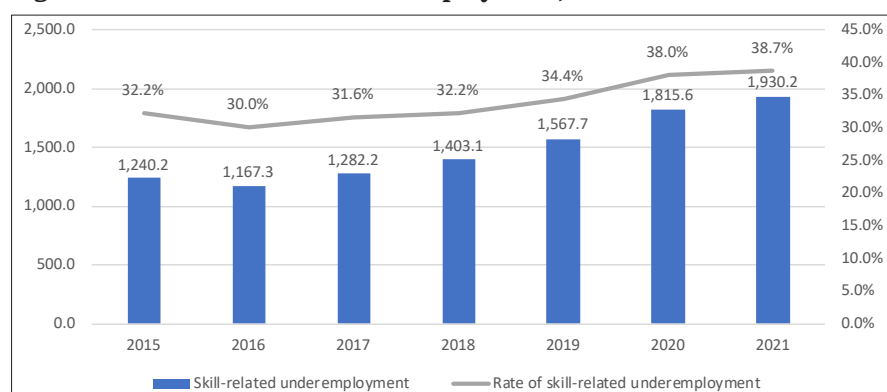
At the other extreme, talents who have invested in attaining educational diplomas or degrees may have less room to navigate the formal

employment space and may be pushed into informal employment, especially if they lack competitiveness in higher cognitive, socioemotional skills. The informal employment sector still lacks comprehensive safety nets with uniform and concrete solution measures. Should another crisis on the scale of Covid-19 recur, gig workers, particularly in industries or occupations that are likely to be impacted by movement restrictions or those who work irregular hours with no employment-related social protection, would be the most vulnerable group.

It is also crucial to note the impact of skills-based hiring on underemployment¹³ in Malaysia. The pandemic contributed to an increasing number of talents gaining jobs that are not commensurable to their qualifications. Immediate policy action is thus necessary to address these labour market mismatches.

For businesses, reduced dependency on formal credentials as a minimum requirement could decrease significantly the cost of hiring multiple talents for specific tasks and potentially increase competitiveness in a tight labour market. Talents possessing sought-after skills are expected to be the beneficiary of such developments. The ability of these talents with higher cognitive and socioemotional skills to contribute beyond what is expected from them within their job description will lower costs as businesses can invest their resources in other talent development efforts, particularly in upskilling and reskilling programmes.

Figure 6.3: Skilled-related underemployment, 2015-2021

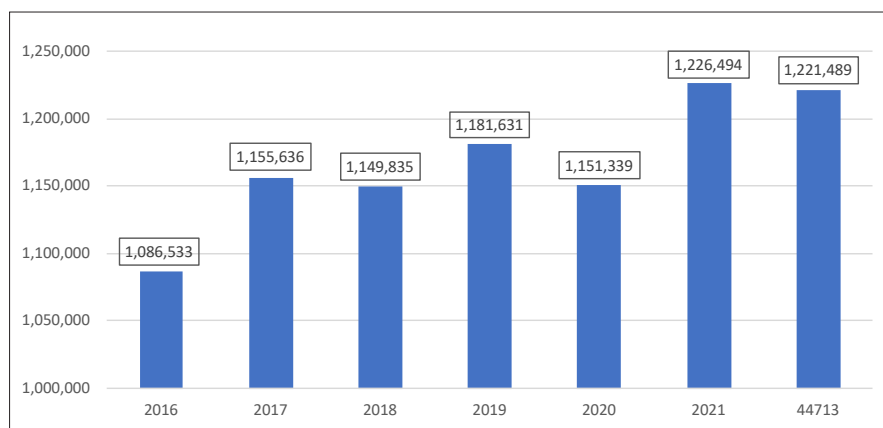


Source: Labour force survey report, Malaysia, 2021, Department of Statistics Malaysia (DOSM)

Thus, attention must be paid to the ability to invest consistently in development programmes as skill requirements evolve over time. The Covid-19 measures and lockdowns impacted many Malaysian businesses severely, particularly micro, small and medium enterprises (MSMEs), which encompass 97.5% of total establishments.¹⁴ The financial impact of those measures remains, so these businesses are highly unlikely to be able to ensure sustainable investment in continuous in-house learning.

In Malaysia, few businesses have adopted the practice of providing training and in-house learning. Only 36% of employers provided training and development for their employees.¹⁵ Yet, about 60% of employees reported being keen to develop soft skills and 61% indicated an interest in upgrading their technical skills. With this gap between employee demands and training culture in organisations still prevalent in the labour market, businesses may not be fully equipped to transition into skills-based hiring – rendering the talent pool unable to meet the market's current sought-after skills.

Figure 6.4: Number of SMEs in Malaysia, 2016-June 2022



Source: Interactive Malaysia Statistical Business Register (i-MBSR), DOSM¹⁶

Note: The number of establishments reflects six sectors/sub-sectors – services, wholesale & retail trade, construction, manufacturing, agriculture, and mining & quarrying

2.0 Readiness to adopt skills-based hiring

Given the employment trends, a few pertinent questions arise. While the country has geared up efforts to boost employability through certain upskilling and reskilling interventions for certain segments, have these efforts been effective and impactful enough to cater to demand? Second, have these efforts been well distributed across all training providers and higher learning institutions (HLIs)? Finally, are industries ready to provide benefits that match the level of competency required?

Malaysia has been grappling with the employment and skill gaps for decades now. The gaps between what is taught at educational institutions and industry expectations have plagued Malaysia's talent employability for many years. While we would like to think the labour market is agile to the shift in skills, the reality is otherwise. To measure Malaysia's readiness in producing talents with skills that align with industries' ever-changing expectations, one must understand the history of skills development in Malaysia and its progress over the years.

Efforts to narrow the gaps and transform talent-shaping programmes at the HLI level have intensified since the early 2000s, with a focus on preparing and equipping talents with skills that include the components of non-specialised and socioemotional competencies. This need led to the gradual transformation of the tertiary education syllabi with the aim of helping students balance their proficiency in technical skills with socioemotional prowess and boosting employability in the process.

The realisation of the need to inject elements of non-technical skills into HLI courses came about almost two decades ago in 2006, when the Higher Education Ministry identified 34 “must-have” soft skills.¹⁷ These skills were then clustered into seven different areas: communication, critical thinking and problem-solving, teamwork, lifelong learning and information management, entrepreneurship, ethics and professional moral, and leadership.

However, given the non-compulsory nature of the mandate, implementation has been dependent on the resources and commitment by HLIs – making it challenging to gauge the overall success rate of the

policy. This is because certain HLIs do not make such courses compulsory and for certain institutions, there are not enough financial and qualified human resources to support the implementation of these programmes.

To compound matters, there is a lack of, if not absence of, comprehensive data detailing the list of public and private HLIs and training providers that have implemented non-technical skills training in response to the mandate. As such, this has posed a challenge capturing the situation on the ground and guiding the accomplishment of a holistic policy driven environment.

In the context of tertiary education transformation, another aspect worth considering is the potential establishment of a proper mechanism to plan more targeted skills-related programmes that avoid a one-size-fits-all solution. Research on this subject showed that the perception and grasp of soft skills vary significantly according to demographics. Ahmad (2013) finds that sex, types of schools and the urban-rural divide affect students' perception of their soft skills proficiency.¹⁸ While group-specific tailored interventions incur considerable financial and human resource burdens, recognising each group's requirements would impact positively on the development of holistic talent and employable skills. One way to execute this well is a structured mechanism that carries on from early childhood education. There must also be organised efforts to recognise students' strengths and categorise them according to their profiles and capabilities.

From the perspective of industries, they must be ready to adapt to the inevitable shift of skills requirements. With more than 97% of businesses in Malaysia made up of SMEs, the ability to offer rewarding compensation and benefits that could match skills expectations is limited.

According to the 2022 Hays Asia Salary Guide, employees are becoming increasingly aware of the expanded boundaries of their job scope,¹⁹ so employers will need to rethink and review financial rewards to reflect the current demand for hybrid competencies or the juggling of multiple hats. However, as previously examined, and because a significant majority of establishments in Malaysia consists of SMEs, a gap exists between compensation expectation and businesses' ability to reward employees for their competency and grasp of skills beyond basic cognitive abilities

and traditional technical roles. If not addressed immediately, businesses could lose their competitive advantage acquiring and retaining talents to establishments with better compensation packages and structured learning and development environments.

In fact, two pull factors leading to skill shortage in Malaysia, as highlighted in the 2022 Hays Asia Salary Guide, were a high probability of increasing talent movement and a rise in turnover rates for disadvantaged businesses.²⁰

3.0 Key recommendations

As Malaysia entered the endemic phase in April 2022, uncertainties remain in the labour market as businesses try to return to pre-pandemic profitability. Although skills-based hiring is finding its way into the labour market, the extent of Malaysia's preparedness to embrace the shift remains undetermined.

To foster a collaborative landscape that encourages skills-based hiring, HLIs must redefine skills at the institutional level to fit industries' changing expectations. At the same time, industries must be transparent and collaborate with the government and HLIs to ensure expectations are conveyed and can be translated into policies and effective implementation. For the government, the task will be to consider bridging and finding opportunities to connect and engage with different stakeholders.

The following recommendations would foster such collaborations:

- 1. Integrate soft skills into learning programmes at HLIs and schools.** It is vital to recognise the value of developing sustainable programmes that emphasise the cultivation of higher cognitive skills at all levels of education. The restructuring of the formal and informal syllabus should begin with profiling strengths and competencies, followed by clustering solutions that correspond to demographic differences. This allows the creation of a more targeted approach that focuses on personalised interventions instead of a one-size-fits-all solution. This effort can be facilitated by intensifying industry-academia collaboration, which is assisted by relevant private and public agencies.

2. **Facilitate an industry-wide adoption of lifelong learning opportunities.** To flourish in an increasingly skills-focused labour market, industries must acknowledge the importance of providing consistent learning development options. As certain market segments slowly shift towards recognising skills above formal qualifications, Malaysian businesses must consider reviewing their remuneration structure. Talents who can excel in cross-functional roles will demand more benefits, not only in terms of compensation but also for instilling a culture that values lifelong learning.
3. **Establish coherent labour market policy legacy.** Malaysia is not alone in its inability to address the gap between policy and realities on the ground. Labour markets worldwide have struggled with ensuring the sustainability of policy interventions that can withstand any crisis. To ensure the continuous execution of plans and to prevent major disruptions, structures must be in place to safeguard the foundation of labour market policies. This can be done by establishing a government-industry-initiated permanent skill council of independent experts from various backgrounds and interests who will take into account the lessons from Covid-19. The skill council should consider public-private collaboration to refine policies that consider each aspect of their crisis-proofed plans of actions.
4. **Introduce a centralised autonomous skills registry.** At present, the structure determining the required skills for occupations comes in various frameworks. Numerous skills frameworks and occupation platforms are developed and based on the objectives, definitions and focus areas of various public and private agencies. As such, there is no official occupational registry with skills standards at the national level. The My National Skills Registry (MyNSR), a centralised skills platform mandated under the 12th Malaysia Plan, acknowledged this gap and has set out to assist in policy coordination and enhance human capital planning. It also aims to act as a guide to showcase required skills for a range of occupations, and as the primary reference for the standards of skills and future competencies. With the existence of a centralised platform, interested stakeholders are

expected to navigate the process of policy planning seamlessly. Subsequently, this would enable them to propose upskilling and reskilling interventions suited to an evolving labour market, be it due to crisis-induced disruption or through a changing landscape.

Notes

- ¹ Lund, S., Madgavkar, A., Manyika, J., Smit, S., Ellingrud, K., & Robinson, O. (2021, February 18). *The future of work after Covid-19* [Report]. McKinsey Global Institute. <https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19>
- ² World Economic Forum. (2020, October). *The future of jobs report 2020*. <https://www.weforum.org/reports/the-future-of-jobs-report-2020/>
- ³ Potkin, F. (2020, August 28). *TikTok booms in Southeast Asia as it picks path through political minefields*. Reuters. <https://www.reuters.com/article/us-tiktok-southeastasia-idUSKBN25O033>
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- ⁵ Kingston University London. (2022). *Future skills league table 2022*. <https://www.kingston.ac.uk/aboutkingstonuniversity/future-skills/>
- ⁶ Milligan, S. (2017, July 21). *6 trends that changed HR over the past decade*. SHRM. <https://www.shrm.org/hr-today/news/hr-magazine/0817/pages/6-trends-that-changed-hr-over-the-past-decade.aspx>
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- ⁸ Critical Skills Monitoring Committee (CSC). (2021, December 30). *Critical Occupations List 2020/2021 technical report*. <https://www.talentcorp.com.my/initiatives/critical-occupations-list>
- ⁹ Fuller, J. B., Langer, C., Nitschke, J., O'Kane, L., Sigelman, M., & Taska, B. (2022, February). *The emerging degree reset: How the shift to skills-based hiring holds the keys to growing the US workforce at a time of talent shortage* [White Paper]. Burning Glass Institute. <https://www.hbs.edu/faculty/Pages/item.aspx?num=62030>
- ¹⁰ Lund, Madgavkar, Manyika, Smit, Ellingrud & Robinson, *The future of work after Covid-19*.
- ¹¹ Bughin, J., Hazan, E., Lund, S., Dahlström, P., Wiesinger, A., & Subramaniam, A. (2018, May 23). *Skill shift: Automation and the future of the workforce* [Discussion Paper]. McKinsey Global Institute. <https://www.mckinsey.com/featured-insights/future-of-work/skill-shift-automation-and-the-future-of-the-workforce>
- ¹² Lim, A. B., Sazuki, F., Weerasena, B., & Ferlito, C. (2021, June). *The economic impact of school closures in Malaysia* [CME Policy Brief No. 1]. https://www.researchgate.net/publication/351991555_The_Economic_Impact_of_School_Closures_in_Malaysia
- ¹³ The term underemployment measures those with tertiary education and working in the category of semi-skilled and low-skilled jobs; Department of Statistics Malaysia. (2022, April 27). *Labour force survey report, Malaysia, 2021*. https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=126&bul_id=L1kxcjNmDduMXBHUIl2VGlweCsxQT09&menu_id=Tm8zcnRjdVRNWwlpWjRlbmtlaDk1UT09
- ¹⁴ Malaysia Statistical Business Register (MSBR) is a list of establishments/enterprises operating in Malaysia which encompasses Register of Companies (ROC), Register of Businesses (ROB) and Limited Liability Partnerships (LLP) that registered with Companies Commission Malaysia (CCM) as well as establishments that are registered with the local authority and professional bodies; Department of Statistics Malaysia. (2022, June 30). *Interactive Malaysia Statistical*

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¹⁷ The Higher Education Ministry defined soft skills as “generic skills which include cognitive elements related to non-academic abilities; Nikitina, L., & Furuoka, F. (2012). Sharp focus on soft skills: A case study of Malaysian university students' educational expectations. *Educational Research for Policy and Practice*, 11(October), 207–224. <https://doi.org/10.1007/s10671-011-9119-4>

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