



Malaysian Budget 2023

Labour Market Outlook

Dovetailing post-pandemic recovering momentum with enhanced resilience and reforms

About EU-ERA

Centre for Future Labour Market Studies (EU-ERA) is a state-of-the-art research centre in Malaysia that focuses on the labour market research and analytics, which was established in September 2020. The mission of the EU-ERA is to blend the scientific and empirical approach into the current policy development which cover end-to-end labour market policies ranging from the labour supply to the labour demand issues. In meeting the mission, the centre focuses on forecasting and modelling; applied policy analysis; and capacity building and structured training programs for labour market assessment tools.

How To Cite

Centre for Future Labour Market Studies (2022). Malaysian Budget 2023: Labour Market Outlook. Putrajaya, EU-ERA.

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Acknowledgement

The authors thank to the rest of the EU-ERA team for their continuous support to this publication.





About the Labour Market Outlook 2023

This outlook is prepared by EU-ERA as an initiative to encapsulate the labour market intervention strategies outlined in the Malaysian Budget 2023.

Specifically, the outlook presents a brief assessment of how these government’s measures in the Budget proposal will bring a new landscape for the Malaysian labour market in 2023 encompassing labour supply, demand and job market.

- i **Labour supply enhancement strategies** refer to initiatives and incentives that will directly affect the labour supply, such as education and training and incentive to increase labour force participation.
- ii **Labour demand boosting strategies** refer to measures undertaken by the government to incentivise labour demand increase in the economy through short-term employment programmes and investment stimulation for businesses.
- iii **Job market strengthening strategies** refer to government intervention to stimulate job search and matching, as well as improve the labour market efficiency. This involves hiring incentive, job search allowance, and placement.

In a nutshell, our assessment indicates that the Budget 2023 covers vital aspects for the labour market empowerment strategies aligned to the 12th Malaysian Plan. The outlook starts with a brief assessment of the labour market condition in 2021, followed by the main insights drawn from the Budget assessment.

Budget 2023 allocates at least RM99.7 billion to support labour market improvement

It is estimated that approximately RM 99.7 billion of allocation will be channeled to the labour market improvement, encompassing labour supply, demand

and job market. Specifically, the Budget is expected to enhance the labour supply through empowering focus groups such as B40, M40, women and youth, with RM18.6 billion. In addition, the labour demand component is focused on creating jobs for the *Rakyat* through direct and indirect measures that are worth at least around RM80.9 billion. Finally, the job market strengthening measures via incentivising job search and matching to boosting employment are set to cost around RM 208 million.

Figure 1 Budget 2023 Labour Market Ecosystem










Note: The allocation for each labour market ecosystem are approximate mapping based on the Budget 2023 speech. Some of the allocations might be overlapping and could be directly or indirectly related to the labour market.



“The labour market related initiatives in the Budget 2023 are cutting across seven chapters in the Twelfth Malaysia Plan”

Figure 2 Predictive Mapping Between Budget 2023 Initiatives in the Labour Market and the Twelfth Malaysia Plan 2021-2025

		Twelfth Malaysia Plan 2021-2025						
		 Restoring Growth Momentum	 Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises	 Enhancing Defence, Security, Wellbeing and Unity	 Addressing Poverty and Building an Inclusive Society	 Advancing Green Growth for Sustainability and Resilience	 Developing Future Talent	 Boosting Digitalisation and Advanced Technology
Budget 2023 Focus	B40 Group				Labour Supply			
	Women & Children							
	Social Protection						Labour Supply	
	Jobs & Skills Training						Labour Supply	
	Education & TVET						Labour Demand	
	Community			Labour Demand	Labour Supply			
	Paddy Farmers, Fisherman & Smallholders				Labour Demand			
	Tax Deductions & Cash Grants							
	Financing Facilities	Labour Demand			Labour Demand			
	Strategic Financings, Alternatives & Financing Guarantees		Labour Demand					
	Recovery of Tourism Industry							
	Food Security		Labour Supply					
	Government Linked Companies				Labour Supply			
	Government Administration						Job Market	
	Promote Investment and Trade	Labour Demand						
	Science, Technology and Innovation							Labour Demand
	Local Products							
	Creative Sector		Labour Demand					
	Sports Industry			Labour Supply				
	Syiar Islam (Halal Industry)		Labour Demand					
	Inter-Regional Development					Labour Supply		Labour Demand
	Small & Medium Projects					Labour Demand		
	Digital Connectivity							Job Market
Commitment towards Carbon Neutral 2050						Labour Demand		
Survival of Biodiversity								
Sustainable Communities					Labour Supply			

Note: The mapping is solely made by EU-ERA based on the related keywords of each Budget 2023 initiative to the Twelfth Malaysia Plan focus areas.

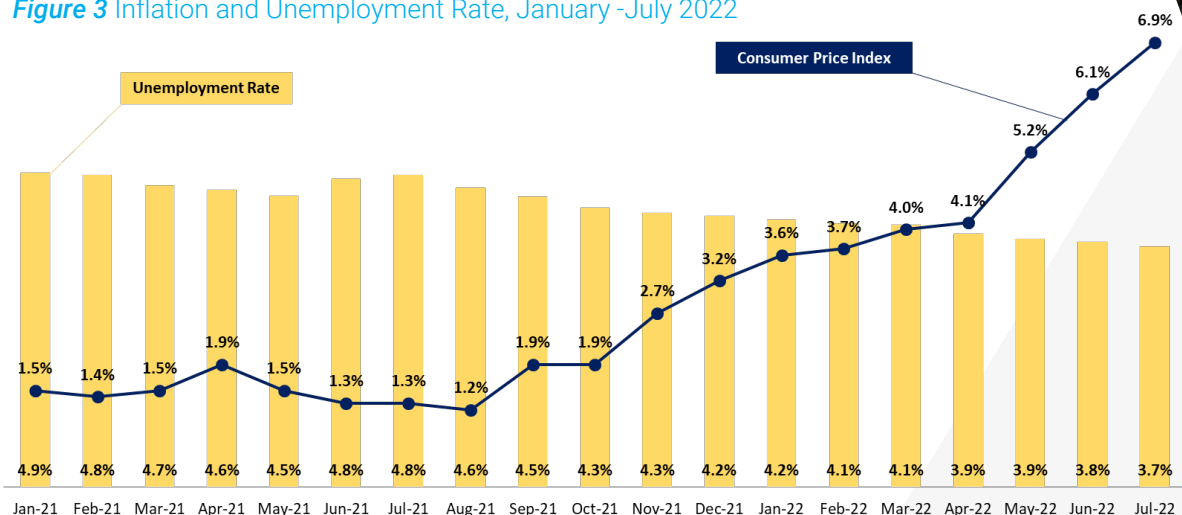
Labour Market Condition in 2022

The labor market in 2022 entered into a recovery phase after 2 years of non-pharmaceutical containment measures. The unemployment rate decreased from 4.2% in January to 3.7% in July, the lowest since February 2020. The downward trend is driven by the full reopening of international borders and the resumption of economic and social activities. Similar observation hold for the retrenchment of private workers. The number of loss of employment (LOE) captured by the Social Security Organisation (SOCSO) decreased from 4,556 in January to 2,786 in September.

While there is a surge in growth, external headwinds and global uncertainties pose a challenge and add to the economic risks. The Budget 2022 initiative tabled last September 2022 did not anticipate accelerated cost of living due to the Ukraine-Russia conflict, disruptions of the global supply chain due to zero COVID-19 policy in China, global inflation as well as US Federal Reserve tightening monetary policy. Cushioning the impact of these uncertainties resulted in an increase in the total amount of subsidies from RM31 billion to RM77.3 billion.

The increase in subsidies is partially preventive in curbing the cost of living hike that directly adds pressure on employees' income. The Consumer Price Index (CPI) for food and non-alcoholic beverages has steeply increased by over 4% since March 2022 compared to the usual rate. With the unemployment rate still higher than the pre-crisis level (3.3% in 2019), the increase in food and drink prices will definitely have an impact on employee's income especially to low-income households: the B40 and lower M40 groups. This reflects that in spite of the job market being in a recovery phase, the employees' income is unable to match the increased cost of living.

Figure 3 Inflation and Unemployment Rate, January - July 2022



Source: Department of Statistics Malaysia (2022)

2022



Key Labour Market Reflection 2023

Our perspectives on the following key reflections are made solely on our view based on the contents of the Budget 2023 speech and touchpoints. It may not fully reflect the overall landscape of the labour market.

Progressive labour market recovery momentum. The year 2022 has proven the effectiveness of government interventions to restore the labour market condition. Budget 2022 labour market initiatives smoothen the recovery process to healing up the pandemic-led “injuries”. Moving forward to the year 2023, continuous recovery is expected for the Malaysian labour market in spite of global economic slowdown projected by the International Monetary Fund (IMF). The Ministry of Finance projects 2023 Malaysia’s GDP growth to stand modestly around 4.0% to 5.0%, settling the unemployment rate to 3.5% to 3.7% by end of 2023.

Crucial interventions to improve labour supply outcomes. Multidimensional approaches to incentivise people to work and realign workforce skills and proficiencies to meet industry demand are keys to support economic production. Youth unemployment, graduate employability, worker protection and talent development are addressed in the Budget 2023 leveraging on high technology and digital-based growth that further reinforce on improving high-skilled workforce and living standards.

Boosting labour demand for higher growth. As the economy is moving towards a high income nation, it is inevitable to reduce dependency on labour-intensive production, low technological adoption and low value-added activities. In the Budget 2023, the direction is clear to reform the economy to the extent that a significant allocation is given to spur high quality investment in the strategic sectors, creating high-skilled jobs and incentivising digitisation and automation. Micro, small and medium enterprises (MSMEs) are encouraged to move up the value chain to innovate and produce high quality products and services. These measures are important to create “real” job for the Malaysians.

Optimising job creation through inclusive hiring and improved job matching mechanism. Since the pandemic hit, economic sectors suffer from labour shortages. An inclusive intervention has been implemented to maximise local talents to fill up the vacancy gap. Hiring incentive under SOCSO encourages employers to provide job opportunities for disable person, orang asli, ex-convicts and women. Improving job matching mechanism is important to reduce job search friction. In the Budget 2023, the development of Pusat Satelit MYFutureJobs across the country and National Placement Centre are imperative to assist job seekers finding relevant jobs.

Rising wages bring good than bad to the economy. Rising cost of living is the main concern in the current economic situation. Government cash assistance is periodical to buffer the pressing living cost and not sustainable. EU-ERA special report entitled “Meniti Titian Hidup: Memahami Impak Badai Inflasi” exposes that 40.5% of the middle and lower income households reduce their meal size due to high living cost. Labour market intervention is needed for the reason that two-third of household incomes come from paid salary. Increasing salary does not regress for the economy, but higher salary generates plethora of benefits to the rakyat and national economy.

Fiscal Highlights

The Government undertake another round of expansionary fiscal policy move...

Continuous support from the government to drive a persistent recovery is crucial to safeguard a resilience economic growth and curb inflationary impacts. With the allocation of RM372.3 billion, Budget 2023 is again to become the largest government expenditure in the national history. However, prudence fiscal consolidation approach implemented by the government is expected to reduce fiscal deficit-to-GDP ratio (current price) from 5.8% in 2022 to 5.5% in 2023.

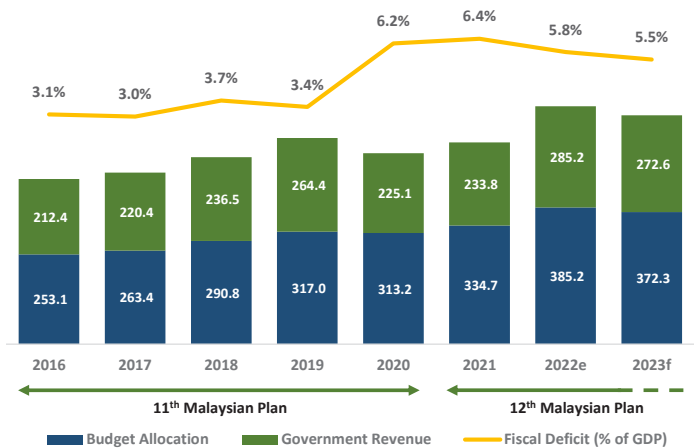
...to dampen external economic uncertainties that could subside post-pandemic recovery.

Given that the country will be reaching nearly half-way of its 12th Malaysian Plan (MP) in 2023, a significant increase is allocated for development expenditure (DE) that rises by 32.4% to RM94.3 billion. As compared to the 11th Malaysian Plan period, fiscal deficit is expected to pose government a great challenge to the midterm of the 12th Malaysian Plan, where it was targeted to rest at 3.5% of GDP by 2025. The challenge is stemmed mainly from the prolonged global uncertainties, which has compelled the government to provide fiscal support to reduce the rakyat financial burden caused by the rise of inflation and the cost of living upsurge.

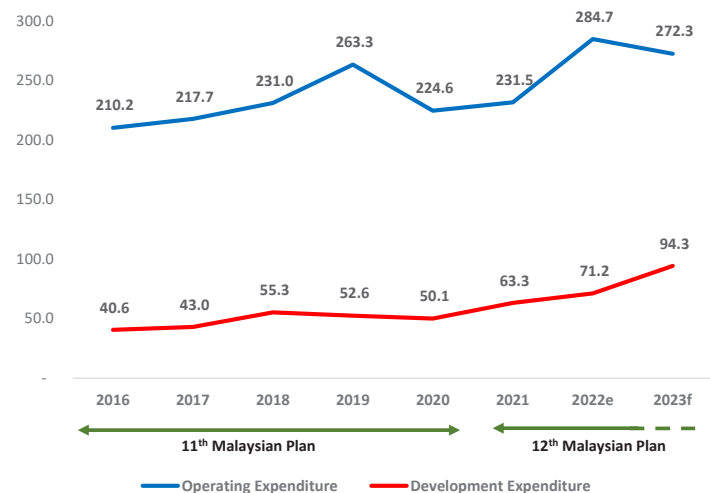
Securing economic resilience, boosting job creation and participation as well as upholding people wellbeing

The challenges are ahead for Malaysia in year 2023 as the global economic slowdown may affect Malaysian macroeconomic condition. To safeguard domestic economy through consumption growth, personal income tax to higher income earners will be reduced by 2% earmarking for a higher disposable income. More tax reliefs are given to the workforces, particularly a full exemption on income for women returning to work after a career break. Furthermore, a higher cash assistance allocated to 8.7 million recipients with a maximum of RM2,500 each household and worth a total of RM7.8 billion is expected to ease financial burden to the lower income groups.

01 **Figure 4** Budget Allocation, Government Revenue and Fiscal Deficit, 2016 – 2022 (RM, billion)



02 **Figure 5** Operating and Development Expenditure, 2016-2022 (RM, billion)



Notes:

e = estimate

f = forecast

Budget deficit in Figure 4 is expressed in the percentage of total deficit-to-gross domestic product (in current prices).

Source: Economic Outlook Reports 2019-2023 and Economic Reports 2016-2018, Ministry of Finance.

Labour Market Highlights

Labour market recovery is on the track...

Labour market conditions are expected to continuously recover in 2023 as the unemployment rate has been declining for 12 months consecutively, from 4.8% in July 2021 to 3.7% in July 2022. Concerning this labour market improvement trend, EU-ERA estimates that the unemployment rate for 2022 would stand at 3.9% with around 7.0% GDP growth rate, an estimated average of 3.8% to 4.0% unemployment rate forecast by the Ministry of Finance. The back-to-normal economic operation in 2022 would be the main driver for the reduction in the unemployed workers.

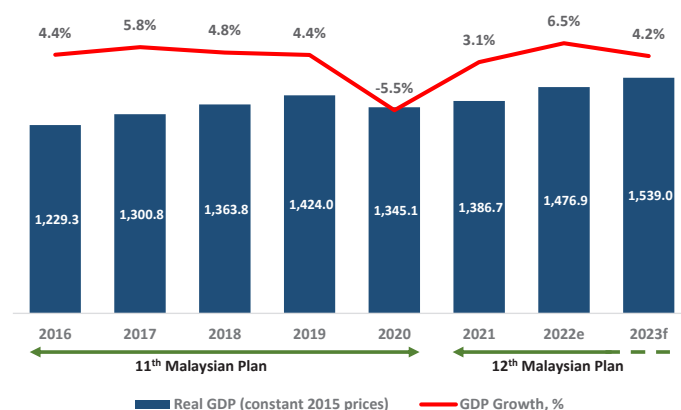
...with rigorous job market strengthening strategies to improve labour supply and demand.

To further support for labour market improvement, Budget 2023 focuses on strategies to encourage job creation, return-to-work, mobility, and job matching efficiency. The strategies comprise from infrastructure development (such as 13 Pusat Satelit MYFutureJobs in UTCs and National Placement Center in Klang Valley) to upskilling and reskilling programmes. Graduate employability is also a central attention of the Budget proposal, where the government proposes few talent development programmes to help minimizing underemployment. To reduce high youth unemployment, hiring incentives will be given to employers who hire TVET graduates or youth aged between 18 – 30 years old who have been unemployed for more than three months.

Government nudges for a higher wage

The rising cost of living suppresses household disposable income. As two-third of household income comes from paid salary, the living cost spike would slow down consumption expenditure and impedes demand-side growth. As a kick-start to improve labour compensation, the Budget 2023 witnesses the government effort to push for higher wages, starting from Special Salary Increment for civil servants during late August 2022 Prime Minister's announcement and salary rate improvement for MySTEP workers that will be effective in early 2023. In fact, EU-ERA featured article in the Economic Outlook 2023 provides evidence-based deliberation to support higher wage for employees.

03 **Figure 6** GDP at Constant 2015 Prices, 2016 – 2021 (RM, billion)



04 **Figure 7** Unemployment Rate, 2016-2021 (%)



Notes:

e = estimate

f = forecast

The dotted line in Figure 7 indicates the normal unemployment rates experienced by Malaysia, registered around 3.2% to 3.4%.

Source: GDP estimates and forecasts for 2022 and 2023 are sources from the Ministry of Finance.

Unemployment rates in 2022 and 2023 are respectively estimated and forecasted by EU-ERA.

The Need for Escaping the Wage Curse

This edition of Economic Outlook 2023 is meaningful and special for EU-ERA because it features the article entitled “The Need for Escaping the Wage Curse” written jointly by EU-ERA and the Ministry of Finance. A summary of this article is provided below.

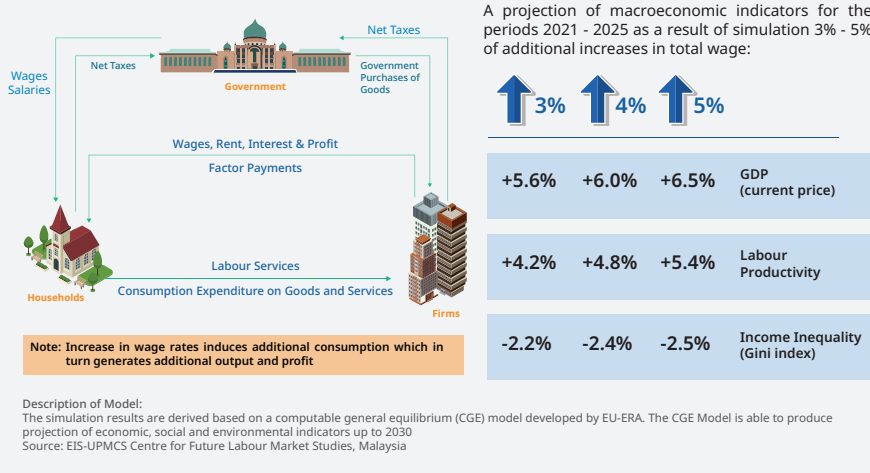


ECONOMIC OUTLOOK 2023

The common assumption that increasing wages could lead to market distortion and reversely affect economic performance seem to be an “unspell curse” to the Malaysian economy. These assumptions are strongly held by the majority of employers as a result of the lack of evidence-based facts and scientific evaluation. We have shown the attainable benefits to employers, employees and the economy as a whole when wage rates are raised higher than the current level. Higher wages would:

-attract more women participation in the labor force
-improve economic efficiency by reducing the size of shadow economy
- ...reduce the dependency on the low-skilled foreign worker
- ...promote technological adoption
- ..reduce the size of skill-related underemployment

Figure 8 Economic Impacts of Higher Wages



Our analysis also highlights that the existing wage rate is not inclusive as there are some segments of the household groups that cannot cope with the current cost of living. Another perspective demonstrates that the existence of the minimum and living wage reflects the inefficiency of the labor market’s response on both demand and supply sides. Thus, more dedicated studies on the possible impact of the multidimensional aspects of wages are needed, as Malaysia aspires to become a high-income economy.





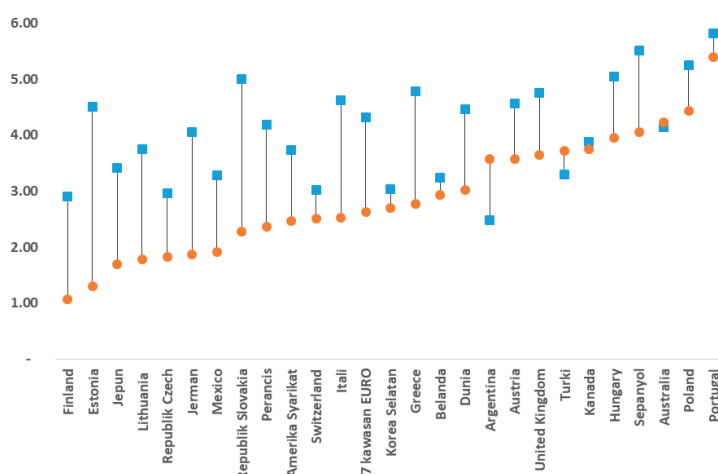
Challenges for the labor market and cost of living recoveries

Global economy is expected to expand at a rate of 3% in 2023 and 2024 and the slower global economic growth makes more challenges for the recovery in the labor market and the cost of living

Global economic growth is expected to be slower than initially projected. The World Bank projects the global economic growth in 2022 to shrink to 2.9% as compared to 5.7% in 2021. The OECD also projects a slower economic growth in 2022 as compared to its initial projection. From 2023 to 2024, the global economy is expected to grow at a rate of 3% per year, which is a situation that is not much different compared to 2022. This projection is based on three economic assumptions which include the slow recovery from the impact of the Russia-Ukraine war, deepening inflationary pressure and the cost of living crisis in major economies.

What does the global projected growth mean for Malaysia? As a small country that is open and trading with major economies, the slowdown in the global economy would limit Malaysia's economic growth. Slower economic growth makes it more challenging for Malaysia to recover its overall economy from the damages caused by the pandemic Covid-19 and also recuperate the welfare of the people. Labor market improvements and income growth are slower if the economy is growing slowly. In facing this situation, the government's active role in strengthening the domestic economy as well as protecting the welfare of low-income households are the main focus of the Budget for the periods 2023-2024.

Figure 9 Annual GDP Forecast 2022



According to the Ministry of Finance, economic growth in 2022 is expected to rebound around 6.5% to 7.0% while in 2023 the growth is projected to be slower around 4.0% to 5.0%

Source: OECD Economic Outlook (<https://www.oecd.org/economic-outlook/>)

Labour Supply Enhancement Strategies



B40 Group

Keluarga Malaysia Hardcore Poverty Eradication Programme provides economic opportunities for more than 50,000 hardcore poor households through agricultural projects and entrepreneurial products and services ventures:

- Training
- Start-up capital
- Incentives for agriculture
- Marketing
- Digitalisation

Women & Children

"Gender Focal Teams" will be set up in all ministries and government agencies to address gender gaps and involve women in the planning and implementation of policies.

Allocation of RM235 million in financing funds to encourage more women to increase their business capacity and improve marketing strategies under:

- Semarak-Nita BSN Scheme
- Tekunita TEKUN
- DanaNita MARA
- Biz Lady Bank Rakyat

To encourage more women to return to work after a career break, the government has proposed to exempt tax on income received from year of assessment 2023 to 2028.



Chapter: 5

Addressing Poverty and Building an Inclusive Society

Priority Area A

Addressing Poverty and Narrowing Inequality from a Multidimensional Perspective

Strategy A1

Increasing Income of the Poor

Chapter 5

Addressing Poverty and Building an Inclusive Society

Priority Area F

Empowering Specific Target Groups

Strategy F3

Empowering the Role of Women

Social Protection

Self-Employment Social Security Scheme (SKSPS) PERKESO will continue and extend the beneficiaries to those who are self-employed, such as taxi drivers and gig workers from the information technology sectors with:

- 80% of the contribution value subsidise by the government.
- 20% of the contribution will be paid by self-employed individuals such as food delivery drivers, farmers, fishermen, FINAS artists, and hawkers.

Gradually mandatory SKSPS contributions for all self-employed sectors, particularly the high-risk sectors. The implementation will be phased, commencing with the public transportation sector and goods or food delivery sectors.

EPF voluntary contribution limit will be raised from RM60,000 to RM100,000 per year to build sufficient retirement savings.

Extending the i-Saraan programme to 2023 and will be improved by raising the matching contribution ceiling from RM250 to RM300.

Jobs & Skills Training

RM20 million will be provided for Program Usahawan Siswazah (PUSH) to enable 1,000 graduates to venture into entrepreneurship.



Chapter 10
Developing Future Talent

Priority Area A
Realigning the Labour Market for Inclusive and Sustainable Growth

Strategy A2
Strengthening the Labour Market Support System

Chapter 3
Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises

Priority Area B
Boosting Capabilities of Entrepreneurs and Enterprises

Strategy B3
Creating a Conducive and Holistic Ecosystem for Entrepreneurship

Education & TVET

Allocation of RM6.7 billion under 7 main ministries implementing various TVET initiatives to empower TVET agenda led by the National TVET Council that aims for at least 55% of SPM school leavers to further their studies in TVET by 2025:

- RM180 million is provided as a TVET Training Fund to the Skills Development Fund Corporation to provide loans for the benefit of 12,000 Malaysian Skills Certification programme trainees.
- Continuation the National Dual Training System program with an allocation of RM20 million for the benefit of 3,000 trainees.

Allocation for MARA, Yayasan Peneraju and UiTM:

- Providing Bumitputera with access to education loans and opportunities to pursue professional fields such as engineering.

Community

Intensify the Entrepreneurship Development Programme to provide assistance with business equipment and entrepreneurial guidance to 550 Orang Asli.

Allocation for the Orang Asli Community empowerment agenda that include:

- Foundations under the government linked companies (GLC) will sponsor at least 10 Orang Asli to further their studies abroad.



Chapter 10
Developing Future Talent
Priority Area B
Developing Future-Ready Talent
Strategy B1
Raising the Quality of Education

Chapter 5
Addressing Poverty and Building an Inclusive Society
Priority Area E
Enhancing Development of Orang Asli Community
Strategy E2
Accelerating Socioeconomic Development of Orang Asli

Chapter 5
Addressing Poverty and Building an Inclusive Society
Priority Area E
Enhancing Development of Orang Asli Community
Strategy E1
Strengthening Education as a Catalyst for Development



Paddy Farmers, Fisherman & Smallholders

To ensure the welfare and support of rice farmers, fishermen, and smallholders by providing:

- Allocation of RM1.8 billion for various subsidies and incentives, including subsidies for the price of rice, rice fertilizer, Huma rice fertilizer, and rice production incentives, as well as fishing incentives.
- Reintroduce aid to rice farmers with the allocation of RM228 million benefiting 240,000 rice farmers with RM200 per month for 3 months.
- Bantuan Musim Tengkujuh (BMT) to rubber smallholders amounting to RM200 per month for four months to 320,000 smallholders with an allocation of RM256 million.

Food Security

To increase self-sufficiency level (SSL) and encourage the use of technology in the agricultural sector, the following initiatives will be implemented:

- The Digital AgTech program under MDEC will be expanded to 264 Pertubuhan Peladang Kawasan.
- To train more smallholders to adapt to digital technology.

Sports Industry

More para athletes of international calibre will be produced in 2023 to which RM12 million is provided specifically for the development of paralympic sports.

Chapter 3
Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises

Priority Area A
Accelerating the Development of Strategic and High Impact Industries

Strategy A7
Intensifying Smart Farming Activities

Chapter 4
Enhancing Defence, Security, Wellbeing and Unity

Priority Area D
Leveraging Sports in Building an Active Nation

Strategy D2
Enhancing Sports Excellence



Sustainable Communities

A total of RM100 million will be provided to the Yayasan Hasanah to lead efforts at the community level, such as generating income, ensuring that no one is left behind in education, and strengthening the health check-up programme.

Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area B
Empowering B40

Strategy B1
Increasing B40 Income and Redefining Income Group Category

Strategy B2
Improving Access to Basic Services for the B40

Digital Connectivity

Digital Nasional Berhad (DNB) will expand the 5G network throughout the country to cover 70% of highly populated areas. DNB plans to implement infrastructure expenditure worth RM1.3 billion in 2023. Keluarga Malaysia will enjoy faster internet speeds and cheaper 5G internet access.

Chapter 11
Boosting Digitalisation and Advanced Technology

Priority Area A
Advancing Digital Economy

Strategy A2
Strengthening Provision of Digital Infrastructure and Services

Government Linked Companies

Ekuiti Nasional Bhd (EKUINAS) will provide Dana Asas investment as a direct investment fund to develop competent Bumiputera businesses specifically for Bumiputera companies with a minimum investment of RM10 million each.

Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area D
Achieving an Equitable Outcome for Bumiputera

Strategy D4
Increasing the Resilience and Sustainability of Bumiputera Businesses

Inter-Regional Development

Human Capital Development Program under ECERDC, among others, will be implemented to improve the academic performance of children under B40 household group with an allocation of RM63 million.

Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area A
Addressing Poverty and Narrowing Inequality from a Multidimensional Perspective

Strategy A2
Improving Access to Essential Services

Labour Demand Boosting Strategies



Women & Children

A Local Social Support Center will be built as an initial intervention that provides psychological advocacy and counseling services with an allocation of RM8 million.

Further empowering women at the corporate leadership level, the Securities Commission would introduce a special training programme to improve women's skills, and identify and subsequently increase the number of women eligible to be appointed as board members.

The Government will also implement the Kontraktornita initiative to support the participation of more Bumiputera women contractors in Government procurement. RM50 million worth of small projects will be dedicated to female contractors from class G1 to G4.

Jobs & Skills Training

Continuation of MySTEP with 50,000 career opportunities on a contract basis. Public sector jobs under MySTEP will be extended until 31 December 2023:

- 15,000 jobs in the public sector
- 35,000 jobs with GLCs

Increasing the MySTEP salary rate by RM100 between RM1,500 to RM2,100 compared to RM1,400 to RM2,000 previously.



Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area F
Empowering Specific Target Groups

Strategy F3
Empowering the Role of Women

Chapter 10
Developing Future Talent

Priority Area A
Realigning the Labour Market for Inclusive and Sustainable Growth

Strategy A1
Promoting Equitable Compensation of Employees and Labour Participation

Community

A total allocation of RM305 million for the Orang Asli Community empowerment agenda that include:

- Plantation Replanting Projects including replanting of rubber and oil palm, which will benefit more than 2,100 Orang Asli, including in Kemaman, Terengganu; Bera, Pahang; and Gua Musang, Kelantan.

To encourage more disabled to do business, the Government will continue to empower Skim 1 OKU 1 Perniagaan by exempting businesses by the disabled from paying registration fees and business license renewal fees under the Companies Commission of Malaysia.

RM10 million will be allocated under the Agropenjara initiative:

- Expand agricultural and plantation activities involving 70 acres of prison land.
- Expand honey bee farming in Penjara Prabebas Dusun Dato' Murad, Melaka.
- Increase the supply of fresh freshwater fish at Kamunting Correctional Center, Perak.

The additional tax deductions provided to employers who employ ex-convicts will also be extended to employers who employ former students of:

- The Henry Gurney School.
- The Government protection and rehabilitation institutions and non-Government care centres registered under JKM.



Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area E
Enhancing Development of Orang Asli Community

Strategy E2
Accelerating Socioeconomic Development of Orang Asli

Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area F
Empowering Specific Target Groups

Strategy F5
Empowering Persons with Disabilities

Chapter 4
Enhancing Defence, Security, Wellbeing and Unity

Priority Area A
Ensuring National Security and Sovereignty

Strategy A2
Intensifying Efforts in Crime Prevention, Rehabilitation, Emergency Preparedness as well as the Welfare of Personnel

Tax Deductions & Cash Grants

The tax rate on chargeable income for the first RM100,000 be reduced from 17% to 15%. This reduction will provide savings of up to RM2,000 each for approximately 150,000 MSMEs taxpayers.

A one-off grant of RM1,000 is expected to benefit 1 million registered MSMEs and taxi drivers with a total allocation of RM1 billion.

Financing Facilities

RM100 million will be allocated for Tabung Modal Pusingan Suruhanjaya Koperasi Malaysia to provide funding to help cooperatives develop the agro-food industry.

RM10 billion in loan funds are provided through Bank Negara Malaysia

- To encourage the automation and digitisation of SMEs.
- To support the food security agenda and the recovery of the tourism sector.

SemarakNiaga 2023 is enhanced with a total value of RM45 billion that includes direct loans, alternative financing, and financing guarantees.



Chapter 2
Restoring Growth Momentum
Priority Area A
Boosting Productivity Growth
Strategy A3
Strengthening Financial Capability

Chapter 2
Restoring Growth Momentum
Priority Area A
Boosting Productivity Growth
Strategy A2
Moving up the Value Chain

Chapter 2
Restoring Growth Momentum
Priority Area C
Strengthening the Effectiveness of Financial Intermediation Ecosystem
Strategy C1
Transforming the Financial Ecosystem to Meet Future Economic Needs

Financing Facilities

RM1.7 billion will be available as microcredit loans and financing facilities to benefit small entrepreneurs:

- BSN microcredit loans with funds of RM950 million which includes RM350 million for the Skim Penjaja Kecil Keluarga Malaysia (RM150 million for Bumiputera entrepreneurs).
- RM300 million loan facilities for small entrepreneurs under TEKUN specifically for Bumiputera, women, youth, and the informal sector.
- Financing facilities specifically for the Chinese community with an allocation of RM200 million, with an interest rate as low as 4%.
- The Micro-funding scheme under the Indian Community Entrepreneur Development Scheme (or SPUMI) with a fund of RM25 million.
- RM100 million under MITRA for the development of entrepreneurs.
- The iTEKAD social finance programme provided RM10 million and was also matched with funds from financial institutions through zakat and cash waqf contributions.

The government under TERAJU allocated RM135 million for Bumiputera entrepreneurs in providing financing support, including under the Dana Kemakmuran Bumiputera.

A total of RM200 million worth of funds will be allocated under Perbadanan Usahawan Nasional Berhad (PUNB) to provide financing facilities and entrepreneur development programmes for Bumiputera in the retail sector.



Chapter 2

Restoring Growth Momentum

Priority Area C

Strengthening the Effectiveness of Financial Intermediation Ecosystem

Strategy C1

Transforming the Financial Ecosystem to Meet Future Economic Needs

Chapter 5

Addressing Poverty and Building an Inclusive Society

Priority Area D

Achieving an Equitable Outcome for Bumiputera

Strategy D4

Increasing the Resilience and Sustainability of Bumiputera Businesses

Strategic Financings, Alternatives & Financing Guarantees

The Government also finances strategic projects through Bank Pembangunan Malaysia Berhad (BPMB). Various financing funds are offered with an interest subsidy of 1.5% per year including:

- Sustainable Development Financing Scheme worth RM1.5 billion to facilitate the effort to achieve the 17 sustainable development goals.
- Tourism Infrastructure Scheme amounting to RM1 billion to strengthen the recovery of the tourism sector.
- Maritime and Logistics Scheme of RM1 billion expanded scope to support Malaysia to support oil and gas, shipbuilding, and ship repair.

Continuation of Rehabilitation and Support Through Equity facility (or RESET) and Skim Modal Kerja through BPMB with a total fund amounting to RM1 billion, to provide support in the form of equity injection and working capital for high-potential companies affected by Covid-19.

Syarikat Jaminan Pembiayaan Perniagaan (SJPP) will provide financing guarantees of up to RM9 billion for SMEs, especially for strategic sectors such as:

- Agro-food
- Sustainable technology
- Tourism
- Oil and gas

The Government will provide Malaysia Co-investment Fund (MyCIF) funds amounting to RM30 million in addition to ECF funds to support start-up companies in the sustainability and social enterprise agenda.



Chapter 2
Restoring Growth Momentum
Priority Area A
Boosting Productivity Growth
Strategy A3
Strengthening Financial Capability

Chapter 2
Restoring Growth Momentum
Priority Area A
Boosting Productivity Growth
Strategy A2
Moving up the Value Chain

Chapter 3
Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises
Priority Area B
Boosting Capabilities of Entrepreneurs and Enterprises
Strategy B3
Creating a Conducive and Holistic Ecosystem for Entrepreneurship

Recovery of Tourism Industry

RM200 million will be allocated to strengthen the recovery of the tourism sector with incentives, promotion, and marketing initiatives.

A total of RM90 million is allocated as matching grants, such as the Geran Padanan Galakan Melancong (GAMELAN) programme, which involves promotion and marketing campaigns with the industry. Matching grants are also provided for organizing tourism programs, including international sports events.

Matching grants to encourage charter flight services, especially from the Middle East and East Asia.

10 million will be provided through a joint venture with a network of ecotourism industry players for:

- Upgrading ecotourism attractions in Gua Kelam, Perlis.
- Pioneering sustainable solid waste management efforts in Pulau Perhentian, Terengganu.
- Intensified activities at Taman Pertanian Jubli Perak Sultan Ahmad Shah, Kuantan, Pahang.

To further transform Kuala Lumpur City Center into a creative and cultural hub, RM10 million is allocated to ThinkCity for the Kuala Lumpur City Center restoration initiative.

Extending the existing tax incentive until 2025 for the export of private healthcare services to make Malaysia a major health tourism destination.

Malaysia Healthcare Travel Council will be provided RM20 million to strengthen Malaysia's position as a destination of choice for health tourists.



Chapter 3

Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises

Priority Area A

Accelerating the Development of Strategic and High Impact Industries

Strategy A5

Re-energising the Tourism Industry

Recovery of Tourism Industry

To help tourism industry operators, the Government proposes the following initiatives:

- BNM Tourism Financing (PTF) with RM500 million allocation with an increase of financing size from RM300,000 to RM500,000.
- 100% tax exemption on statutory income for tour operators who guide at least 200 foreign tourists a year or at least 400 local tourists.
- Excise duty exemption of 50% be given to tourism operators on the purchase of new CKD tourism vehicles such as hire and drive cars and excursion buses.
- Reinvestment Allowance for selected hotel and tourism projects will be introduced under the Income Tax Act 1967.

Promote Investment and Trade

The Government will continue to take a strategic approach by creating an investment fund of over RM1 billion to attract high-value-added investment and generate professional employment opportunities.

Creative Sector

RM50 million of Dana Penerbitan Filem Kenegaraan (DEKAN). is allocated to the creative industry.



Chapter 3
Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises

Priority Area A
Accelerating the Development of Strategic and High Impact Industries

Strategy A5
Re-energising the Tourism Industry

Chapter 2
Restoring Growth Momentum

Priority Area A
Boosting Productivity Growth

Strategy A2
Moving up the Value Chain

Chapter 3
Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises

Priority Area A
Accelerating the Development of Strategic and High Impact Industries

Strategy A4
Maximising the Potential of the Creative Industry

Science, Technology and Innovation

Government will allocate RM50 million among others:

- For the development and commercialisation of nanotechnology under NanoMalaysia Berhad with an allocation of RM16 million.
- To establish a Venture Capital Fund with a fund size of RM10 million to finance high-tech companies in the E&E and renewable energy sectors through equity injection.
- To ensure the success of the Malaysia Techlympics 2023 which promotes innovation ideas with an allocation of RM7 million.

RM50 million allocation for Cradle Fund, as the coordinating agency of the Malaysian startup ecosystem:

- providing a networking platform that matches creative talent with potential creative industry employers.
- to assist more similar start-up companies innovate in their respective economic fields.

DE Rantau will provide six new locations involving 2,000 short-term rental accommodations certified as Digital Nomad Hubs:

- benefitting 120 start-up companies and will contribute more than RM180 million to the economy.



Chapter 11
Boosting Digitalisation and Advanced Technology
Priority Area C
Accelerating Research, Development, Commercialisation and Innovation
Strategy C1
Strengthening Capacity and Capability in Research, Development, Commercialisation and Innovation

Chapter 11
Boosting Digitalisation and Advanced Technology
Priority Area A
Advancing Digital Economy
Strategy A4
Positioning Malaysia as the ASEAN Digital Centre

Chapter 11
Boosting Digitalisation and Advanced Technology
Priority Area A
Advancing Digital Economy
Strategy A2
Strengthening Provision of Digital Infrastructure and Services

Local Products

In encouraging the production and purchase of local goods and services, the Government allocate:

- RM59 million to intensify digitization and automation efforts through the promotion of e-commerce activities under MATRADE, MARA, and MDEC.
- RM15 million to empower franchise entrepreneurs under the Vendor Capacity and Development Program 2.0 and the Vendor Research And Commercialization Grant 2.0.

Syiar Islam

To spur the development of the halal industry, RM92 million is provided for, among others:

- The Halal Hub Center Development Project in Tanjung Manis, Sarawak, will be continued and expected to be completed next year with an allocation of RM59 million.
- Malaysia Services and Halal Global programme will be implemented to promote halal products in the global market with an allocation of RM8 million.
- Halal industry development initiatives will be implemented to increase compliance with halal certification and adapt halal innovation with an allocation of RM6.5 million.
- Wakaf Halal PKS OKU will be introduced to implement an onboarding program for OKU who want to venture into halal business with an allocation of RM2.5 million.



Chapter:11
Boosting Digitalisation and Advanced Technology
Priority Area A
Advancing Digital Economy
Strategy A1
Providing an Enabling Environment for the Growth of the Digital Economy

Chapter 3
Propelling Growth of Strategic and High Impact Industries as well as Micro, Small and Medium Enterprises
Priority Area A
Accelerating the Development of Strategic and High Impact Industries
Strategy A6
Fostering Competitiveness of Inclusive Halal Industry

Inter-Regional Development

Economic growth in the north will continue to be driven through the Eight Special Border Economic Zone (SBEZ) project in Bukit Kayu Hitam, Kedah. The Government intends to develop a digital traffic hub and an alternative data center for the Southeast Asian region on a 200-acre area in SBEZ Delapan. Next year, RM25 million is set aside to provide key infrastructure in addition to the private sector investing in business assets with a potential domestic investment of up to RM4 billion, thus providing more than 600 job opportunities.

Small & Medium Projects

RM500 million will be allocated to class G1 to G4 contractors to carry out among others maintenance works on federal roads, bridges, houses of worship and infrastructure damaged by floods.

Short-term financing is allocated to Bumiputera contractors who are involved in fields such as electrical and construction through the Skim Pembiayaan Kontrak Ekspres (SPIKE).



Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area F
Empowering Specific Target Groups

Strategy F3
Empowering the Role of Women

Chapter 8
Advancing Green Growth for Sustainability and Resilience

Priority Area A
Implementing a Low-Carbon, Clean and Resilient Development

Strategy A4
Increasing Resilience against Climate Change and Disasters

Chapter 5
Addressing Poverty and Building an Inclusive Society

Priority Area D
Achieving an Equitable Outcome for Bumiputera

Strategy D4
Increasing the Resilience and Sustainability of Bumiputera Businesses

Commitment towards Carbon Neutral 2050

The extension of the Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE) until 31 December 2025 by improving the incentive period from 3 to 5 years for eligible green activities such as solar activities intergrated with Battery Energy Storage System.

BNM will provide RM1 billion of soft loan under the High Technology & Green Facility to support innovative sustainable technology start-ups and RM1 billion under the Low Carbon Transition Facility to help SMEs implement low carbon practices.

Survival of Biodiversity

RM39 million is allocated to community rangers who control the forest biodiversity which will be increased from 800 to 1,000 rangers and employed among the local community, especially the Orang Asli and veterans.



Chapter 8

Advancing Green Growth for Sustainability and Resilience

Priority Area A

Implementing a Low-Carbon, Clean and Resilient Development

Strategy A1

Moving Towards a Low-Carbon Nation

Chapter 8

Advancing Green Growth for Sustainability and Resilience

Priority Area A

Implementing a Low-Carbon, Clean and Resilient Development

Strategy A2

Accelerating Transition to the Circular Economy

Chapter 8

Advancing Green Growth for Sustainability and Resilience

Priority Area C

Strengthening the Enabling Environment for Effective Governance

Strategy C1

Strengthening Environmental Governance

Job Market Strengthening Strategies



Jobs & Skills Training

Continuation of Hiring Incentive under SOCSO encourages employers to provide 70,000 new job opportunities for unemployed members of Keluarga Malaysia particularly from:

- Disabled person
- Orang Asli
- Ex-convicts
- Women return to work

A hiring incentive of between RM600 to RM750 per month will be paid for 3 months to the employer including veterans and Private Employment Agencies that replace foreign workers with local workers.

SOCSO will also provide mobility assistance to those who secure employment outside of their state of residence:

- RM500 for employment outside of their state of residence.
- RM1,000 for work-related migration from Sabah or Sarawak to the Peninsular and vice versa.

Securities Commission, in collaboration with the Capital Market Development Fund, enhancing the employability of 9,000 graduates for careers in the capital market under the Digital Innovation Fund (DIGID).

Community

GLCs will also help children under the care of JKM institutions with suitable job opportunities.



Chapter 10
Developing Future Talent

Priority Area A
Realigning the Labour Market for Inclusive and Sustainable Growth

Strategy A1
Promoting Equitable Compensation of Employees and Labour Participation

Government Administration

UTC will be rejuvenated and transformed to include digital and job opportunity services:

- Proposed to establish two new UTCs, while maintaining the upkeep of existing UTCs.
- MDEC will spearhead efforts to transform the UTC as a digital hub. Among them, transactions will be carried out on a cashless basis, while promoting various digital activities such as e-sports and coding for the benefit of local youth.

13 Pusat Satelit MYFutureJobs in UTCs across the country will be developed with an allocation of RM8 million to improve job matching. In addition, HRD Corp and SOCSO will also establish a National Placement Center in the Klang Valley as a one-stop centre that assists the Rakyat to secure employment. SOCSO will also increase the number of Employment Service Managers to assist the unemployed in their search for job opportunities.



Chapter 10

Developing Future Talent

Priority Area A

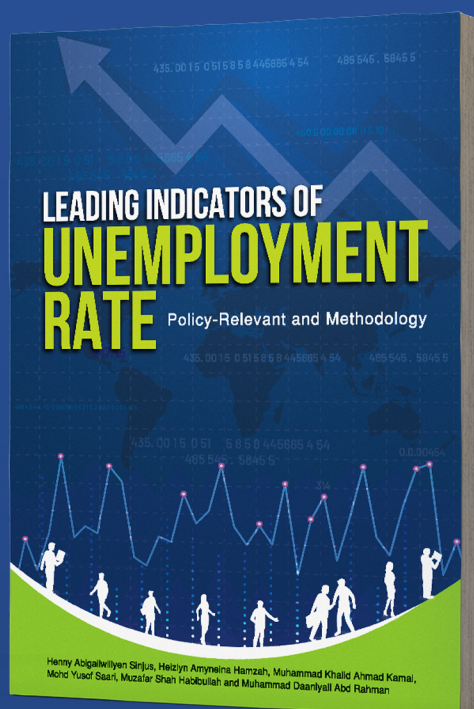
Realigning the Labour Market for Inclusive and Sustainable Growth

Strategy A2

Strengthening the Labour Market Support System

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