

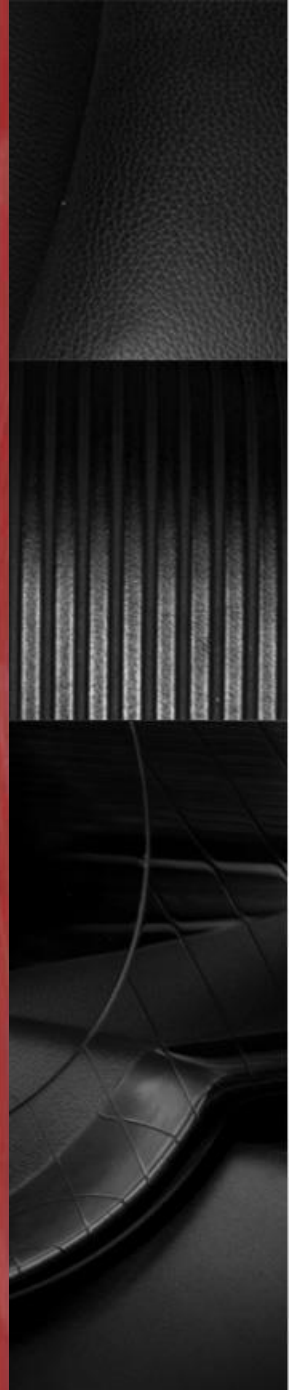
# POPULATION, HUMAN CAPITAL AND DEVELOPMENT

## THE MALAYSIA EXPERIENCE

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# INTRODUCTION

- Population-development nexus multifaceted, but economic growth a major part of discourse
- East Asian experience rich with lessons: Rapid transition, diverse paths, complex impact – winners and losers, government matters
- Human resource a key part of the equation
- Malaysia as case study: rapid transition; multi-ethnic population from immigration, human capital for Vision 2020
- Will review (a) demographic transition (b) efforts to deepen human capital base (c) extent these efforts succeed, and (d) draw implications

# MALAYSIA'S DEMOGRAPHIC TRANSITION

Census Year	Population (mil.)	Population Growth Rate (%)	Crude Natural Increase Rate (%)	Economic Active Population (% of Total Population)	Population Aged 0-14 (% of Total Population)
1960	8.0	--	3.1	53.4	43.8
1970	10.4	2.7	2.6	52.2	44.5
1980	13.1	2.3	2.5	56.5	39.9
1991	17.6	2.7	2.3	59.2	37.2
2000	23.4	3.1	1.9	62.0	34.1
2010	28.3	2.0	1.3	67.3	27.6

- Population growth affected by 2 events
- Rapid decline in natural increase rate
- Growing share of economically active population

# BUT LABOR SUPPLY SHORTAGE

Year	Labor Force Participation Rate (%)		Education Gross Enrollment Rates (%)		
	Total	Female	Primary	Secondary	Tertiary
1990	66.5	47.8	93	54	7
1992	65.9	46.9	95	56	9
1996	66.3	46.8	97	57	11 (1995)
1998	64.3	44.4	96	67	22
2000	65.0	47.2	96	66	26
2002	64.4	46.7	98	66	27
2004	64.4	47.2	96	72	30
2006	63.1	45.8	100	68	29
2008	62.6	45.7	--	66	34
2010	63.7	46.8	--	67	37

- Rapid economic growth but ...
- Low LFPR and
- Rapid expansion of education enrollment

# IMMIGRANT LABOR FILLS THE GAP

- Legal + illegal
- Estimated 2 million illegals
- Indonesians dominate
- But sources diversifying
- Mostly low-skilled
- Brain drain of high-skilled workers
- Cheap labor model ...
- Cannot achieve Vision 2020

	No. of Immigrant Workers (000)	Percent Share from			
		Indonesia	Bangladesh	Thailand, Philippines, Pakistan	All Other Sources
<b>1999</b>	410	65.7	27.0	2.9	4.4
<b>2001</b>	850	74.7	13.5	2.0	9.8
<b>2004</b>	1,470	69.7	3.7	1.6	25.0
<b>2008</b>	2,062	52.6	15.3	3.3	28.7
<b>% Change p.a. 1999-2008</b>	+19.7	+16.8	+12.4	+21.5	+47.7

**The Flow of Legal Immigrants Workers to Malaysia 1999 – 2008**

# EDUCATION BY THE NUMBERS ....

Education Achievement/ Ethnic Group	Birth Cohort				
	Before 1905	1905-14	1925-34	1945-54	1965-74
<b><u>% Entering Primary Year 1</u></b>					
Malay	35	47	72	93	97
Chinese	53	58	76	93	94
Indian	53	58	76	93	94
<b><u>% Schooled up to Lower Secondary</u></b>					
Malay	2	4	7	45	89
Chinese	7	8	16	44	77
Indian	-	15	18	50	78
<b><u>% Progressing from Lower Secondary to Completing Upper Secondary</u></b>					
Malay	20	56	65	60	76
Chinese	58	55	60	62	63
Indian	--	47	65	53	56

**Achievement by Levels of Education among Malaysia's Ethnic Groups**

- 100% enrollment primary
- Over 75% lower secondary
- Parity across ethnic groups for both
- But not for upper secondary
- Gender parity more than achieved - F>M

# SUPPORTED BY LARGE PUBLIC BUDGET

	As % of GDP			As % of Total Public Expenditure		
	2000	2005	2011	2000	2005	2011
<b>Malaysia</b>	--	<b>4.9</b>	<b>5.6</b>	<b>21.4</b>	<b>21.0</b> (2004)	<b>20.9</b>
<b>China</b>	5.6	3.3	3.5	11.4 (1999)	--	--
<b>Indonesia</b>	1.3 (1995)	--	--	11.1 (2001)	15.3	15.0
<b>Korea, Rep.</b>	3.2	3.2	3.3	--	--	--
<b>Philippines</b>	3.3	2.3	2.8	15.2	12.4	13.2 (2009)
<b>Singapore</b>	3.9	3.2	3.2	14.8	23.7	20.5
<b>Thailand</b>	3.9	3.5	4.3	27.5	20.2	24.0
<b>Vietnam</b>	2.9 (1995)	--	--	--	--	20.9 (2010)

Public Expenditure on Education: Malaysia and Selected East Asian Countries

- **Rapid expansion of private tertiary education, enrollment exceeded public tertiary education in 2010**
- **But TVET role small, reflecting societal focus on academic education**



# NOT BY NUMBERS ALONE .....

- Females: high enrollment rates, low LRPRs, those working were in lower-paid jobs
- Students from low income households suffer major disadvantages
- No level playing field between public and private tertiary education in which >50% of students enrolled
- Eroding education standards
- Attitudes towards and issues regarding TVET



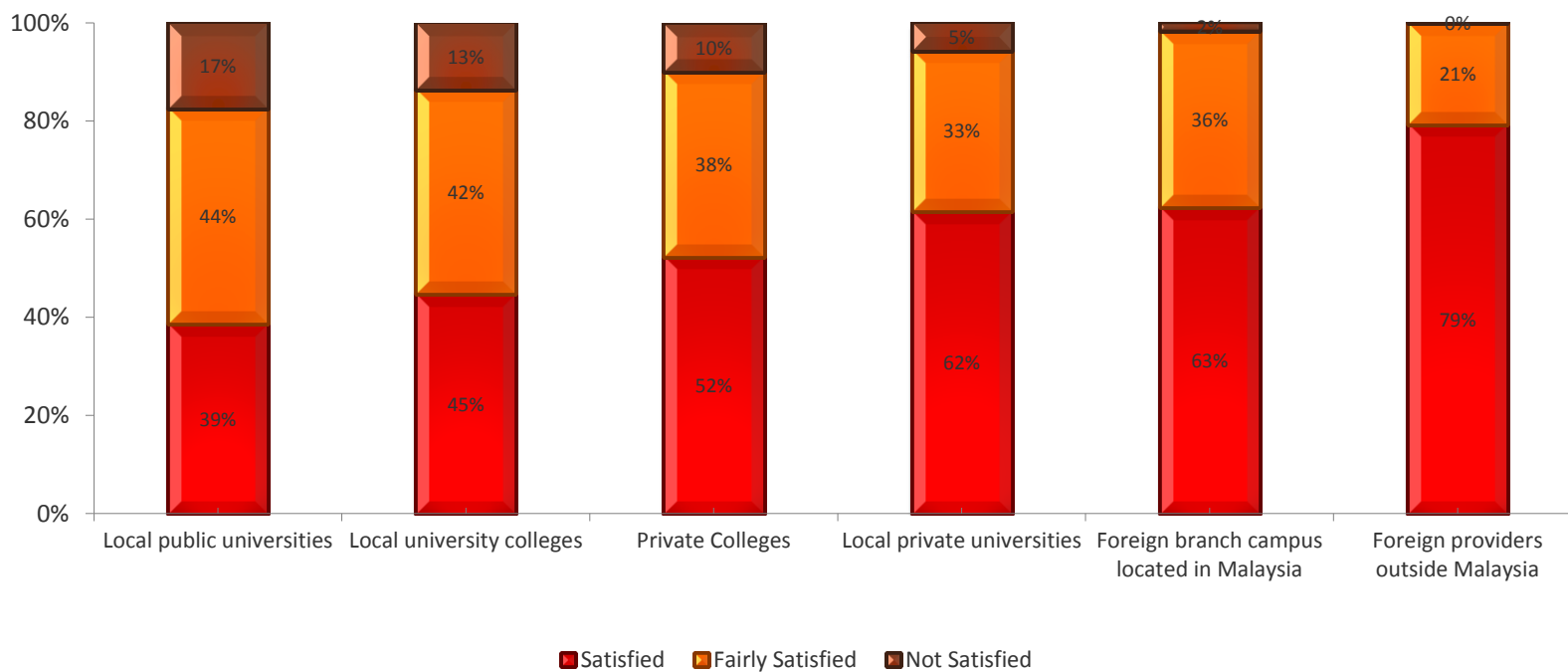
# ERODING EDUCATION STANDARDS

Country/Skill Tested	TIMSS				PISA	
	1999	2003	2007	2011	2009	2012
<b>Mathematics</b>						
Malaysia	519	508	474	440	404	421
Korea, Rep.	578	589	597	613	546	554
Singapore	604	605	593	611	562	573
Taiwan	585	585	598	609	543	560
<b>Science</b>						
Malaysia	492	510	471	426	422	420
Korea	549	558	553	560	536	538
Singapore	568	578	567	590	542	551
Taiwan	569	571	561	564	520	523

**Malaysia's Test Scores in International Tests TIMSS and PISA, 1999 to 2012**

# WHAT DO EMPLOYERS THINK OF MALAYSIA'S TERTIARY EDUCATION OUTPUT?

Employer Satisfaction with Graduates from the Different Categories of HEI



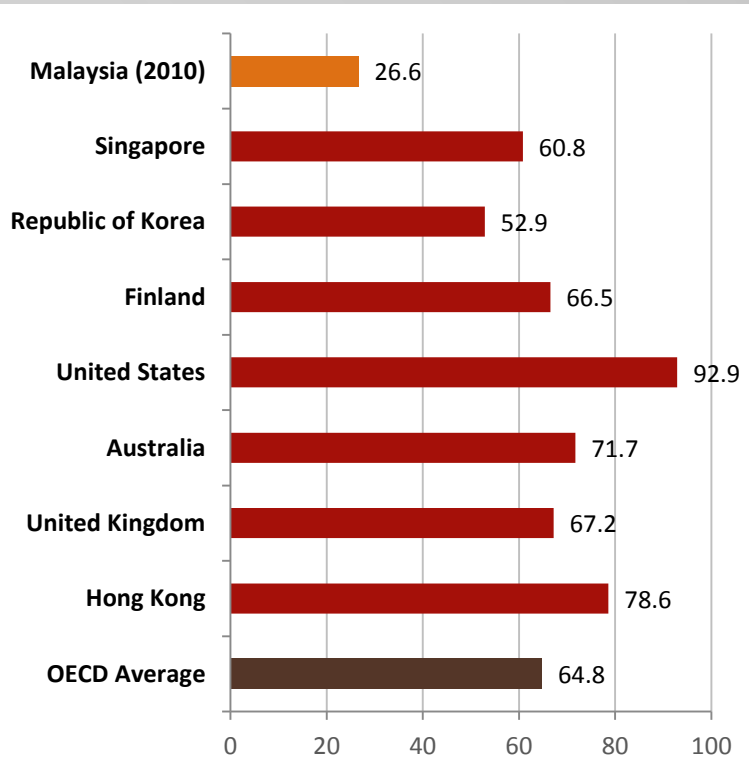
# THE PROBLEM WITH TVET

- Public perception: TVET the refuge of those who cannot make it academically
- Malaysia's TVET system public sector focused
- More 'talk' than 'walk'
- Public sector system has multiple agencies but limited coordination
- Many changes but no institutional memory
- Funding not tied to target achievement, hence efficiency, equity of use of funds unknown

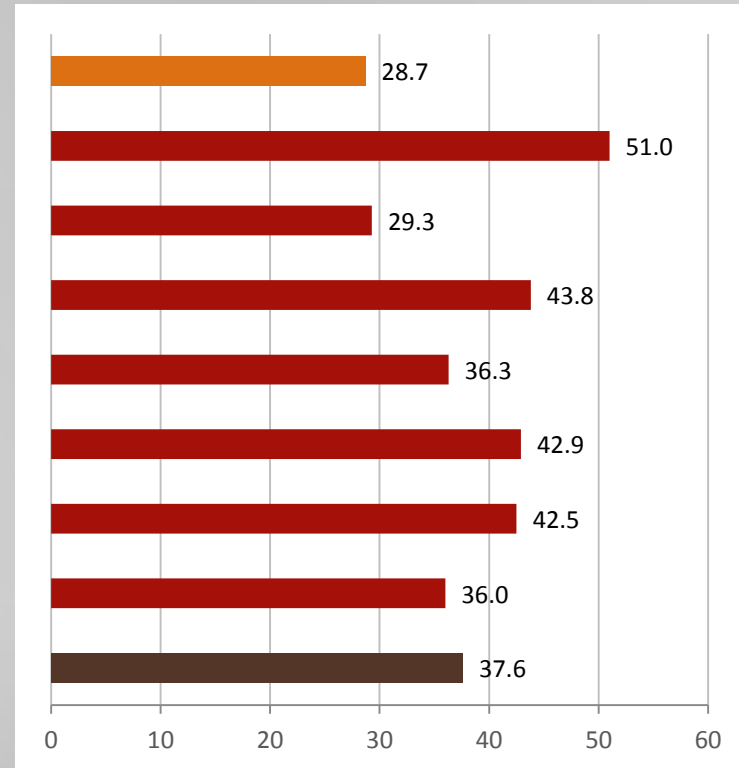


# VISION 2020 WITHIN REACH?

Labor Productivity 2009 (\$'000 per employee)



Skilled Workforce 2008 (%)





# CONCLUSION: NO HAPPY ENDING ... YET

- Malaysia is reaping a demographic dividend from a growing EAP. But this dividend will not last for ever.
- But benefit partially eroded by low LFPR among females
- While education is the right reason to stay out of the labor force, staying out after completion is human capital lost. So also is job mismatch suffered by females in the workforce.
- The education system, academic and TVET, has serious challenges.

**“The Malaysian experience speaks to the fact that the benefits of the demographic dividend will not accrue automatically to a country and its citizens. It must be earned. Government policies are needed to capture these benefits. But they can also lead to these benefits being denied. “**

# THANK YOU

Questions welcomed



Changes in Countries' GDP between 1960 and 2008