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# EXECUTIVE SUMMARY

Malaysia has been making clear strides towards transforming into an advanced economy and inclusive nation, with a strong economic growth record. As Malaysia approaches its vision to become an advanced economy and inclusive nation by 2020, productivity improvement is critical for sustaining this positive trajectory.

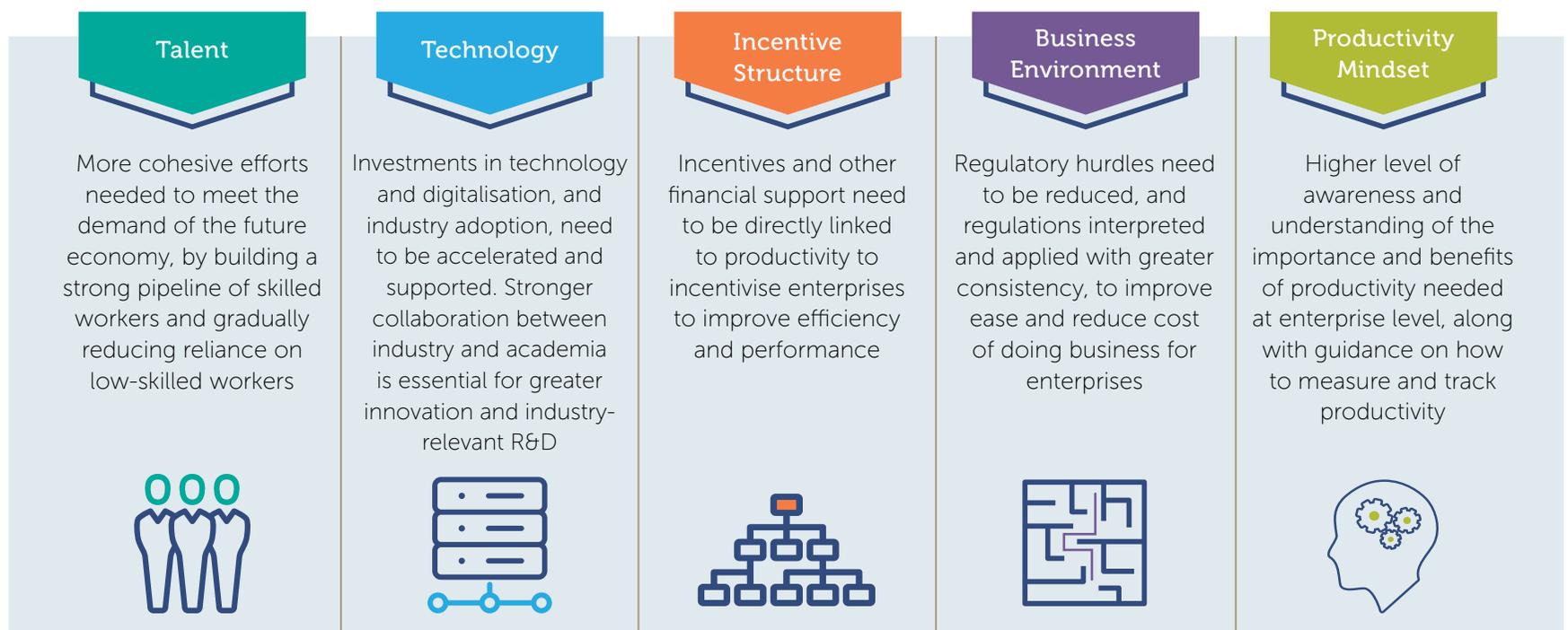
Delivering successfully on the Blueprint will pave the way to achieving the ambitious labour productivity growth target of 3.7% per annum during the 11MP period.

Malaysia has enjoyed a steady gross domestic product (GDP) growth for the past 25 years and more. Its inclusive growth model has helped Malaysia dramatically reduce the incidence of poverty. The economy that was once highly dependent on primary products such as tin and rubber has diversified to become an exporter of electrical and electronic products, palm oil and natural gas.

Malaysia's growth has been predominantly input driven through the injection of capital and labour into the economy. This input-driven

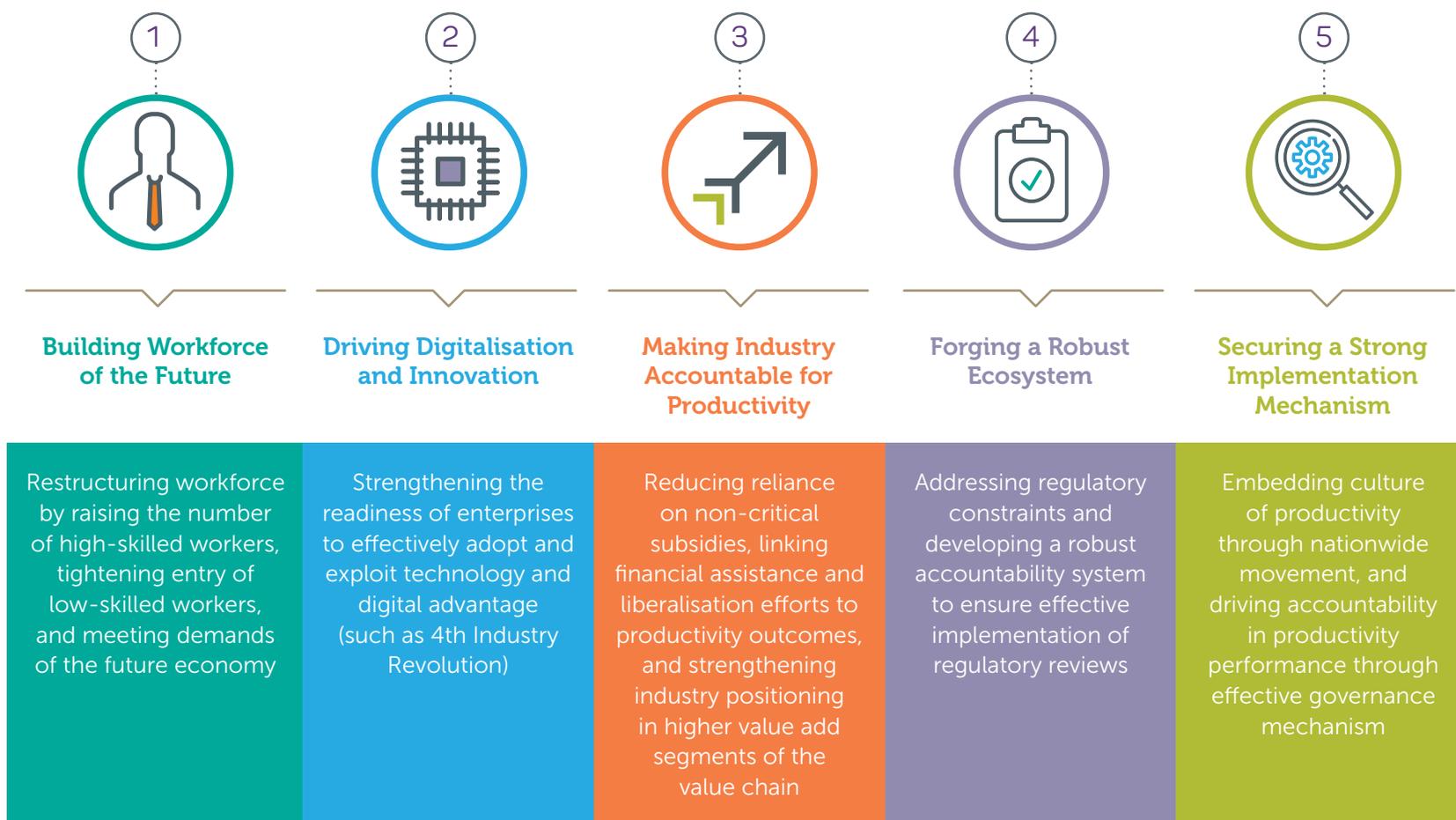
growth, is becoming more costly to sustain with every unit of input injected into the economy yielding less GDP growth compared to the past. Hence, it is critical that Malaysia moves from input-driven to productivity-driven growth to achieve a sustainable economic growth.

There are several challenges to productivity growth. These challenges are grouped into five categories:



The Malaysia Productivity Blueprint defines five key strategic thrusts that form the basis of its recommendations to raise productivity and address the common challenges.

Thrust one to four are described in further detail in Chapter 3 of this Blueprint, while thrust five is covered in Chapter 6.



From these strategic thrusts, the Blueprint identifies 10 national-level initiatives and 43 sector-level initiatives. Sector Productivity Nexus<sup>1</sup> will drive change at the enterprise level.

Delivering successfully on the Blueprint will pave the way to achieving the labour productivity growth target of 3.7% per annum during the 11MP period. To ensure effective implementation, the development of the Blueprint relies on three guiding principles:

1. Sector Productivity Nexus are described in detail in chapter 6 of the Blueprint.

Productivity must be addressed holistically and in tandem – at the national, sector and enterprise levels

The Blueprint outlines immediate national-level priorities that require policy reform and the government's intervention and action within the next twelve to twenty-four months. For sector-specific initiatives, a rollout in prioritised stages is proposed. At the enterprise level, the Blueprint describes the required expertise and support for enterprises to understand and tackle their productivity challenges on the ground.



Strong coordination and governance are key to securing implementation certainty

The Blueprint implementation requires oversight through a robust governance model. There are four clear roles required going forward: strategic oversight, advisory, coordination and monitoring as well as implementation. Strong coordination is critical to driving implementation on the ground, with rigorous programme management to ensure transparency and accountability. Sector Productivity Nexus will play a key role in supporting enterprises on the ground, simultaneously improving the visibility of the implementation progress.

Productivity needs to be top of mind movement and embedded into day-to-day work culture

Enterprises need to understand the impact that productivity will have on their bottom line, and have access to a feasible method of tracking their productivity. It is essential that government mechanisms encourage productivity (such as by ensuring that all incentives are linked to clear productivity outcomes) so that enterprises adopt productivity tracking as the norm. In addition, a national-level campaign should be launched to ensure targetted messages are communicated at enterprises, government agencies, youth and students as well as the general public.

At the national level, ten initiatives require urgent action. These initiatives are anchored on the five strategic thrusts, and are outlined below:

THRUSTS		NATIONAL INITIATIVES
1	Building Workforce of the Future	Enforce structural changes to the workforce by formulating a comprehensive labour market policy, including reducing reliance on low-wage and low-skilled workers
		Conduct national strategic workforce planning in anticipation of changing needs across the sectors
2	Driving Digitalisation and Innovation	Strengthen readiness, knowledge and adoption of technology by enterprises across sectors
		Strengthen digitalisation among SMEs through e-commerce and adoption of innovative technology
3	Making Industry Accountable for Productivity	Gradually reduce the reliance on non-critical subsidies, and ensure liberalisation efforts are linked to productivity outcomes
		Realign key grants, incentives, soft loans and other funding mechanisms to productivity metrics and outcomes
4	Forging a Robust Ecosystem	Accelerate efforts to enhance whole-of-government approach towards addressing regulatory constraints
		Establish an accountability mechanism for the implementation of regulatory reviews by the government
5	Securing a Strong Implementation Mechanism	Institutionalise a strong coordination and governance model to secure implementation certainty across government, sector, and enterprise levels
		Launch nationwide productivity movement to inculcate a stronger culture of productivity across all segments of society

To rollout the national-level initiatives, sixteen key activities have been identified, six of which are to be implemented immediately. The sixteen activities are listed below:

Building Workforce of the Future	Driving Digitalisation and Innovation	Making Industry Accountable for Productivity	Forging a Robust Ecosystem	Securing a Strong Implementation Mechanism
<p><b>N1</b> Enforce structural changes to the workforce by formulating a comprehensive labour market policy, including reducing the reliance on low-wage and low-skilled workers</p>	<p><b>N3</b> Strengthen readiness, knowledge and adoption of technology by enterprises across sectors</p>	<p><b>N5</b> Gradually reduce the reliance on non-critical subsidies, and ensure liberalisation efforts are linked to productivity outcomes</p>	<p><b>N7</b> Accelerate efforts to enhance whole-of-government approach towards addressing regulatory constraints</p>	<p><b>N9</b> Institutionalise a strong coordination and governance model to secure implementation certainty across government, sector, and enterprise levels</p>
<p><b>1</b> Restructure and improve the management of foreign workers</p> 	<p><b>7</b> Actively encourage adoption of 4th Industry Revolution technologies by companies, across main economic sectors</p> 	<p><b>9</b> Undertake necessary revisions to ensure regulations are aligned to liberalisation policies</p>	<p><b>13</b> Remove non-tariff measures that impede business growth and improve efficiency of the logistics sector</p> 	<p><b>16</b> Evolve governance model to drive game changing implementation of Malaysia Productivity Blueprint</p> <ul style="list-style-type: none"> <li>• 4 key roles going forward – strategic oversight, advisory, coordination and monitoring, and implementation</li> </ul> 
<p><b>2</b> Launch a National Wage Index and enhance the Productivity-Linked Wages System</p>		<p><b>10</b> Develop a schedule for removal of remaining non-critical subsidies</p>		
<p><b>N2</b> Conduct national strategic workforce planning in anticipation of changing needs across the sectors</p>	<p><b>N4</b> Strengthen digitalisation among SMEs through e-commerce and adoption of innovative technology</p>	<p><b>N6</b> Realign key grants, incentives, soft loans and other funding mechanisms to productivity metrics and outcomes</p>	<p><b>N8</b> Establish an accountability mechanism for the implementation of regulatory reviews by the government</p>	<p><b>N10</b> Launch nationwide productivity movement to inculcate a stronger culture of productivity across all segments of society</p>
<p><b>3</b> Accelerate the establishment of the Malaysian Bureau of Labour Statistics to improve labour market statistics and information</p>	<p><b>8</b> Strengthen digitalisation among SMEs through e-commerce and adoption of innovative technology</p> 	<p><b>11</b> Embed productivity targets for enterprises into disbursement processes of new grants, incentives and soft loans</p> 	<p><b>14</b> Strengthen the regulatory portal and mechanism to track regulatory review implementation</p>	
<p><b>4</b> Update job openings and employment projections given changing job profiles for key economic sectors</p>		<p><b>12</b> Review existing incentives to reduce/remove non-targetted incentives and align them to programmes with clear targets and outcomes</p>	<p><b>15</b> Establish state-level benchmarking indicators for businesses</p>	
<p><b>5</b> Assess specific human capital requirements of key economic sectors and pro-actively plan for future human capital needs</p>				
<p><b>6</b> Ensure focused efforts on up-skilling and re-skilling in industry through better utilisation of the Human Resources Development Fund</p>				 Immediate Priorities

The six immediate priorities are game changers and will significantly move the needle on productivity improvement. In summary, the six immediate priorities are:

- 1) **Restructure and improve the management of foreign workers**
  - Formulate and implement a comprehensive foreign workers policy
  - Use sector-specific, structured, phased-out plan complemented by availability of local workers and automation
  - Apply market mechanism based on levies
  - Ensure robust engagement and communication
  - Streamline management of foreign workers through a single point of authority
- 2) **Actively encourage adoption of 4th Industry Revolution technologies by companies, across main economic sectors**
  - Develop human capital required
  - Create dedicated pool of investment funds or align existing fund to drive 4th Industry Revolution (I4.0) agenda nationally
  - Set up I4.0 centre of excellence to support industry adoption
  - Ensure quality and coverage of digital infrastructure especially broadband to support I4.0
- 3) **Strengthen digitalisation among SMEs through e-commerce and adoption of innovative technology**
  - Ensure seamless movement of SMEs through the entire innovation process under a single platform by providing access to technical assistance, market information, and incubation and testing facilities
  - Increase promotion and marketing of e-commerce to SMEs in collaboration with various platform providers
  - Streamline incentives towards ICT-based business solutions for productivity gains
- Expedite the establishment of a single window for both business registration and licensing to reduce regulatory burden, and facilitate targeted intervention
- Intensify internationalisation of SMEs through e-TRADE platform and strategic market alliances
- 4) **Embed productivity targets for enterprises into disbursement processes of new grants, incentives and soft loans**
  - Establish clear guidelines on approval processes for funds
  - Align disbursement of incentives to productivity milestones
  - Embed self-tracking culture across enterprises by enforcing continuous monitoring of productivity improvements by fund recipients
- 5) **Remove non-tariff measures that impede business growth and improve efficiency of the logistics sector**
  - Accelerate implementation of uCustoms
  - Introduce guillotine approach to reduce regulatory burden
  - Establish and institutionalise an innovative policy development engagement mechanism to embrace disruptive technology
  - Accelerate implementation of the Logistics Masterplan
- 6) **Evolve governance model to drive game changing implementation of Malaysia Productivity Blueprint**
  - Undertake four key roles going forward - strategic oversight, advisory, coordination and monitoring, and implementation

Five main criteria to guide the design of the new governance model:

Design Criteria	Implications on Governance Model
<p><b>1</b> <b>Clarity of roles to drive effective implementation efforts</b></p> <ul style="list-style-type: none"> <li>• Evolution of productivity governance model required with <b>four clear roles going forward – strategic oversight, advisory, coordination and monitoring, and implementation</b></li> </ul>	<p>Clearly defined <b>roles to ensure cohesive push</b> for productivity</p>
<p><b>2</b> <b>Balancing the role of the government and the private sector</b></p> <ul style="list-style-type: none"> <li>• Government to provide the enabling <b>ecosystem to drive productivity</b>, with on-the-ground implementation at enterprise level <b>led by the private sector</b></li> <li>• <b>Industry associations and enterprise champions to be empowered as key change agents</b> to drive implementation efforts</li> </ul>	<p><b>Public-private partnership</b> governance model, with <b>industry associations and enterprise champions as key private sector players</b> for implementation</p>
<p><b>3</b> <b>Proper coordination to ensure cohesive efforts, drive accountability and achieve outcomes</b></p> <ul style="list-style-type: none"> <li>• Need for a <b>strong coordinating body to ensure linkage between public and private sector players</b>, and <b>cohesiveness between national, sector and enterprise level</b> action plans</li> <li>• Robust <b>monitoring and evaluation efforts</b> to ensure outcomes are achieved</li> </ul>	<p>Setup of a <b>strong coordinating body to drive monitoring and evaluation</b> of implementation efforts</p>
<p><b>4</b> <b>Demarcation of productivity governance and implementation roles vis-a-vis existing agencies</b></p> <ul style="list-style-type: none"> <li>• Critical to define <b>roles within the productivity governance and implementation model and interactions with other government / private sector entities</b></li> <li>• Need to align with existing agencies to <b>avoid duplicated or conflicted efforts</b></li> </ul>	<p>Governance model to indicate <b>clear, non-duplicative roles</b>, with industry players able to clearly navigate for support</p>
<p><b>5</b> <b>Empowered with credible leadership, supported by highly competent talent</b></p> <ul style="list-style-type: none"> <li>• Leaders to have <b>credibility and trust of both government and private sector</b>. Leadership must be <b>transparent and accountable for achieving agreed results and outcomes</b>.</li> <li>• Leaders to have <b>core competencies required for success</b> (such as industry expertise and delivery mindset)</li> </ul>	<p>Selection of the <b>right leadership and talent</b> as integral part of governance and implementation</p>

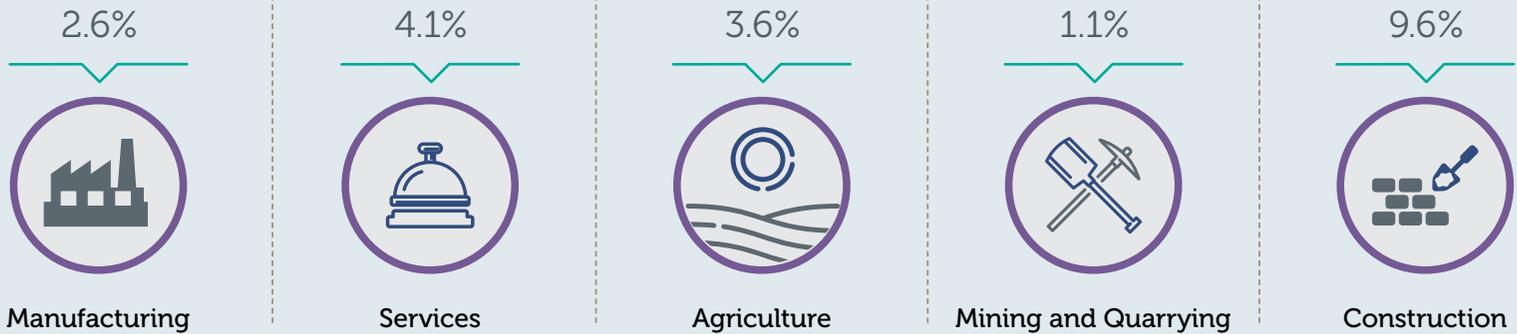
Comprehensive, transparent and coordinated efforts via institutionalised governance mechanism



Successful implementation of the Blueprint will ensure that the outcomes will move Malaysia towards more competitive and productive mindsets, and increase the nation's productivity to meet the 11MP targets. Looking into the future, the Blueprint envisions a Malaysia that will serve as a model of excellence regionally and globally in driving productivity transformations.

11MP has set the target to achieve national labour productivity growth of 3.7% per annum

To achieve this national target, each sector must raise labour productivity growth to target levels<sup>1</sup>

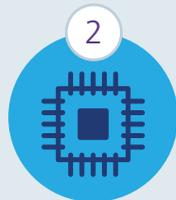


The Malaysia Productivity Blueprint has paved the 'Drive to Productivity' to achieve these targets

5 KEY STRATEGIC THRUSTS TO ADDRESS PRODUCTIVITY CHALLENGES



Building Workforce of the Future



Driving Digitalisation and Innovation



Making Industry Accountable for Productivity



Forging a Robust Ecosystem



Securing a Strong Implementation Mechanism

10 national-level initiatives  
16 key activities  
6 immediate priorities

NATIONAL

9 priority subsectors  
3 deep-dive subsectors (Wave 1)  
43 sector-level initiatives

SECTOR

3 sector Productivity Nexus to be established in Wave 1 to boost enterprise productivity

ENTERPRISE

Productivity efforts to be driven holistically at national, sector and enterprise levels

1. 11MP targets.

