

Factors Affecting Human Capital Development in Malaysia

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Abstract - This conceptual paper describes the factor that affects human capital development in Malaysia. Human capital development in Malaysia is not par with other Asian countries such as Singapore, Japan as well as South Korea. Among the factors that affect human capital development in Malaysia are lack of proficiency in English language, issues with Technical and Vocational Education and Training (TVET), Malaysia's higher education institutions' ranking, brain drain issues among Malaysians as well as ad hoc policies implemented in Malaysian education systems.

Keywords - human capital development, Technical and Vocational Education and Training (TVET), brain drain

I. INTRODUCTION

According to Goldin (2014), human capital refers to the skills the labour force owns and it is considered as an asset. It includes the investments in people especially in improving their education, training and health. These investments are believed to increase an individual's productivity. Human capital is the basic input of innovation (OECD, 2010). Human capital development in Malaysia is unsatisfactory compared to its counterparts Singapore, Japan and Korea. Malaysian labour force is considered as lacking in terms of talents, skills, English proficiency, and so on. This article analysed the factors that affect human capital development in Malaysia.

II. FACTORS AFFECTING THE HUMAN CAPITAL DEVELOPMENT IN MALAYSIA

Rosyati Abdul Rashid and Rosna Awang Hashim (2008) claimed that in this information technology era, the demand for knowledgeable workers and smarter graduates are increasing. As a result, many countries in the world invest in education to produce better human capital than other countries. The author also reported that English language proficiency is considered as one of the important criteria in producing marketable human capital. The author further ascertain that previous studies conducted by researchers such as Morshidi Sirat et al (2004), Ambigapathy Pandian & Aniswal Abdul Ghani (2005) indicated the importance of communication skills in English as one of the criteria for competent graduates. Furthermore, Rosyati Abdul Rashid and Rosna Awang Hashim (2008) claimed that the introduction of English language as a teaching medium of instruction for the teaching of Mathematics and Science (*Pengajaran dan Pembelajaran Sains dan Matematik dalam Bahasa Inggeris - PPSMI*) in Malaysian primary and secondary schools

beginning year 2003 was initiated for this very purpose. However, in 2009, PPSMI policy was reverted by then Education Minister after objection from few parties (Chew Chee Khian, Fauziah Ahmad, Faridah Ibrahim & Chang Peng Kee, 2012). Ramiza Darmi and Albion (2013) reported that English language, the world lingua franca, is important and one of the quality that was considered by Malaysian employers in recruiting new employees in their organization. Lack of English proficiency was reported as one of the factor many Malaysian graduates still unemployable after six months of graduation.

Affero Ismail and Noshasni Zainal Abiddin (2014) claimed that effective education and training is essential in producing skilled workforce. Technical and Vocational Education and Training (TVET) in Malaysia will increase employee's performance, productivity and capabilities. Furthermore, the authors also claimed that by 2020, about 3.3 million jobs will be created, of which 1.3 million will be TVET based. However, the TVET sector would not be able to meet up the demand. Though the student enrolment is increasing since 2001, a few years showed drops in students' intake as there were budget and quota constraints. Moreover, 70% of TVET current graduates concentrated on lower-level skills or Malaysian Skills Certificates qualification only.

The 2015 Universitas21 annual ranking of national systems of higher education placed Malaysia at 27th place for 50 countries below Singapore, Japan and Korea. In 2016 Malaysia maintained its position at 27th place and in 2019 it was positioned at 26th place (Universitas21, 2019). The ranking was based on four attributes, namely, resources, environment, connectivity and output. However, in terms of graduates' output Malaysia was ranked 44th out of 50 countries which indicates the marketability of graduates (Williams, Leahy, Rassenfosse & Jensen, 2015). It clearly shows that Malaysian graduates are lack of the necessary criteria to be considered as marketable.

Brain drain issue is also considered critical as the numbers of skilled Malaysian migrating to overseas continue to skyrocket (Mastura Ab. Wahab, 2014). Malay Mail (2016) citing a World Bank report in 2011 stated that the number of skilled Malaysians living abroad increased 300 percent in the last two decades. The report further added that two out of every 10 Malaysians with higher education preferred to leave for member countries of the Organisation for Economic Co-operation and Development (OECD) or Singapore. The

initiatives taken by government failed to retain the skilled human capital in Malaysia.

Although employees' attitude plays an important role in improving their skill, education level and talent, the initiative taken by government also play a more significant role. Government policies and procedures determine the ability to produce productive and talented human capital. Many of the ad hoc steps and policies taken by Malaysian government brought the greatest challenges to produce quality human capital. Some of such policies were abolishment of PPSMI (though statistics showed that there were a lots of improvements in subjects such as English, Science and Mathematics), the slashed budget allocation for such an important education sector, constantly changing the format of examination without proper study, failure to upgrade the soft skills and communication skills in the aspects of English language usage and failed to improve the creativity and innovation skills of Malaysian workforce. This fact is also supported by the World Bank report that blamed Malaysian education system as a hindrance for producing capable graduates (The Star, 2009).

III. CONCLUSION

Human capital development is considered as one of the crucial factor affecting Malaysia's development. Many steps have been taken by the relevant authorities to solve this issue. Well planned initiatives must be implemented to tackle the human capital development issues plaguing Malaysia.

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