UPWARD SOCIAL MOBILITY FOR THE B40

The 11th Malaysia Plan (11MP) mid-term review (MTR) acknowledges that income gaps are widening at an alarming rate. According to the 11MP economic blueprint presented in 2016, about 2.78 million households out of the total 7.6 million households are classified as the bottom 40 (B40). This represents 36.6% of Malaysian households.

The State of Households 2018 (SOH2018) report by Khazanah Research Institute (KRI), themed “Different Realities”, revealed that those earning RM2,000 per month or less spent 95% of their income on household expenses, while those earning above RM15,000 per month spent 45%. Some B40 households are estimated to have only RM76 left each month after settling household expenses, reducing from RM124 in 2014.

Even though the Budget 2019 long-term goal is to get back on stronger fiscal footing and to enable sustainable growth, it is also very clear that the Budget 2019 is especially targeted at the B40 group.

The only way to bring the B40 out of their vicious cycle of poverty is to improve income growth rates. For this to happen, there is first the need to increase productivity, which can only be achieved if the set skills of the work force is optimised.

Here is where education plays a key role. Equitable access to education would generate a critical mass of skilled work force.

RETHINKING EDUCATION

The SOH2018 report shows that the number of international schools had nearly doubled from 66 in 2010 to 126 in 2016. This had indirectly allowed Malaysia to generate more tertiary-educated workers than before.

However, most of the jobs created in the same period were in semi-skilled categories. The lack of synchrony between job market demand and supply had led to a record high in unemployment rates among youths in 2017 despite achieving “full employment” at 3.4%, as revealed in the 11MP MTR.

To close the gap, the 11MP MTR has identified Human Capital Development as the way forward in achieving an equitable society from 2018-2020. We need to invest in human capital to shift the B40 towards middle-class society by raising the quality of education and ensuring education for all.

TVET: THE GAME CHANGER

There is an immediate need to elevate Technical & Vocational Education and Training (TVET) as a viable education option, not as a fallback bottom-of-the-list choice. Malaysia needs to move away from a higher education system that solely focuses on university education as the only pathway to success. TVET pathways should be equally valued and cultivated. The 11th Malaysia Plan estimates expanding TVET intake from 164,000 in 2013 to 225,000 in 2020. Tying TVET to digital entrepreneurship can help rebrand TVET as a favorable option.

Firstly, however, we need to make TVET mainstream so that it becomes a preferred choice among high school leavers and unemployed youths. This is best done by showcasing success TVET stories, such as the achievements of the German-Malaysian Institute (GMI), TUM International GmbH, Taobao Villages, and Alibaba Global Initiatives, eUsahawan and eRezeki beneficiaries.

Partnership between universities, learning institutions, public and private sectors, industry players and centers of excellence is a pre-requisite in the success of TVET in Malaysia. Industry players, small medium enterprises (SMEs), government-linked companies (GLCs), potential supply chain vendors – ranging from electrical and electronics (E&E), oil & gas, automotive, to eCommerce, Internet of Things (IoT) and data analytics - should jointly develop customised training programmes and curriculum modules that are industry-specific.

There is no better place to undergo on-the-job and hands-on training, real-life simulations, apprenticeship and internship than with these established industry players. Students will be able to learn, adopt best practices from the leaders in the industry, including from Japan, Korea, China and Germany. Getting industry captains and leaders in their fields in the training programmes delivery will further solidify TVET graduates in the real world.

Upon graduation, TVET students will be equipped with industry-relevant skills that meet industry demand and enable them to hit the ground running once employed.

To achieve the desired results, TVET's strategic goals, mandate, management, and budget must be streamlined and led by a single entity, with the support of relevant ministries. Duplication of TVET programmes and resources must be avoided at all cost. A number of proposals have been presented in the Budget 2019, directly or indirectly related to TVET. Among them include:

- RM206 million for development and training programmes in polytechnics and community colleges;
- RM30 million fund for training institutions to run competitive programmes aimed at job placements for graduates;
- RM20 million to raise youth competency via TVET-sponsored boot camps.

The Department of Skills Development (JPK) and Malaysian Qualification Agency (MQA) should develop a standard definition, accreditation and rating system of TVET within a comprehensive Malaysian Qualifications Framework (MQF). These concerted efforts will provide TVET the necessary social recognition and affirmation that makes it an attractive option for students seeking to pursue higher education in Institutions of Higher Education (IHE).

CREATING CREATORS

As we become increasingly globalized, there is the need to equip our students for the real world. We need to be competitive, regionally and globally, by ascending the value chain with higher value outcomes and propositions.

The education system, therefore, should not only make students more employable, but also equip them with the necessary creativity and innovative spirit to be job creators – entrepreneurs in their own right. We should instill into our youths mind that they have the option to be job creators, and not just to seek employment. We should encourage young people with different visions to believe in the humanity of the global community that desires a better life beyond materialistic goals. One good example is the Nobin Program introduced by Grameen Bank in 2001.

To equip them for this path upon graduation, students need to acquire both entrepreneurial skill sets and the ability to conduct the relevant Research, Development and Innovation (R&D&I) for the commercialization of their outputs.

Government-linked investment funds (GLIFs) such as Malaysia Venture Capital Management Bhd (MAVCAP), Malaysia Debt Venture (MDV), Perbadanan Nasional Berhad (PNS), Kumpulan Modal Perdana (KMP), Malaysia Industry-Government Group for High Technology (MIGHT), Cradle Fund Sdn Bhd, Agensi Inovasi Malaysia (AIM), Malaysia Global Innovation & Creativity Centre (MaGIC) and Malaysian Technology Development Corporation (MTDC) should expand their mandate to support TVET technologists and technopreneurs.

The RM 2 billion set aside by GLIFs to co-invest on a matching basis with private equity and venture capital funds in strategic sectors and new growth areas announced in the Budget 2019 will definitely support TVET in meeting its goals and objectives.

Another welcoming initiative announced at the Budget 2019 is the creation of a Co-Investment Fund with a grant of RM50 million. This fund is established to enable the government to co-invest with private investors to finance the development of new businesses, especially for the micro, small and medium enterprise segment, through crowd-funding and peer-to-peer financing platforms.

Support is not limited to funding, but should include the necessary development and nurturing for students to be global players. Start-ups must think global right from the beginning.

More platforms or business design labs beyond what is currently provided by MaGIC should be made available for potential young entrepreneurs nationwide to present their business ideas. At these business design labs, non-governmental organisations (NGOs) leaders, social activists, business executives, retired corporate leaders, academicians, and GLIFs representatives can be invited to participate. Business concepts that demonstrate high social and/or economic impact and sustainability should be given higher consideration and emphasis. Meanwhile, unsuccessful applicants can be guided on how to fine-tune their business concepts and implementation through the multiple rounds of presentations.

If this is replicated across the nation, it can help reinvigorate the economy and transform our youths to a whole new level. More so, if the business idea helps address social issues of a community, state or the country, we would be able to kill two birds with one stone.

GLIFs should be thinking beyond just Ringgit and Sen. They should look at their investment as an opportunity to not only spur economic returns to the country, but also make a positive impact to Malaysia in the bigger realm of environmental, social and governance (ESG) principles.

Social impact is primarily about doing good. It is all about the promotion and preservation of the common good and benefit (*maslahah*) to the people and society. It is for the good of humankind, in harmony with the priorities and higher objectives of humanity (maqasid insaniah). The spirit of *al-amr bi al-ma'ruf wa nahy 'an al-munkar* (enjoinment of good and forbidding evil) must be expanded from the exclusivity of spiritual-ritual perspective per se, to a broader dimension of business, entrepreneurship, social and moral responsibilities.

New entrepreneurs need to undergo a handholding process and mentoring as soon as the project is approved. Just as venture capitalists (VCs) provide coaching and advice to maximize growth potential of the businesses they support, GLIFs should also offer help and guidance to the new companies which they support and finance.

In this program, the GLIFs provide equity financing, i.e. investment funding and not loans. GLIFs do not take any profit from their investment. Entrepreneurs are responsible to pay back the amount that they received from the GLIFs. This has to be paid within an agreed period of time. Once this is done, ownership of the company is totally transferred to the entrepreneur.

Equity financing is a more enticing option to the budding entrepreneur than a loan from a bank. The interest payments will burden the new start-up entrepreneur further.

DEVELOPMENT- LEAVING NO ONE BEHIND

Many wrongly assume that wealth inequality and income inequality are the same. They are not. Wealth is transferable from one generation to the next, while income is not. Wealth gives its owner the economic power that is independent of income. While income is just a pass-through of resources, wealth represents an accumulation of assets.

Without any assets, these B40 will not be able to finance private higher education. Dr. Muhammed Khalid in his "The Color of Inequality" book suggested promoting asset acquisition among the B40 who have been deprived of wealth accumulation. He opined that we should be focusing on facilitating savings and asset accumulation for B40 families. The National Economic Advisory Council (NEAC), in their New Economic Model (NEM) report issued in 2010, suggested a restructuring of affirmative action from ethnic-based to need-based for the B40.

Budget 2019 three focus areas are implementing institutional reforms and restoring trust, ensuring socioeconomic wellbeing, and fostering an entrepreneurial economy. These themes are in consonance with the 11MP MTR. TVET can contribute a major part in promoting an entrepreneurial state and prospering the people.

To eliminate poverty and uplift the B40 into the middle-income category, we need to remove the barriers they face and unleash their creativity to solve their own problems. TVET provides this opportunity to the B40 and empowers them to be the masters of their own destiny.

TVET will help alleviate the income gap, reduce the debt-to-GDP ratio, increase the growth rate of savings deposits, and ultimately, improve upward social mobility and reduce wealth inequality.

The end point is to ensure that national income and wealth are distributed in an equitable manner. Income parameters alone are not a meaningful measure of economic growth.

Fair and equitable accumulation and distribution of wealth will produce a more meaningful outcome. And education is the key.

Board of Directors
Muslim Professionals Forum
Nov 2018