



MINISTRY OF ECONOMY  
DEPARTMENT OF STATISTICS MALAYSIA

# Webinar 3: Compiling of indicators of business performance related to selected social aspects of well-being and sustainability

## MEASURING LABOUR PRODUCTIVITY IN MALAYSIA

13<sup>th</sup> SEPTEMBER 2023

MALAYSIAN BUREAU OF LABOUR STATISTICS (MBLS)  
DEPARTMENT OF STATISTICS MALAYSIA (DOSM)





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# OVERVIEW

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StatsMalaysia  
[www.DOSM.gov.my](http://www.DOSM.gov.my)





# SDG: 8<sup>th</sup> DECENT WORK AND ECONOMIC GROWTH



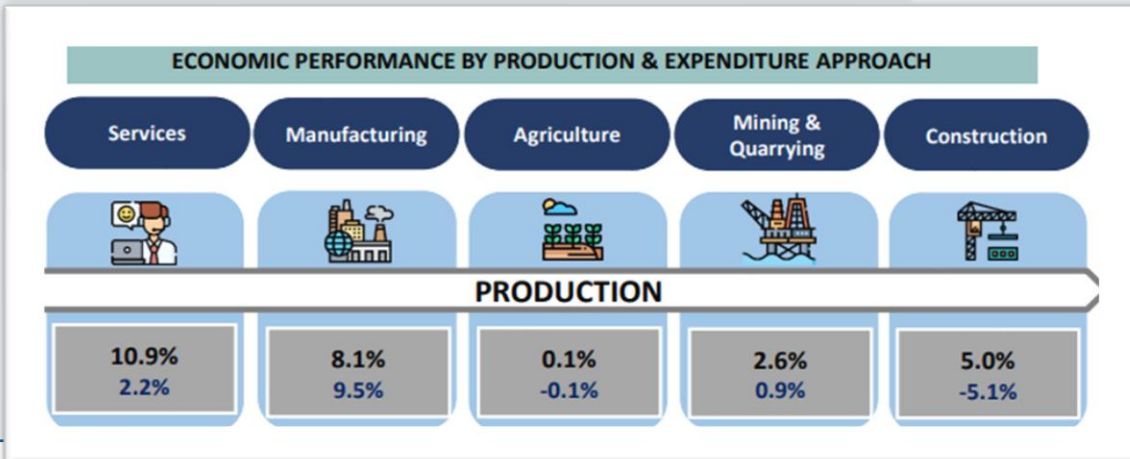
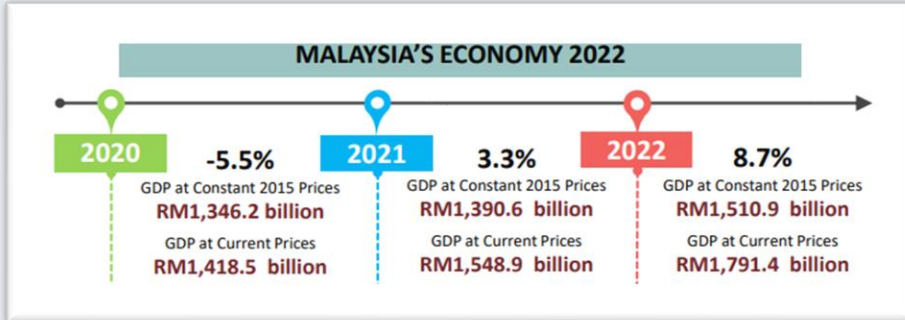
Sustained and inclusive economic growth can drive progress, create decent jobs for all and improve living standards.

**Indicator**    **Indicator explanation**    **Description**    **Status**

**8.1** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

Data sources: DOSM  
Publication:

Available



Sustained and inclusive economic growth can drive progress, create decent jobs for all and improve living standards.

Indicator	Indicator explanation	Description	Status
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**8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Data Sources: MPC

Publication:



Available

Figure 10: Global Competitiveness Ranking Correlates with Productivity

Country	2023 Competitiveness Ranking	Overall Productivity (PPP) Ranking	Overall Productivity (PPP) in US\$
Ireland	2	3	150,007
Switzerland	3	8	135,642
Singapore	4	1	183,959
South Korea	28	30	93,626
Malaysia	27	47	65,725
Indonesia	34	59	27,963
Philippines	52	61	24,130

Source: World Competitiveness Yearbook 2023, Institute for Management Development (IMD)



# INTRODUCTION

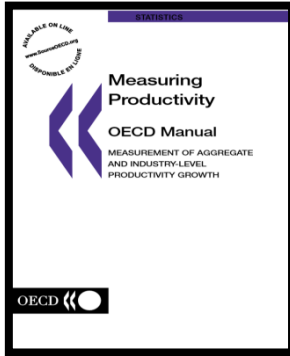


- Labour productivity is an important economic indicator for the country.
- Malaysia Productivity Corporation (MPC) as an implementer and coordinator of productivity at the national level
- Before 2017, labour productivity was published by the MPC, while the Department of Statistics Malaysia (DOSM) published quarterly labour productivity starting in 2017.
- Labour productivity statistics were published in 2017 to meet Malaysia Productivity Blueprint requirements by using the concepts of value added and employee ratio.
- In 2018, this statistic was improved with the addition of labour productivity input per hour worked.
- This publication contains quarterly and annual labour productivity data from 2015.
- Labour productivity is compiled based on concepts and guidelines in SNA 2008, ILO and the OECD Manual: Measuring Productivity

Paul Krugman (2006) menyatakan bahawa “*productivity is not everything, but it is nearly everything in the long run*”



# CONCEPTS OF LABOUR PRODUCTIVITY



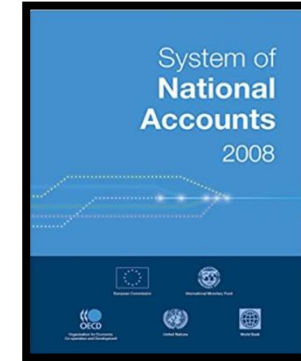
**Organisation for Economic Co-operation and Development (OECD)**

Productivity is commonly defined as a ratio between the output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labour and capital, are being used in an economy to produce a given level of output.



**International Labour Organization (ILO)**

Labour productivity is an important economic indicator that is closely linked to economic growth, competitiveness, and living standards. Labour productivity represents the total volume of output (measured in terms of GDP) produced per unit of labour (measured in terms of the number of employed persons) during a given time reference period.



**System of National Accounts 2008 (United Nations)**

Volumes of output per hour worked (or per person employed) are described as measures of labour productivity.



## What is labour productivity?

Labour productivity can be defined as a measure of economic efficiency which shows how effectively economic inputs are converted into output.

It is the ability to produce more with the same or less input, are a significant source of increased potential national income. The economy are able to produce more goods and services over time by making production more efficient.

## How to measure labour productivity?

Labour productivity refers to the efficiency and effectiveness of each employee to generate value added or overall output.

It is calculated by using the ratio of value added to the total hours worked or employment by sector in Malaysia.

It can be measured by various methods depending on the requirements and availability of data.





# Why is productivity important?



1

used in economic analysis,  
public and private  
policymaking

2

to drive economic growth  
and provide the basis for  
sustained economic growth

3

create new economic  
opportunities



4

ensure continued  
wellbeing and prosperity of  
the people

5

shift from labour intensive to  
knowledge and innovation  
based economic activities

6

unleash innovation to  
generate new sources of  
revenue



**ELEVENTH  
MALAYSIA PLAN,  
2016-2020**

**Productivity and innovation  
will be important pillars of the Eleventh Malaysian Plan.**



## Labour productivity per employment by economic activity

Sector	Revised Target	
	Value added per employment (RM'000)	Average Annual Growth Rate (%)
Agriculture	54.3	0.2
Mining and Quarrying	1,212.7	4.2
Manufacturing	123.9	3.9
Construction	44.0	4.3
Services	80.7	3.9
<b>Overall</b>	<b>88.4</b>	<b>3.2</b>



## TWELFTH MALAYSIA PLAN, 2021-2025

## A Prosperous, Inclusive, Sustainable Malaysia

### Labour productivity per employment by economic activity

Sector	Revised Target	
	Value added per employment (RM '000)	Average Annual Growth Rate (%)
Agriculture	60.3	2.5
Mining and Quarrying	1,341.9	1.5
Manufacturing	148.7	4.3
Construction	46.2	3.8
Services	100.6	3.6
<b>Overall</b>	<b>106.1</b>	<b>3.6</b>





## MALAYSIA PRODUCTIVITY BLUEPRINT

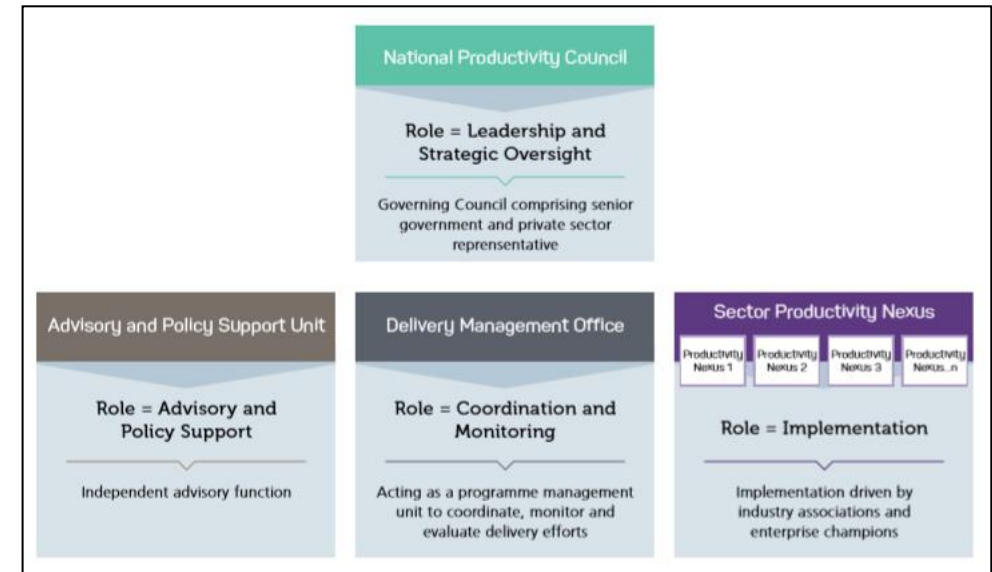
### Unlocking the potential of productivity to propel economic growth

Productivity is a game changer in the Eleventh Malaysia Plan, 2016-2020 to propel Malaysia to become an advanced economy and inclusive nation.



“Economic growth during the Eleventh Malaysia Plan, 2016-2020, must be driven by more sustainable sources of growth, particularly improvements in productivity. Targetted initiatives will be introduced at the national, sector and enterprise levels to ensure tangible and measurable improvements in productivity. Specific productivity targets will be set and the outcomes will be closely monitored.”

Comprehensive, transparent and coordinated efforts via institutionalised governance mechanism



Source: Malaysia Productivity Blueprint

# MEASUREMENTS OF LABOUR PRODUCTIVITY

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# MEASUREMENTS OF LABOUR PRODUCTIVITY



**Productivity is defined as the ratio of output (goods and services) to inputs (labour, hours worked and capital), measuring how efficiently inputs are used to produce output.**

Productivity can be measured by Single Factor Productivity and Multifactor Productivity

The choice between them depends on the purpose of productivity measurement and the availability of data.

## Single Factor Productivity (SFP)

SFP is a synonym for partial productivity measure. It relates output to one particular type of input.

## Multifactor Productivity (MFP)

The choice between them depends on the purpose of productivity measurement and the availability of data.



Labour productivity (LP)  
can be measured by 3 approaches.

It measures how efficiently labour  
input is used in the production  
process.

$$\text{Labour Productivity} = \frac{\text{Output (Value Added)}}{\text{Labour Input}}$$

## Output

Value Added

## Labour input

Employment/ total hours worked/ jobs

### LP per Employment

How productive labour input generate output

### LP per Hour worked

If productivity rises, it takes fewer hours of work for the economy to produce the same amount of output.

### LP per Jobs

How much output produced based on number of jobs



# COMPONENTS OF LABOUR PRODUCTIVITY



## Value Added

- Value of goods and services produced less intermediate consumption.

## Employment

- Refers to employees who work full-time / part-time, self-employed, or unpaid family worker who work for at least one hour within a week; and
- The overall number of employees at the end of the reference period.

## Employment Hours Worked

- Employment Hours Worked refers to the overall number of employees at the end of the reference period excluding the employees who did not work during the reference period because of illness, injury, disability, bad weather, leave, labour dispute and social/religious reasons.

## Total Hour Worked

- Total number of hours worked during the reference period.





## LABOUR PRODUCTIVITY PER EMPLOYMENT

- Defined as the ratio of output (goods & services) to input (Employment)
- Expressed in terms of Value Added per Employment
- It reflects the amount of output produced by each employee in full-time, part-time, self-employed, or unpaid family worker for at least one hour within a week.

**Labour Productivity  
per Employment**

$$= \frac{\text{Value Added}}{\text{Employment}}$$



## LABOUR PRODUCTIVITY PER HOUR WORKED

- Defined as the ratio of output (goods and services) to input (Total Hours Worked)
- Expressed in terms of Value Added per Hour Worked
- It reflects the amount of output produced within an hour based on the category of employees either in full time, part time or self-employed or unpaid family worker who worked for at least one hour within a week.

**Labour Productivity  
per Hour Worked**

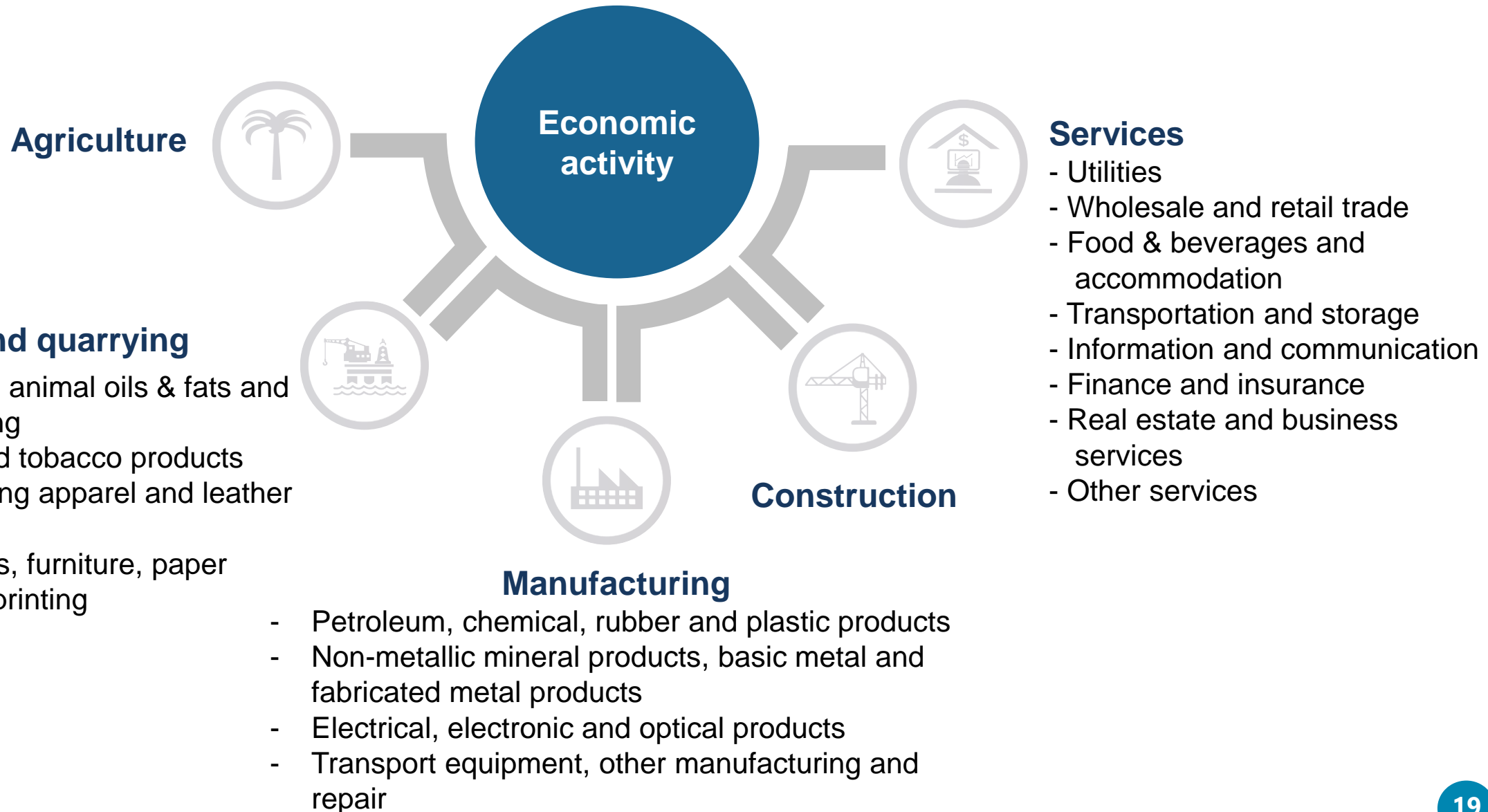
$$= \frac{\text{Value Added}}{\text{Hour worked}}$$

# LABOUR PRODUCTIVITY PERFORMANCE

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# LEVEL OF DISSEMINATION



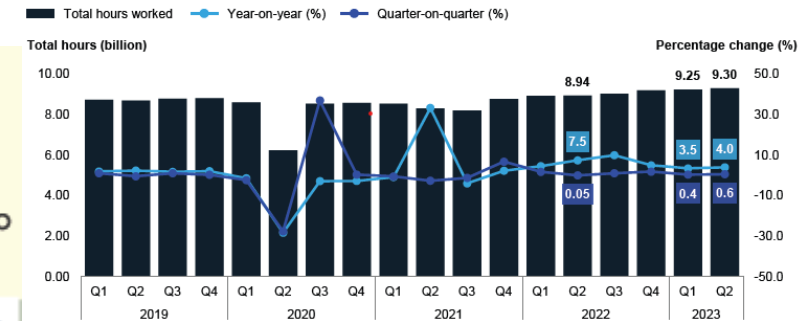


# LABOUR PRODUCTIVITY PER HOUR WORKED



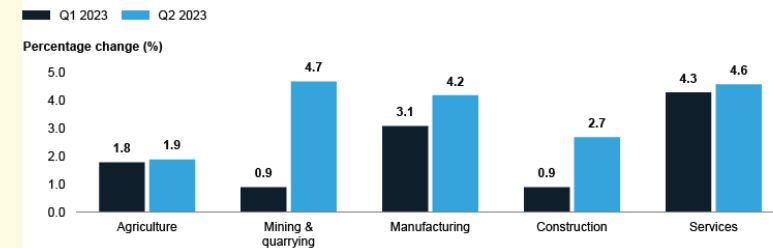
Labour productivity posted negative 1.1 per cent growth as the economy moderated to 2.9 per cent in the second quarter of 2023

Total Hours Worked, Q1 2019 - Q2 2023



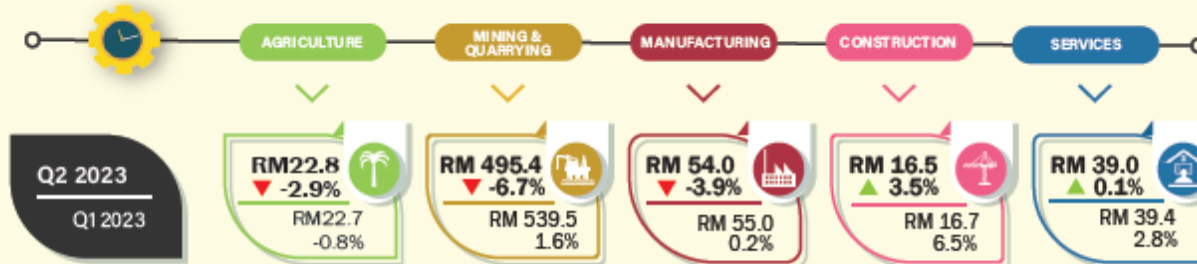
Source: Labour Productivity, Malaysia, Q2 2023, DOSM

Total hours worked by economic sector, Q1 2023 & Q2 2023

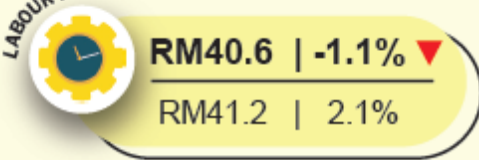


## LABOUR PRODUCTIVITY, VALUE ADDED PER HOUR WORKED

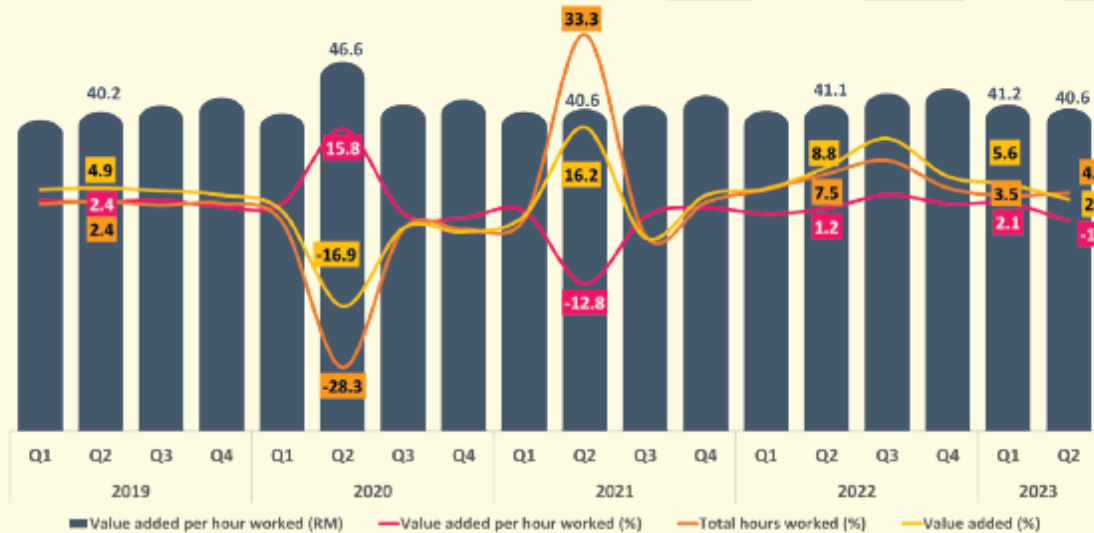
Labour productivity per hour worked decreased 1.1% in Q2 2023 with value added per hour worked at RM40.6 per hour.



### LABOUR PRODUCTIVITY PER HOUR WORKED



### TOTAL HOURS WORKED (MILLION HOURS)



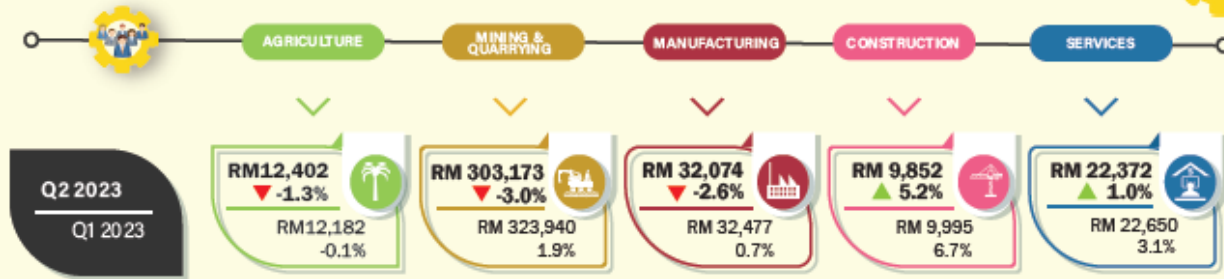


# LABOUR PRODUCTIVITY PER EMPLOYMENT

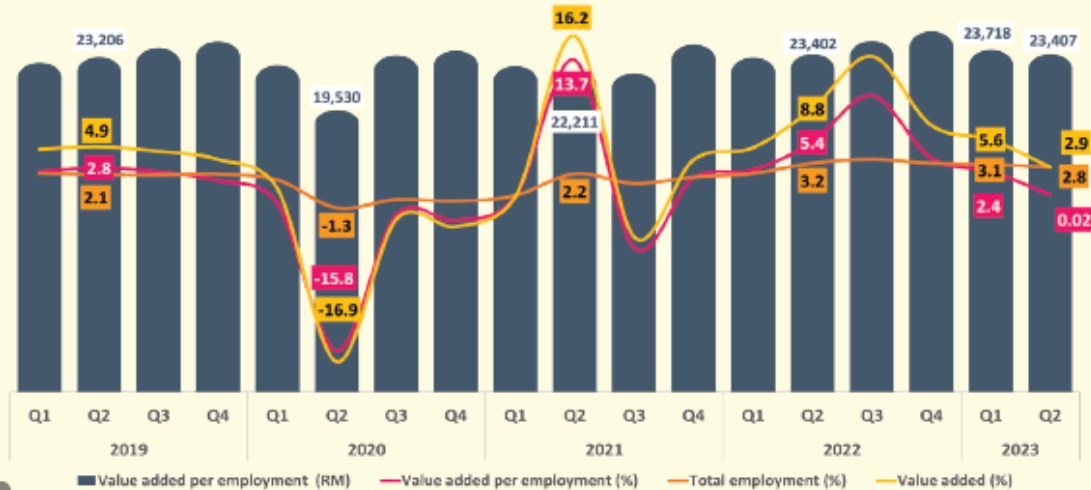


Labour productivity posted marginal positive 0.02 per cent growth as the employment increase to 2.8 per cent in the second quarter of 2023

## LABOUR PRODUCTIVITY, VALUE ADDED PER EMPLOYMENT



Labour productivity per employment increased 0.02% in Q2 2023 to record value added per employment at RM23,407 per person.



### LABOUR PRODUCTIVITY PER EMPLOYMENT



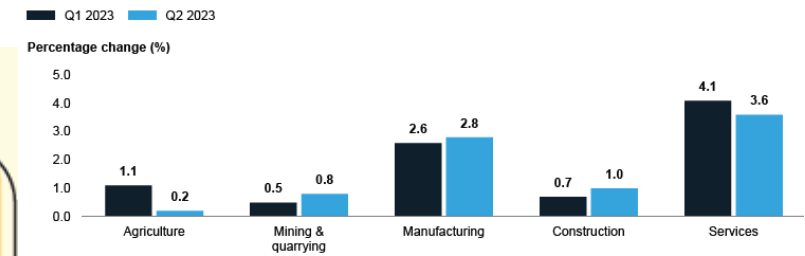
RM23,407 | 0.02%▲  
RM23,718 | 2.4%

### TOTAL EMPLOYMENT ('000 PERSONS)

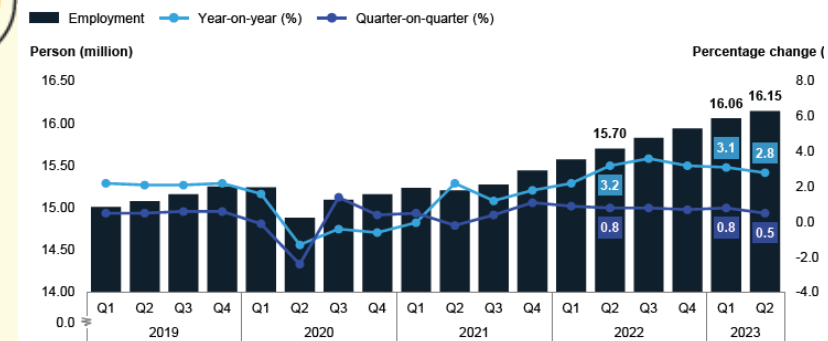


16,146 | 2.8%▲  
16,062 | 3.1%

Employment by economic sector, Q1 2023 & Q2 2023



Employment, Q1 2019 - Q2 2023

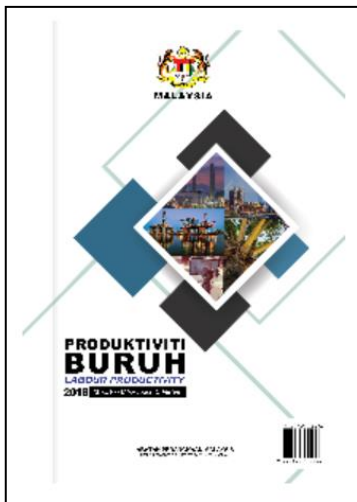
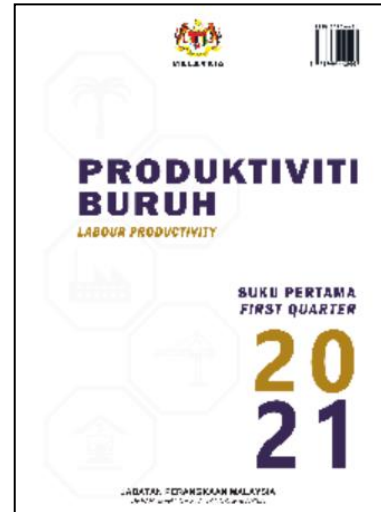




# QUARTERLY PUBLICATION



Labour productivity was first published by the Department of Statistics, Malaysia on 22 November 2017





# DATA DISSEMINATION: VIDEO



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Labour Productivity Second Quarter 2021 6:52

Labour Productivity First Quarter 2021

Labour Productivity, Fourth Quarter 2022

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## "STATISTICS BLOOM IN HARMONY"

Doesn't matter far or near  
Strength in numbers  
we don't live in fear

Birds of feather flock together  
Statistics our form of adour  
We, will always live it up

So let us live in solidarity  
And in the world arena we'll  
succeed

It is statistics that will come to be  
The reason we will bloom in  
harmony

Everybody undivided  
Data's where our hearts reside in  
There will always be a bind

Just like fire that ignites  
That's how brightly lit our dreams are  
We'll reach higher than the stars

Sending love to one another  
Leaving no one in a slumber  
We will stand with unity

Mustering our courage while  
Embracing our disparities  
We'll achieve our victory

One dream with unity  
One love with harmony



"STATISTICS BLOOM  
IN HARMONY"  
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# THANK YOU



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