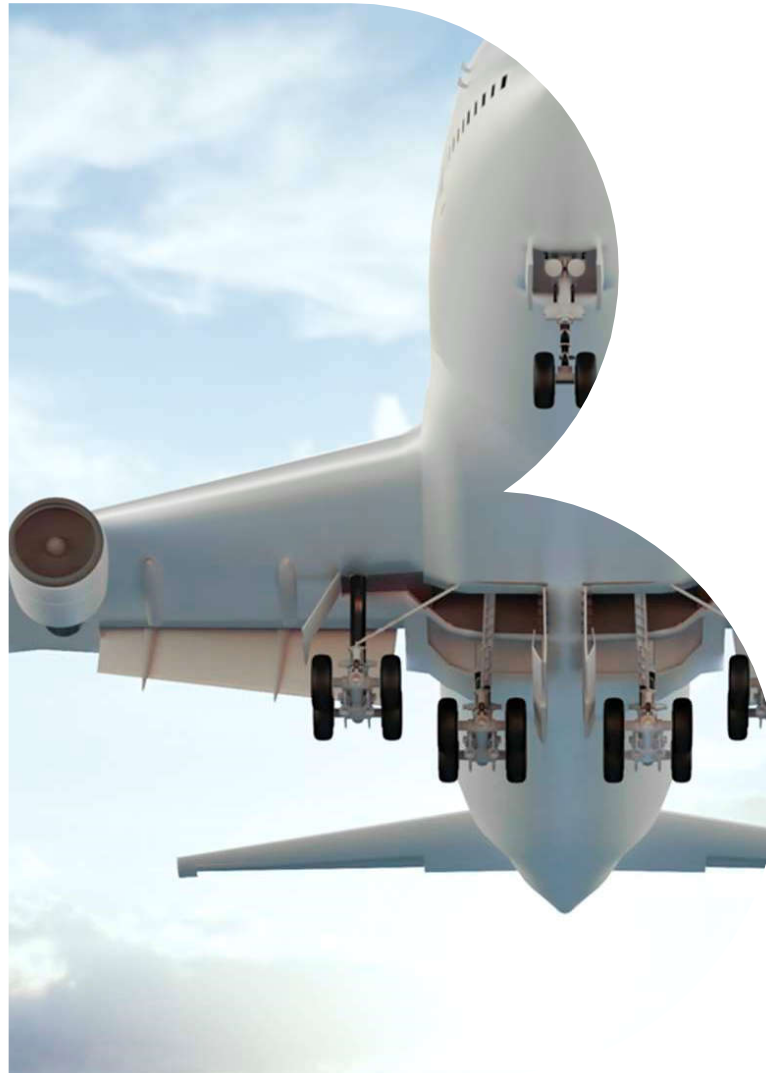# Environmental Scan for the Tourism Sector in Malaysia

MINISTRY OF HUMAN RESOURCES

ilmia Institute of Labour Market Information & Analysis

August 12, 2020

This presentation shares findings from the Tourism Environmental Scan, including what can be done to address talent gap

1 Context and situation

2 Workforce profile

3 Talent gap challenges

4 Recommended initiatives

Malaysia is one of the world's leading tourism destinations ranking 15th in terms of tourist arrivals
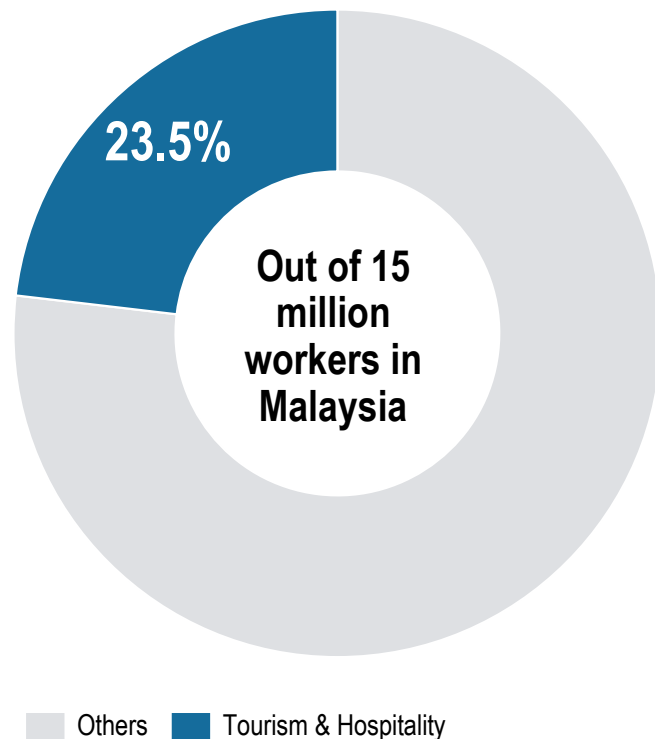
Malaysia's position in inbound tourist arrivals, 2013-2017 [visitors]

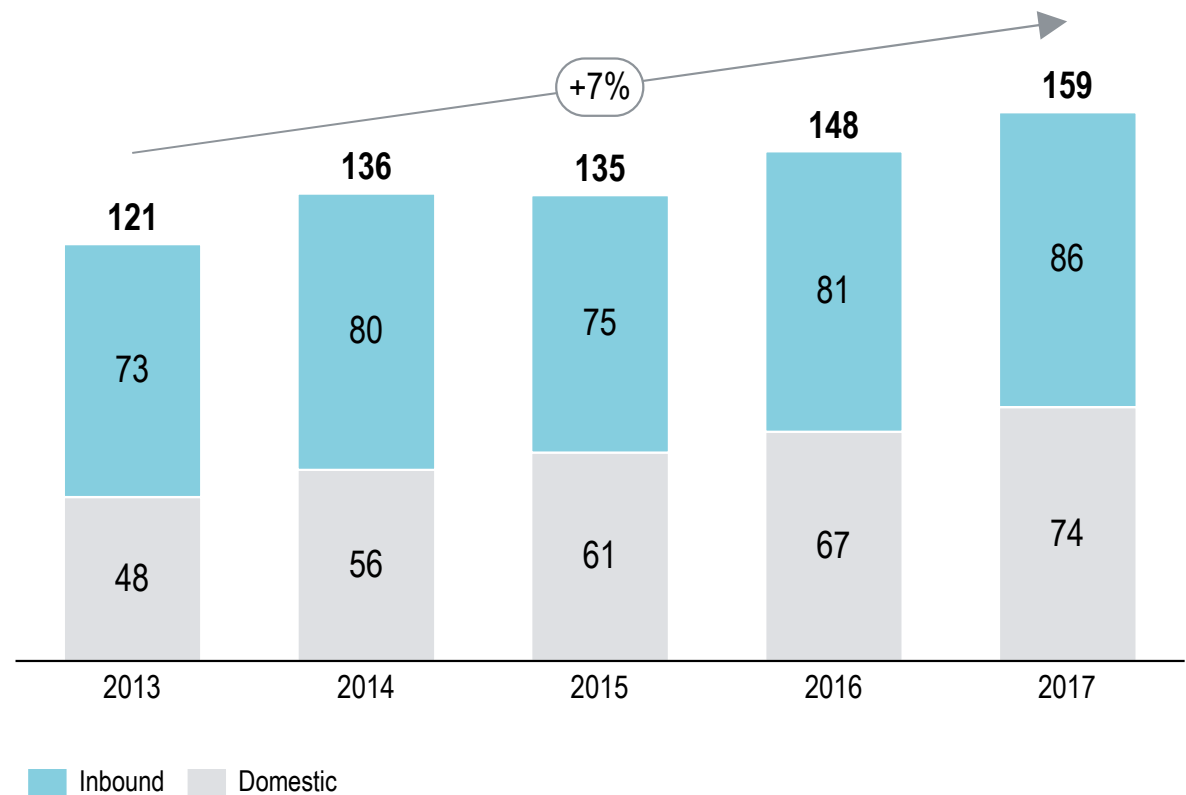| 2013	2014	2015	2016	2017
1 France	1 France	1 France	1 France	1 France
2 United States	2 United States	2 United States	2 United States	2 Spain
3 Spain	3 Spain	3 Spain	3 Spain	3 United States
10 Thailand		11 Thailand	9 Thailand	10 Thailand
11 Malaysia	**12 Malaysia**	**14 Malaysia**	**12 Malaysia**	**15 Malaysia**
23 Singapore	14 Thailand	26 Singapore	27 Singapore	26 Indonesia
32 Indonesia	23 Singapore	29 Indonesia	28 Indonesia	27 Singapore
39 Vietnam	33 Indonesia	39 Vietnam	36 Vietnam	29 Vietnam
53 Philippines	39 Vietnam	48 Philippines	46 Philippines	47 Philippines
	52 Philippines			
194 countries	194 countries	194 countries	194 countries	194 countries

The Tourism & Hospitality industry employs 23.5% of Malaysia's workforce and contributes RM ~159 billion to GDP

Importance of Tourism & Hospitality industry

% of workforce in ToH industry (2017)

23.5%

Out of 15 million workers in Malaysia

Others   Tourism & Hospitality

Malaysia's tourism receipts [RM bn]

Year	Total	Inbound	Domestic
2013	121	73	48
2014	136	80	56
2015	135	75	61
2016	148	81	67
2017	159	86	74

+7%

Inbound   Domestic

Given the importance of tourism and hospitality, ILMIA initiated an Environmental Scan to detect workforce trends and challenges

Context overview

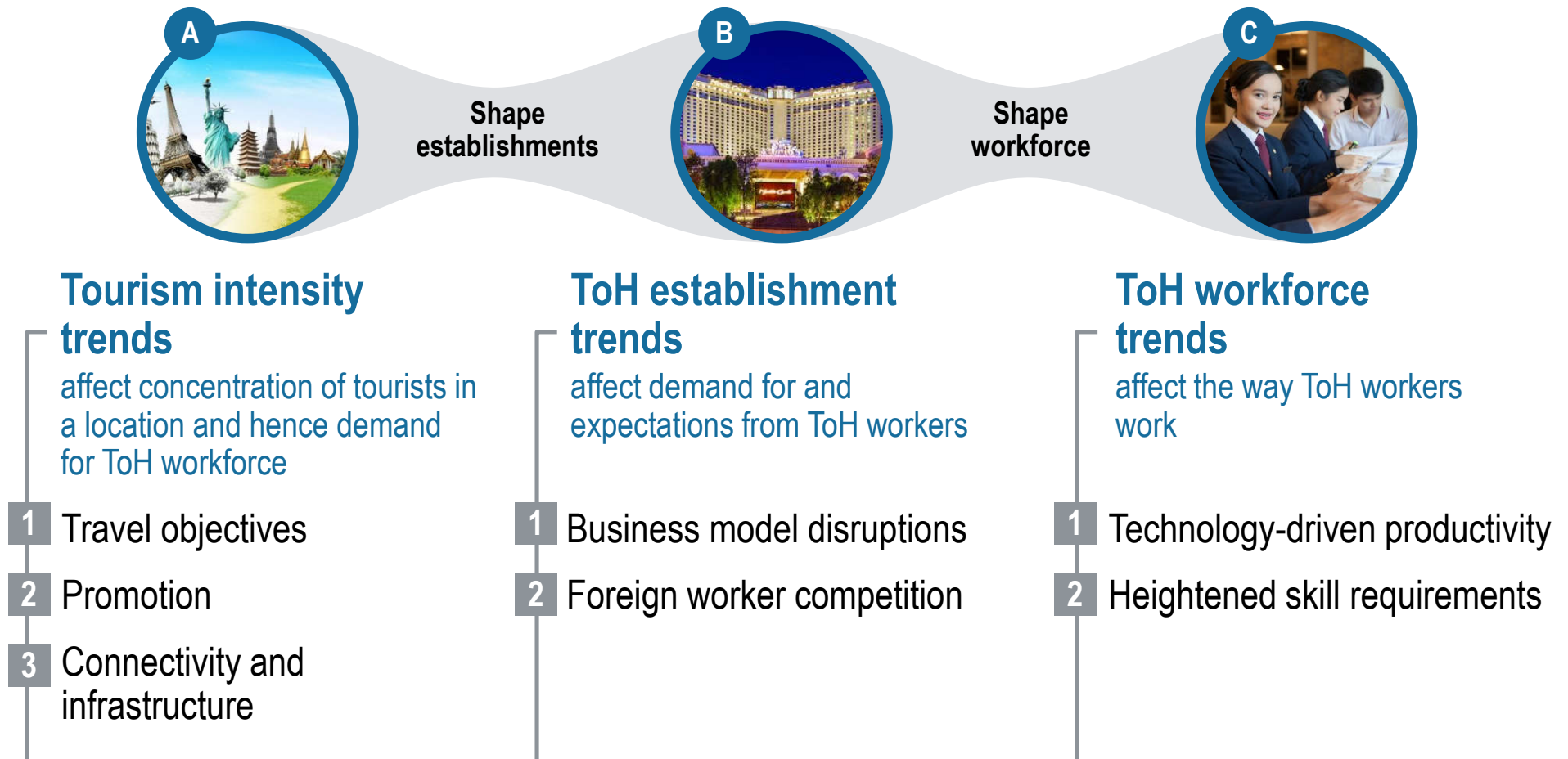## An Environmental Scan is needed

1 To serve as part of an "Early Warning System"

2 To identify emerging industry trends

3 To assess current and potential future skills gap

4 To enable the workforce to support the industry's development

Malaysia's ToH workforce will evolve as it continues to be shaped directly and indirectly by global and regional trends

Overview of trends with implications on ToH workforce

A   Shape establishments   **B**   Shape workforce   **C**

Tourism intensity trends

affect concentration of tourists in a location and hence demand for ToH workforce

1. Travel objectives
2. Promotion
3. Connectivity and infrastructure

ToH establishment trends

affect demand for and expectations from ToH workers

1. Business model disruptions
2. Foreign worker competition

ToH workforce trends

affect the way ToH workers work

1. Technology-driven productivity
2. Heightened skill requirements

Tourism in Southeast Asia is expected to intensify, creating a healthy market for tourism and hospitality establishments

Tourism intensity trends overview

1 Travel objectives

10% ↑

US$ 233 billion globally by 2024

24% ↑

US$ 135 billion globally by 2024

2 Promotion

Top 3 countries[1] with highest govt. spending on tourism services[2] [2017]

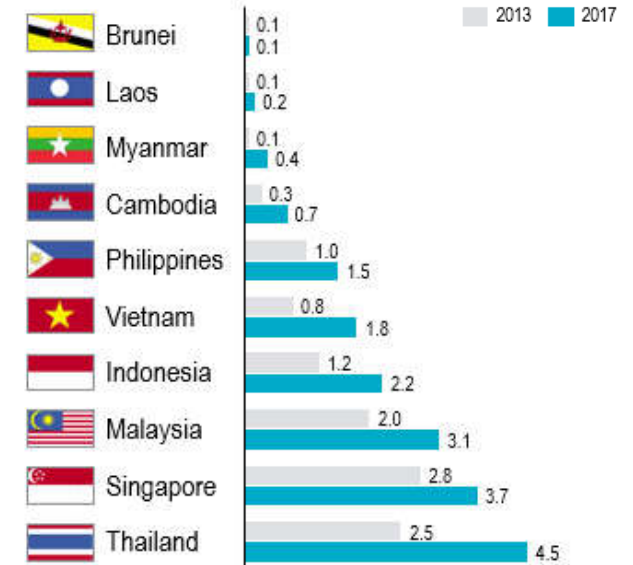|		
🇺🇸	**1. USA**	USD 301 billion
🇨🇳	**2. China**	USD 188.6 billion
🇩🇪	**3. Germany**	USD 84.4 billion

Countries are spending billions on tourism promotion

Social media marketing is intensifying

3 Connectivity and infrastructure

Total scheduled seats by country [2013-17; m # of seats]

Country	2013	2017
Brunei	0.1	0.1
Laos	0.1	0.2
Myanmar	0.1	0.4
Cambodia	0.3	0.7
Philippines	1.0	1.5
Vietnam	0.8	1.8
Indonesia	1.2	2.2
Malaysia	2.0	3.1
Singapore	2.8	3.7
Thailand	2.5	4.5

Air travel is increasingly more affordable with more seats from Lost Cost Airlines

1) Out of 177 countries; 2)Travel and tourism services include tourism promotion, visitor services, and administration

Source: World Bank, News Articles

Airbnb-like platforms and online agents are displacing and augmenting workers; Foreign workers compete with locals for jobs

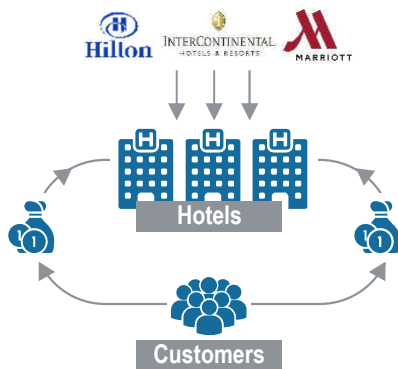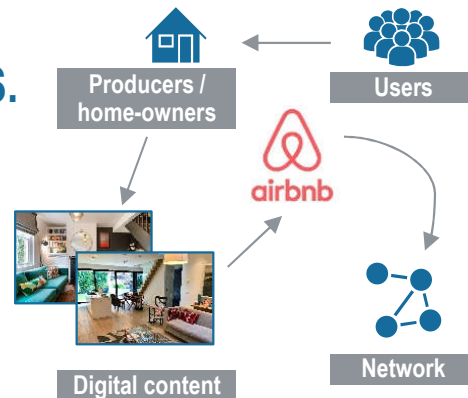## ToH enterprise trends overview

1 Business model disruptions

Airbnb vs hotel business model

Pipeline (traditional) model

Hilton INTERCONTINENTAL HOTELS & RESORTS MARRIOTT

Hotels

Customers

VS.

Platform model

Producers / home-owners

Users

airbnb

Digital content

Network

Technology has disrupted traditional ToH business models, displaced workers, and augmented skill requirements

2 Foreign worker competition

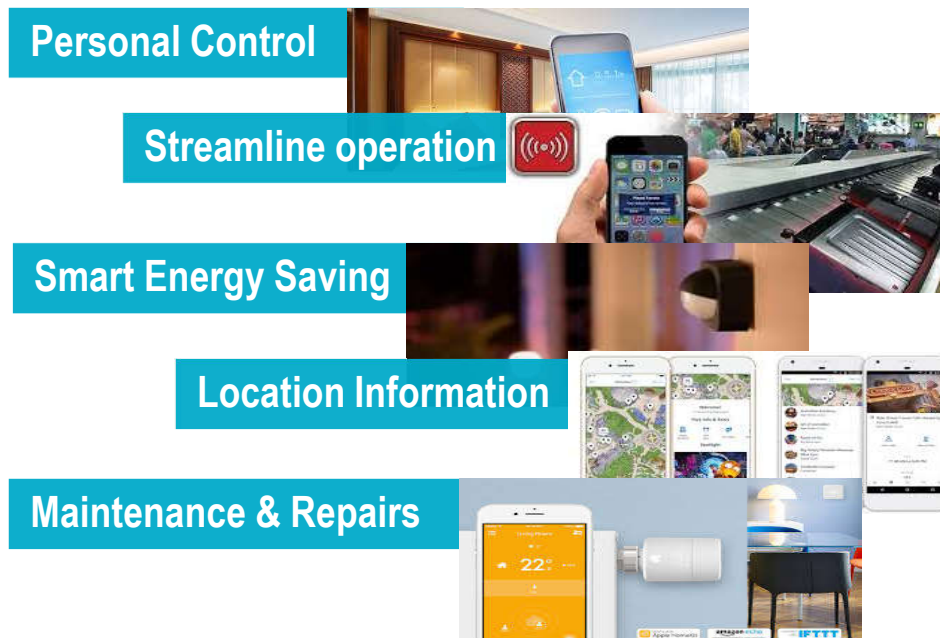| Job Segments		Requirements
Spa Therapist		Limited to **75%** foreign workers
Reflexologist		Limited to **70%** foreign workers
Hotel back-end staff (Housekeeping)		Limited to **75%** foreign workers
Golf caddies		Limited to ratio of **5** foreign workers for every 2 local workers

Specific ToH subsectors are allowed to hire foreign workers, creating competition for local jobseekers

ToH workforce is faced with a "digital" opportunity and a risk. New technologies make work easier but require new heightened skills

ToH workforce trends overview

1 Technology-driven productivity

Personal Control

Streamline operation

Smart Energy Saving

Location Information

Maintenance & Repairs

Various technologies are being employed to make ToH workforce's jobs easier and more productive

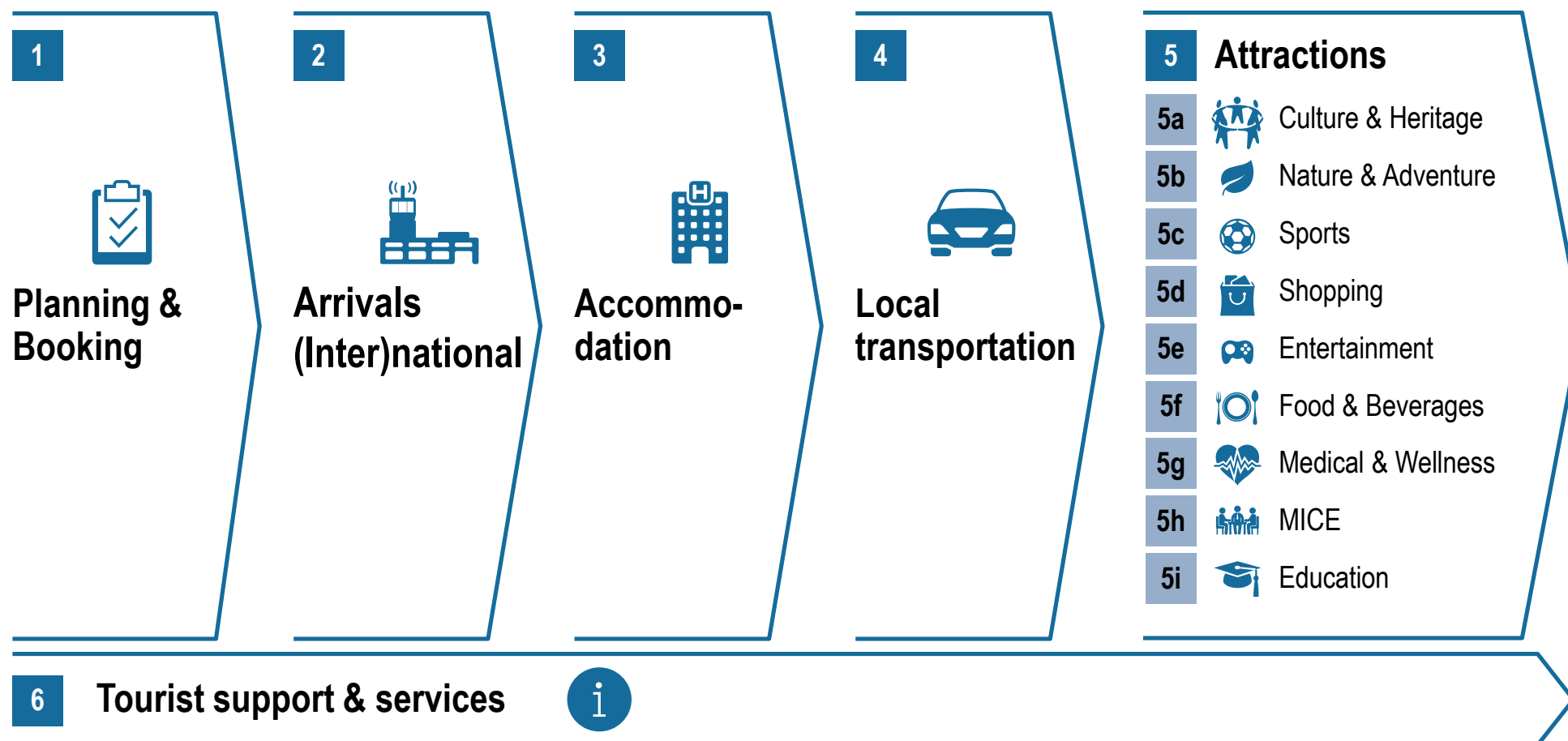### 2 Heightened skill requirements

Gaps in skills[1] – *Selection only*

❌ > **Insufficient practical skills in technical digital areas**, e.g.,
– Pay Per Click
– Search Engine Optimisation

❌ > **Lack of efficiency in the use of digital marketing tools**, e.g.,
– Community management
– Pixels on social media (mainly Facebook and Instagram)

❌ > **Lack of anticipation and knowledge of the trends**, e.g.,
– Leveraging new technologies
– Big Data Analytics, Cybersecurity

❌ > **Insufficient soft skills**, e.g.,
– Culture awareness
– Negotiation
– Customer interaction

New skills are required as the ToH industry increasingly relies on technology

1) Interviews with hotel and restaurant general managers in Malaysia, Desk Research

Source: MASCO, SkillsFuture Singapore

The Environmental Scan assessed 6 main ToH subsectors based on the end-to-end journey of tourists

End-to-end ToH value chain[1)]

1	2	3	4	5 Attractions
Planning & Booking	**Arrivals (Inter)national**	**Accommo-dation**	**Local transportation**	

5 Attractions

- **5a** Culture & Heritage
- **5b** Nature & Adventure
- **5c** Sports
- **5d** Shopping
- **5e** Entertainment
- **5f** Food & Beverages
- **5g** Medical & Wellness
- **5h** MICE
- **5i** Education

6 Tourist support & services ℹ

The Attractions subsector is the largest employer

ToH Workforce Profile

Full-time employees [workers]

Total sample 👤👤👤👤👤👤👤👤👤👤 **9,916**

5.4%   0.6%   14.6%   3.7%   70.4%   5.3%
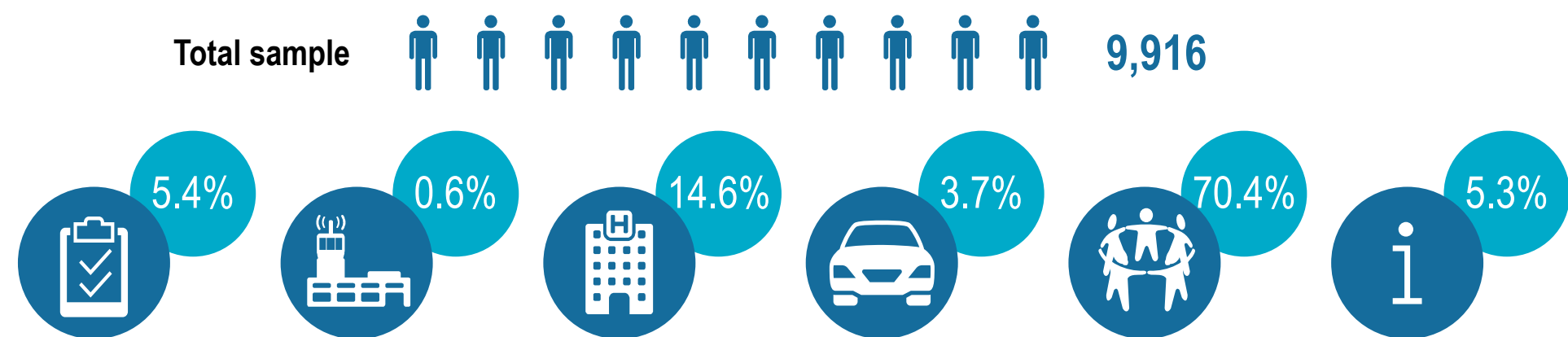
45% of ToH workforce is comprised of **Service and Sales Workers**, followed by **Elementary Occupations** (14%) and Managers (12%).

📋 Booking & Planning   🏭 Arrivals Inter(national)   🏢 Accommodation   🚗 Local Transport   👥 Attractions   ℹ️ Tourist Support

Source: Tourism Environmental Scan

Despite some turnover, the ToH workforce size is generally still growing, except for the Booking & Planning subsector

Vacancy rate [%]

Overall ToH industry **5%**

3%	2%	6%
15%	3%	4%
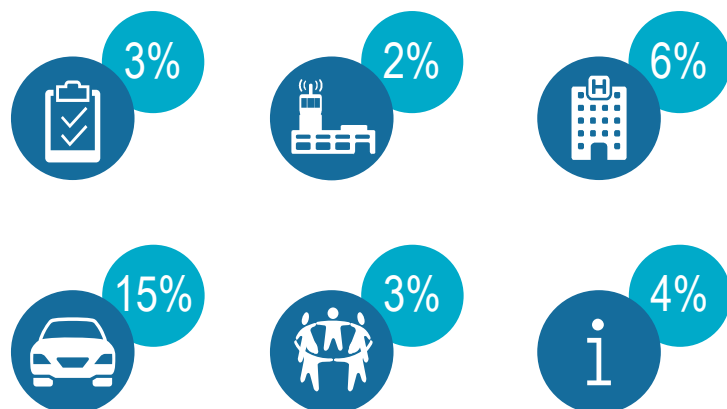
Industry vacancy rate is at **5%** driven by Accommodation and Arrivals subsectors.

Ratio of new hires to resigned and retired employees [%]

Overall ToH industry **111%**

72%	350%	109%
129%	112%	119%
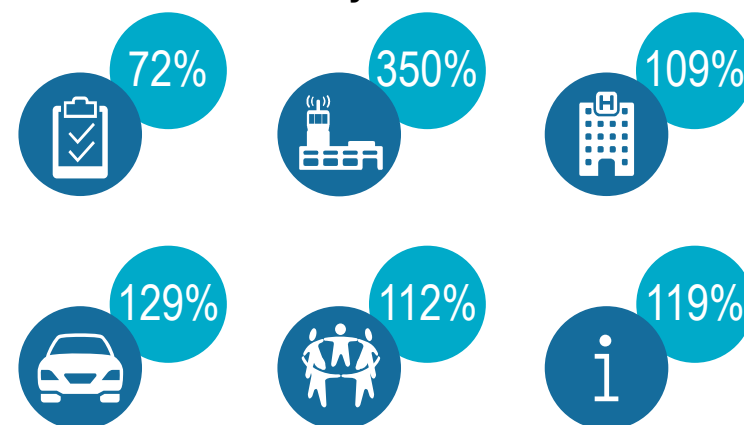
Overall ToH industry is experiencing a **high growth prospect**, with a lower **staff turnover rate at 17%** as compared to the average turnover rate for Malaysia (20%).

Booking & Planning   Arrivals Inter(national)   Accommodation   Local Transport   Attractions   Tourist Support

Majority of surveyed ToH establishments cite lack of career growth opportunities as a major issue in hiring and retaining talent

Top 5 challenges for hiring ToH workforce [% of respondents]

68%

64%

64%

51%

49%

Lack of career growth opportunity

Less competitive salaries compared to other sectors

Lack of soft skills/ competencies among the talent pool

Position requires very specialized knowledge

Lack of company's brand awareness and recognition
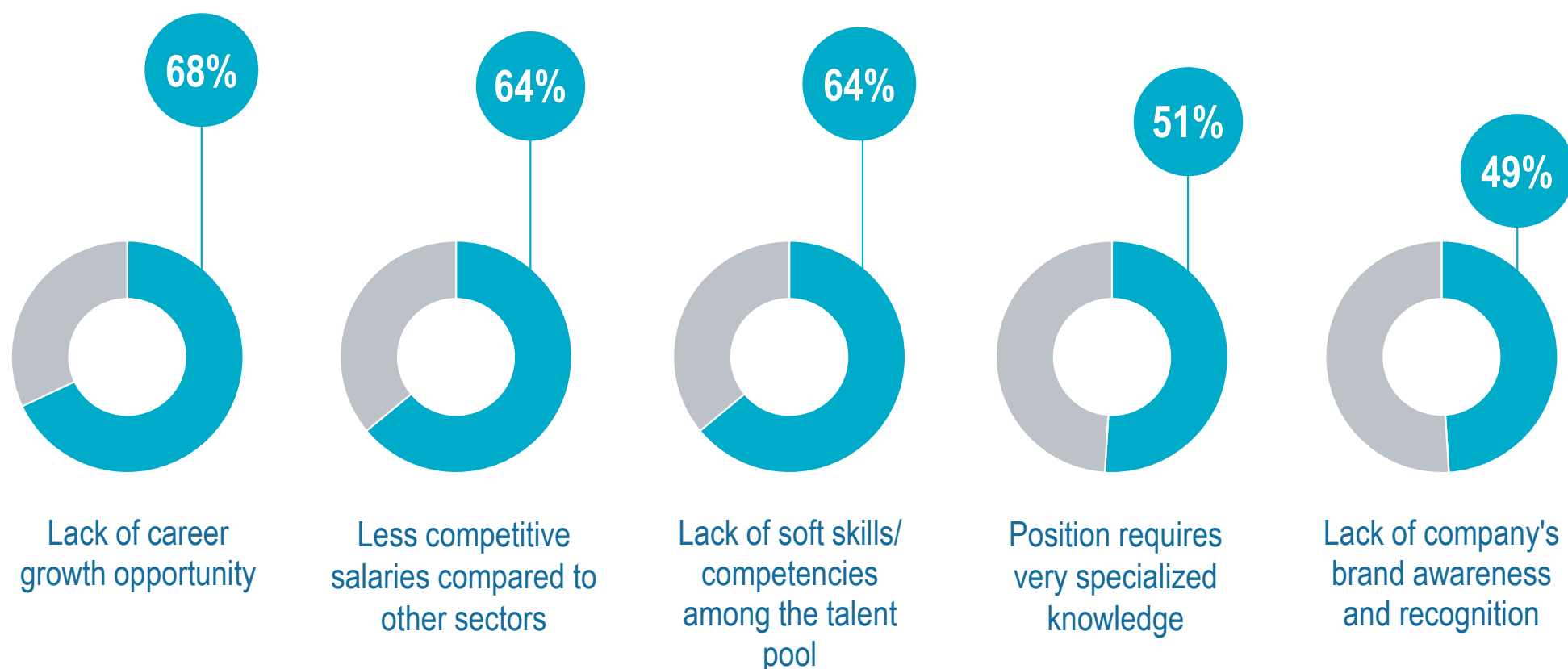
The Environmental Scan reveals some jobs which are have the potential to be nominated for the Critical Occupations List

Critical Occupation List by subsector

Booking & Planning
- Travel consultants and related clerks;
- Sales and marketing manager;
- Finance managers;
- Travel guides;
- Managing directors and chief executives.

Local Transport
- General office clerks;
- Sales and marketing manager;
- Car, taxi, and van drivers;
- Finance managers;
- Managing directors and chief executives.

Arrivals
- Managing directors and chief executives;
- Finance managers;
- Human resource managers;
- Policy and planning managers;
- Business service managers.

Attractions
- Shop sale assistants;
- Retail and wholesale trade managers;
- Sales and marketing manager;
- Cooks;
- Waiters.

Accommodation
- Hotel managers;
- Receptionists;
- Cleaners and helpers in hotels;
- General office clerks;
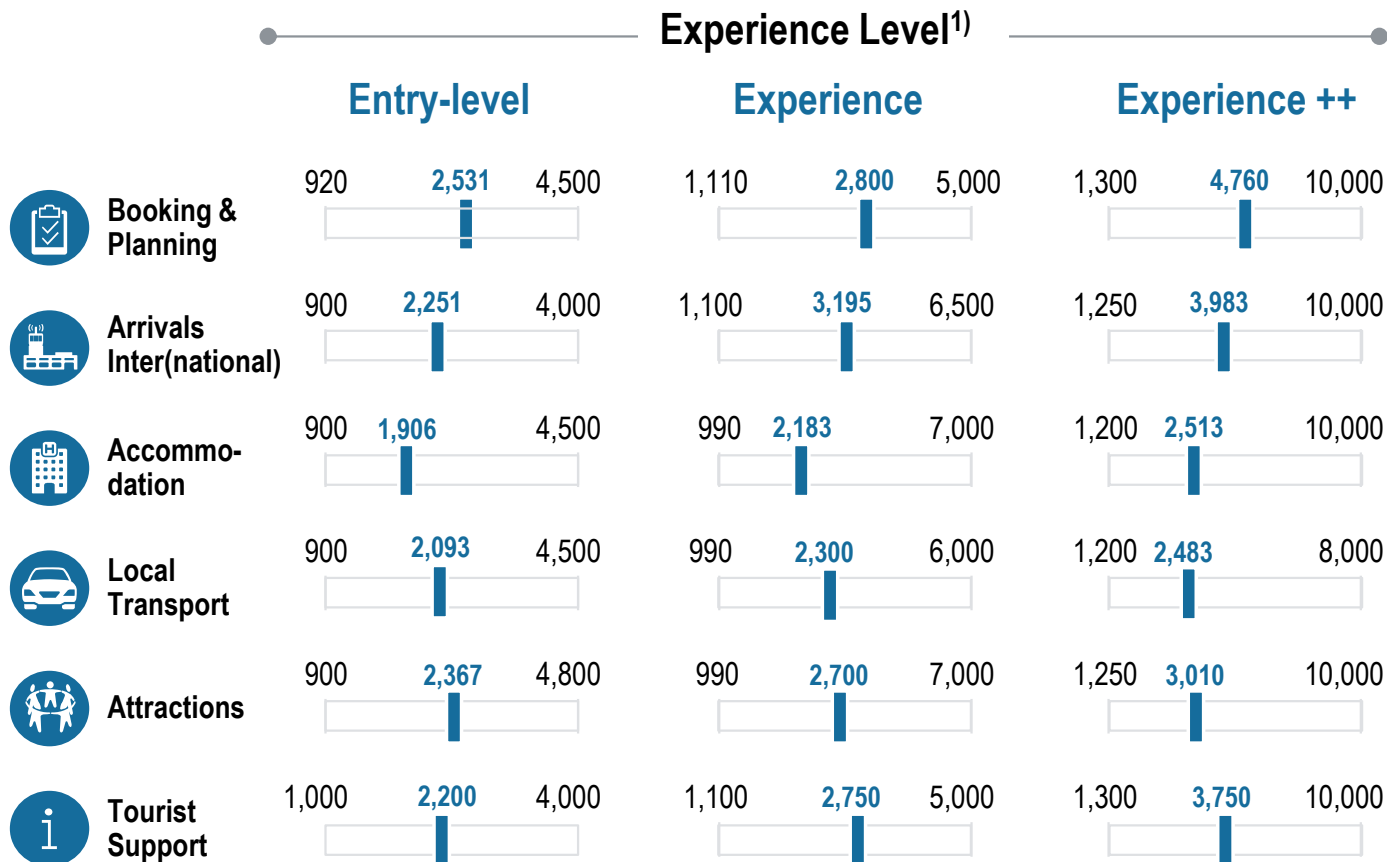- Sales and marketing manager.

Tourist Support
- General office clerks;
- Business service managers;
- Managing directors and chief executives;
- Sales and marketing manage;
- Finance managers.

▮ Jobs not covered in the current Critical Occupational List

Source: Tourism Environmental Scan

Entry level salaries are low across most ToH subsectors

Experience Level[1]

	Entry-level			Experience			Experience ++		
Booking & Planning	920	2,531	4,500	1,110	2,800	5,000	1,300	4,760	10,000
Arrivals Inter(national)	900	2,251	4,000	1,100	3,195	6,500	1,250	3,983	10,000
Accommodation	900	1,906	4,500	990	2,183	7,000	1,200	2,513	10,000
Local Transport	900	2,093	4,500	990	2,300	6,000	1,200	2,483	8,000
Attractions	900	2,367	4,800	990	2,700	7,000	1,250	3,010	10,000
Tourist Support	1,000	2,200	4,000	1,100	2,750	5,000	1,300	3,750	10,000

Entry level salaries are low across most subsectors, especially in the **Accommodation** and **Local Transport** subsectors. However, salaries for more experienced workers can rise significantly depending on the position that the experienced workers eventually fill.

Wage cost vs. non-wage cost [%]

12%
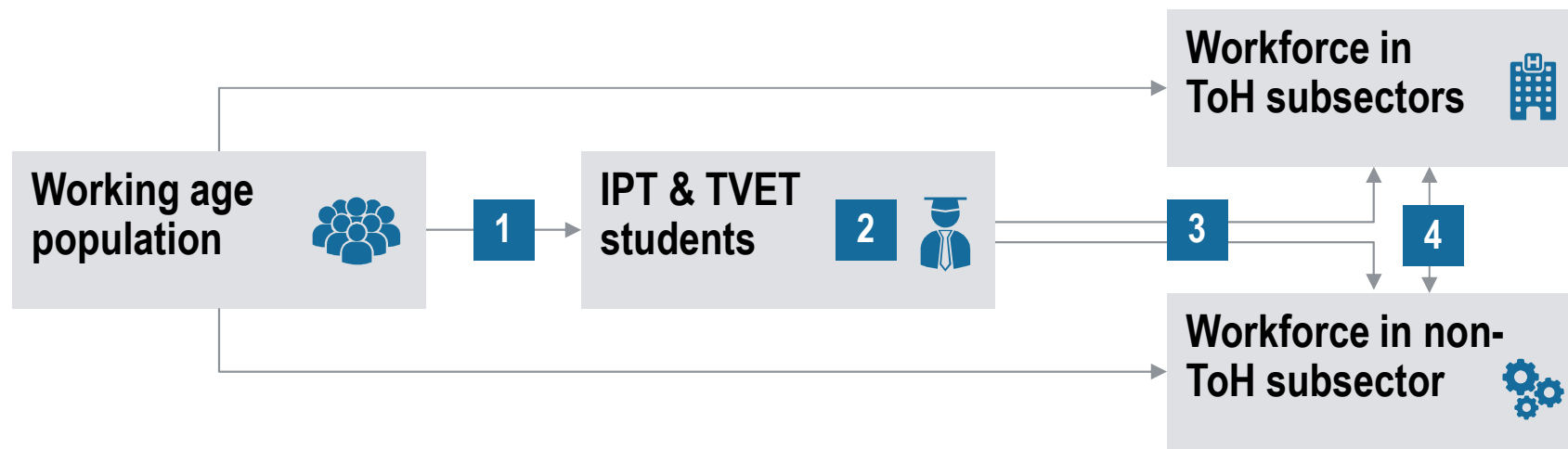
ToH industry has median monthly labour cost of 12% in relation to total labour cost.

1) Number of working experience in years: Entry Level (<2 years), Experience (2-5 years), Experience ++ (>5 years); 2) Between Entry Level and Experience ++

Findings reveal that there is an under-supply of ToH workforce due to 9 key issues along 4 areas in the workforce pathway

ToH workforce pathway

Working age population → **1** → **IPT & TVET students** → **2** → **3** → **4**

Workforce in ToH subsectors

Workforce in non-ToH subsector

1 ToH course enrolments	**2** Education quality	**3** Graduate retention in ToH subsectors	**4** Skills mismatch of existing workforce
A Lack of genuine interest in ToH	**A** Limited/outdated relevance of ToH curriculum	**A** Brain drain	**A** Evolving skill requirements
B Low affordability of ToH education	**B** Suboptimal quality of educators		**B** Limited "digital developer" skills among ToH workforce
C Opportunity to improve access to ToH education	**C** Limited industrial partnerships		

An unattractive image of the job together with low pay and little study options deter candidates from studying ToH

A **Lack of genuine interest in ToH**

Unattractive work conditions Some are deterred by difficult working conditions and

Not prestigious. ToH jobs are perceived as low social status compared to non - ToH professions

Long working hours, ToH sector workdays are typically 12+ hours long

B **Low affordability of ToH education**

Average minimum salary for entry-level graduates [RM]

1,900   **2,141**

ToH   Non - ToH
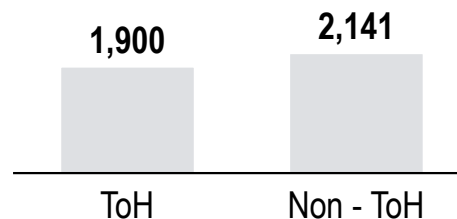
Average HLIs' Bachelor degree tuition fee[1] [RM]

65,799   **75,590**

ToH   Non - ToH
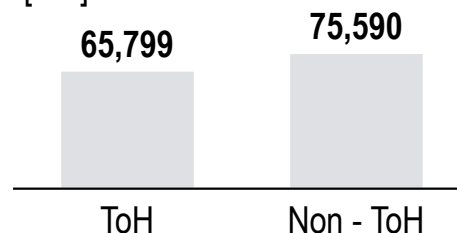
ToH education fees are comparable to non-ToH education fees, yet graduate salaries are much lower

C **Opportunity to improve access to ToH education**

1%
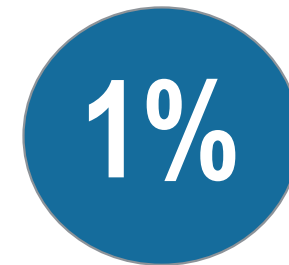
Only 1% of MOOC courses on OpenLearning is relevant to tourism

ToH courses cannot be effectively taught via MOOC alone as they require active interaction

1) Range of Bachelor Degree tuition fee are obtained from HLIs in Malaysia, including Universiti Malaya, Taylor's University, Universiti Putra Malaysia, Tunku Abdul Rahman Uni. College, Universiti Kuala Lumpur

ToH education is characterised by an outdated curriculum, lack of trainers with "on the job" experience and limited internship options

A **Limited/outdated relevance of ToH curriculum**

Some jobs require higher skill levels such as Diploma/ Advanced Diploma

There are no ToH courses for the Arrivals and Local Transport subsectors

ToH market demands digital skills, but many "digital user" skills are not yet covered in current MQA curricula

B **Suboptimal quality of educators**

" PhD recruitment improves our school's ranking , hence **we are more likely to hire academicians and researchers**, *rather than industry experts*

FGD participants *"*

HLIs tend to forego hiring industry experts as educators, preferring PhD holders to boost their ranking through Research and Innovation

C **Limited industrial partnerships**

Industry partnerships in the form of internship programs (e.g., travel agencies, hotel operators. F&B etc.

However, internships with other Attraction subsectors such as ecotourism and medical tourism are rare

Examples of industrial placements in Attractions

MICE	Kuala Lumpur Convention Centre
Adventure	Semporna Diving Centre
FnB	Local bakeries at Kuching

Upon graduation, ~ 50% of the graduates choose to stay in the ToH industry and drops to ~20% after the first year post-graduation

ToH graduates career path

Upon graduation   **Year 1**

Total ToH graduates from IPTs

Fresh graduates in ToH industry upon graduation

Workforce left in ToH industry after year 1

~ 50% of the graduates continue working in the ToH industry; whereby the remaining 50% pursue their career in other industries

~ 20% of the graduates continue working in the ToH industry after year 1
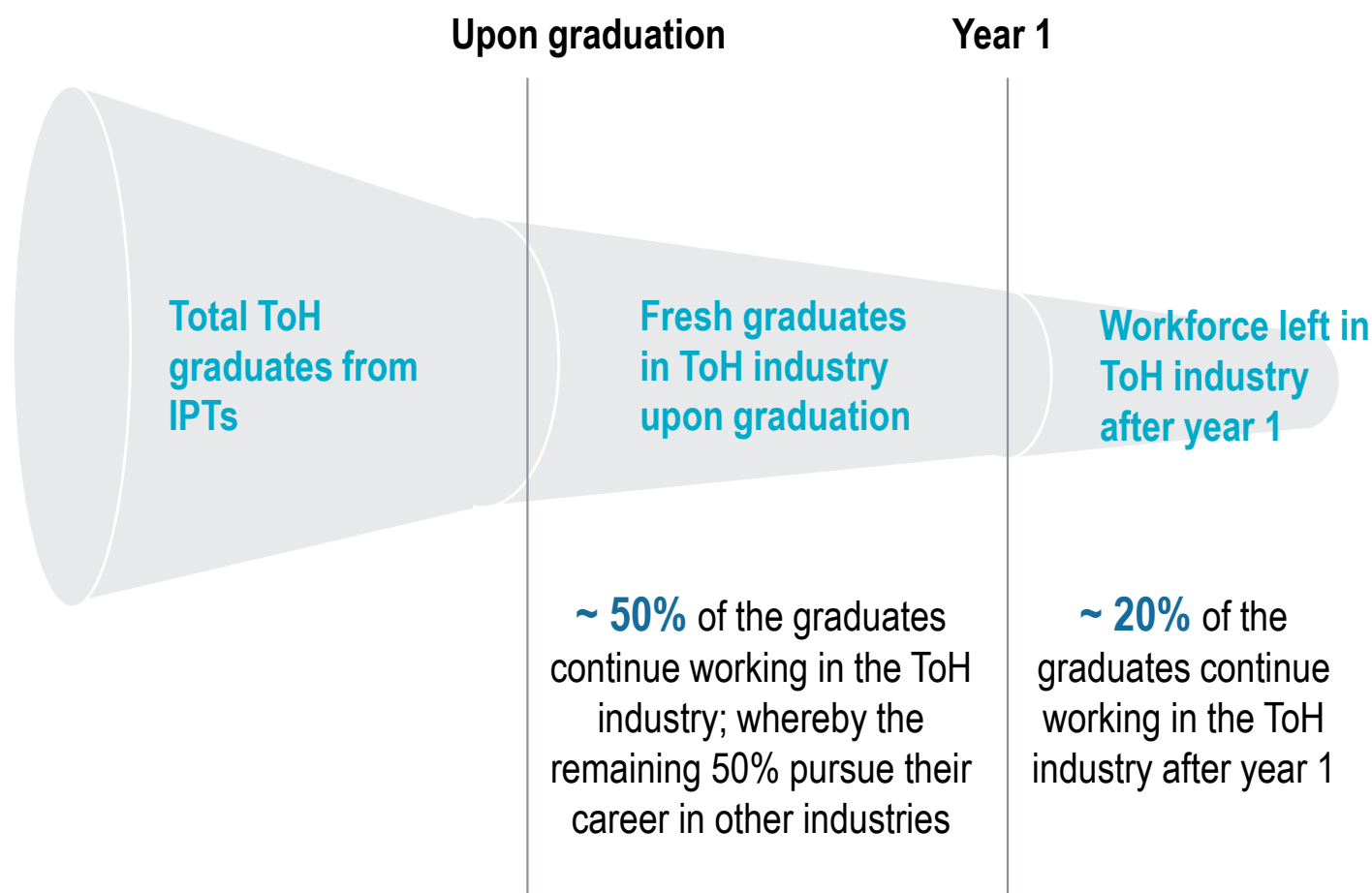
> *Some of the graduates diverted to other industries in the Services sector, such as clerks in the banking sector after year 1*
>
> **Central region FGD participant**

> *Many diploma students choose the entrepreneur route, rather than continuing their studies in ToH-related field or pursuing a career in the ToH industry*
>
> **Northern region FGD participant**

As ToH industry evolves, so do the skills needed for one to succeed, especially in the digital and high tech domain

A **Evolving skill requirements**

14%
increase in leadership skills

13%
increase in written communication skills

6%
increase in digital skills

B **Limited "digital developer" skills among ToH**

14%
face difficulty in coping with new technology

9%
face integration issues from existing business model

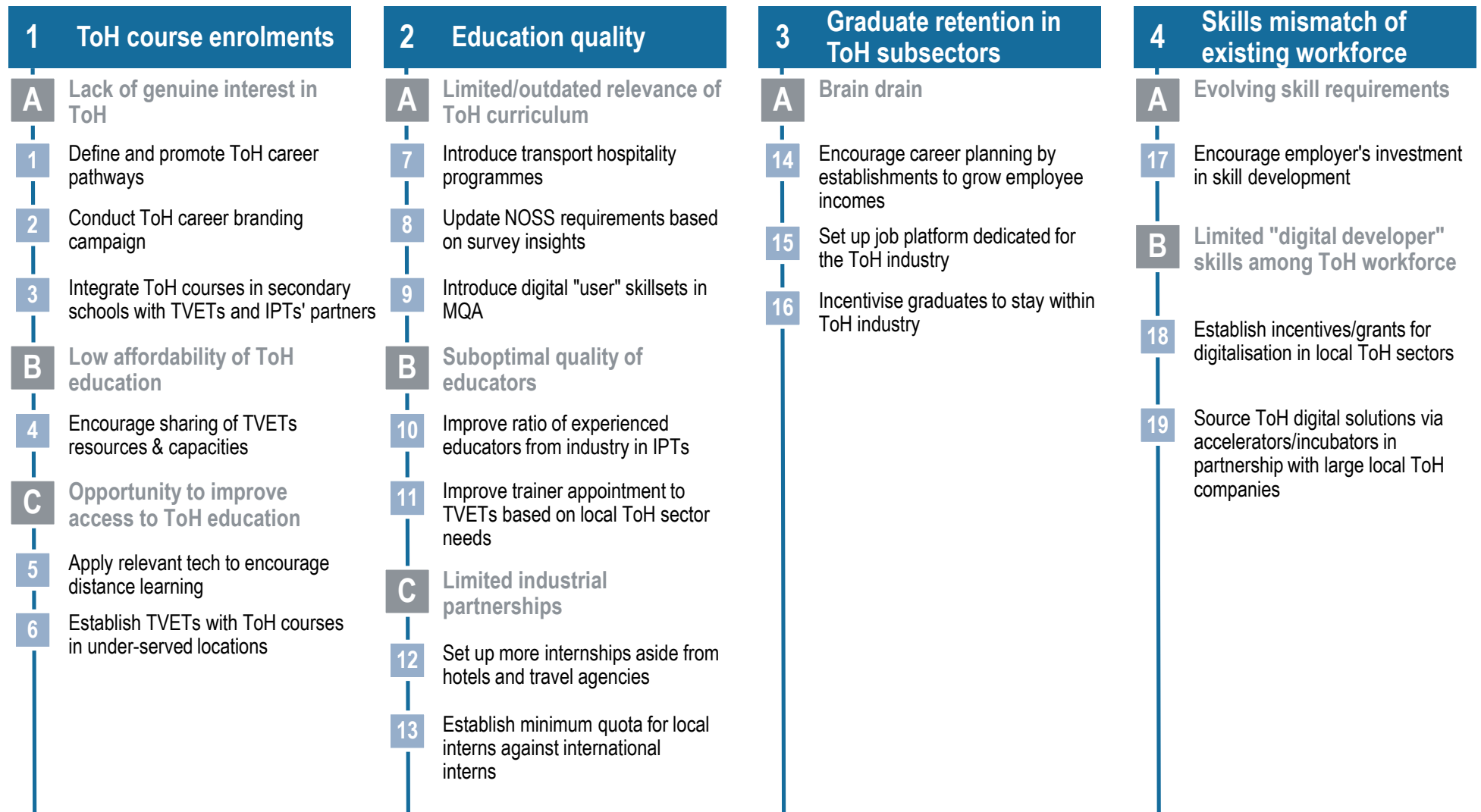*ToH students are usually ill-equipped to learn "digital developer" skills such as programming. It would be easier for them to collaborate with IT students which are more competent tech-wise.*

Central and Southern region FGD participants

The study identified 19 comprehensive strategies to address the talent gap challenges and to future-proof the ToH workforce

1 ToH course enrolments

A Lack of genuine interest in ToH

1 Define and promote ToH career pathways

2 Conduct ToH career branding campaign

3 Integrate ToH courses in secondary schools with TVETs and IPTs' partners

B Low affordability of ToH education

4 Encourage sharing of TVETs resources & capacities

C Opportunity to improve access to ToH education

5 Apply relevant tech to encourage distance learning

6 Establish TVETs with ToH courses in under-served locations

2 Education quality

A Limited/outdated relevance of ToH curriculum

7 Introduce transport hospitality programmes

8 Update NOSS requirements based on survey insights

9 Introduce digital "user" skillsets in MQA

B Suboptimal quality of educators

10 Improve ratio of experienced educators from industry in IPTs

11 Improve trainer appointment to TVETs based on local ToH sector needs

C Limited industrial partnerships

12 Set up more internships aside from hotels and travel agencies

13 Establish minimum quota for local interns against international interns

3 Graduate retention in ToH subsectors

A Brain drain

14 Encourage career planning by establishments to grow employee incomes

15 Set up job platform dedicated for the ToH industry

16 Incentivise graduates to stay within ToH industry

4 Skills mismatch of existing workforce

A Evolving skill requirements

17 Encourage employer's investment in skill development

B Limited "digital developer" skills among ToH workforce

18 Establish incentives/grants for digitalisation in local ToH sectors

19 Source ToH digital solutions via accelerators/incubators in partnership with large local ToH companies

Thank You