



INSTITUT MASA
DEPAN MALAYSIA

MASA ECONOMIC INSIGHT NO.4 / 2022

Bumiputera Empowerment

POLICY AND RESEARCH DIVISION
INSTITUT MASA DEPAN MALAYSIA
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Bumiputera Empowerment
*Dated 12 December 2022***Theme:****Bumiputera Empowerment****Introduction:**

Malaysia's economic situation now requires a productive and efficient strategy to improve the country's economic development across various sectors, regardless of ethnicity.

In line with the concept of equality that underlies the Shared Prosperity Vision 2030 (SPV2030), the Bumiputeras form the main groups that need to be given attention in the development and holding of the Malaysian economy.

Ten Malaysia Plans (RMK) have been introduced. From the 1971 Second Malaysia Plan (RMK-2) to the recently launched Twelfth Malaysia Plan (RMKe-12) in 2021, all have outlined important parts of the Bumiputera Agenda in line with Article 153 of the Federal Constitution with emphasis on the preservation of the rights and privileges of Orang Asli, Malays, Chinese, Indians, People with Disabilities (OKU), as well as women and children.

The implementation of the Bumiputera Development Agenda remains important as Bumiputeras constitute about 69.9% of the Malaysian population¹. While the Government has continuously implemented programmes and initiatives to enhance the socio-economic status of Bumiputera, there are still issues and challenges that need to be addressed.

The main issues highlighted are:

- i. **Economic Disparity**; and
- ii. **Unemployment/ Underemployment**

¹ [Breakdown of population Malaysia 2019-2022. by ethnicity.](#)

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Issue 1: Economic Disparity

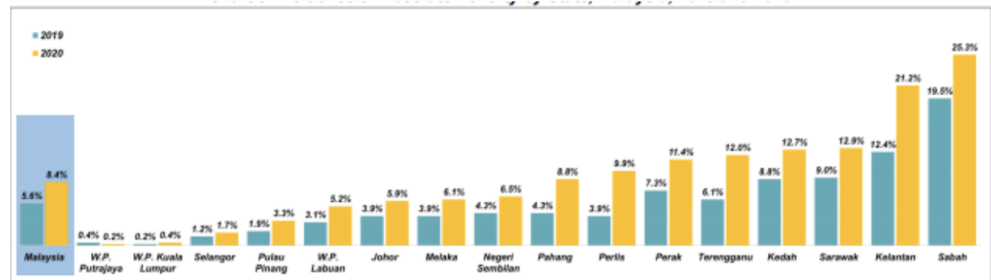
Elaboration

The outbreak of COVID-19 pandemic has had significant impacts on the **household income**, and subsequently affected the structure of household groups. **Poorly impacted households** are those in the **B40 income bracket**, which is primarily **made up of Bumiputeras**².

1) Economic disparity in less developed states.

- Based on the data by DOSM chart below, **East Malaysia** and **the states with high Malay population (Kelantan, Kedah, Terengganu)** are among the top 5 states with the **highest level of absolute poverty**. East Malaysian states (Sabah and Sarawak) have poverty rates of 25.3% and 12.9% respectively³.

Chart 3: Incidence of Absolute Poverty by State, Malaysia, 2019 and 2020



- Abovementioned states are clearly **less developed than other Central and Southern regions**, where rapid development of projects are taking place concurrently.
- This is due to **inequality and unbalanced development** in terms of wealth, income, education and infrastructure⁴.

² [Bumis majority of top earners - but disparity widest, too](#)

³ [Household Income Estimates and Incidence of Poverty Report, Malaysia, 2020](#)

⁴ [Malaysia's poverty rate increases most in Sabah, Sarawak, Kelantan, Kedah — Mustapa Mohamed](#)

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- Additionally, data from DOSM also reiterates this point as **71.6% of the 1.3 million households earning less than RM3,000 per month in 2019 are made up of the Bumiputeras⁵.**

Issue 2: Unemployment/Underemployment

Elaboration

Issue 2: Unemployment/Underemployment

Though Bumiputera is the dominant ethnic group, there is a considerable number of Bumiputeras being unemployed or underemployed in Malaysia’s labour market.

1) Unemployment of Bumiputeras

- According to DOSM tabulation (1982 - 2021), **Bumiputera unemployment is at 5%** - higher than any other ethnic group with Chinese at 3% and Indian at 4.6%⁶.

Ethnic Group	Participation Rate (%)
Non-Malaysian citizens	83%
Others	73.2%
Chinese	69.9%
Indians	67.4%
Bumiputera	65.8%

- According to the graph above, **non-Bumiputeras had a greater rate of labour force participation in 2021 than Bumiputeras, who had the lowest participation rate of any Malaysian ethnic groups at 65.8 percent⁷.**

⁵ [A closer look at the latest data on ethnic income gap](#)

⁶ [Labour Force Survey \(LFS\) Time Series Statistics by State, 1982 - 2021](#)

⁷ [Labor force participation rate in Malaysia by ethnic group - Statista](#)

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	<p>2) Underemployment of Bumiputeras</p> <ul style="list-style-type: none"> - Low skills and lack of education of the Bumiputeras' prevent them from securing high paying jobs in the labour market. - Bumiputeras who have attained post-secondary education make up the largest proportion of the unemployed, compared with their peers from other ethnic groups⁸. - According to the DOSM, only 35.2% of Bumiputeras in the labour force obtained a tertiary education in 2021⁹. - Post pandemic, only 27% bumiputera graduates were hired by the private sector in 2020 compared to 40% in 2019¹⁰. This decrease is also due to the downskilling of business during COVID years. - Based on TERAJU's report, under the 12MP target (2025), there should be a number of 3,248,920 Bumiputeras in skilled occupations. <p>Thus, this needs to be addressed urgently by the Government as to how a dominant ethnic community has not been able to cross over to the middle class and escape the poverty trap.</p>
<p>Recommendation</p>	<p>1) The Government must continue the efforts to lift the Bumiputera Development Agenda until it reaches the same level of other races and ethnicities in order to lessen any tension. This is in line with the Shared Prosperity Vision 2030 (SPV2030) and the 12th Malaysian Plan (12MP).</p>

⁸ [Why we need to address the bumiputera economy - IMAN Research](#)

⁹ [Only 35% of working Bumiputeras in 2021 had higher education](#)

¹⁰ [Teraju: Pandemic causes drop in hiring of bumiputera grads in 2020](#)

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Based on announcement by the previous Prime Minister vis-a-vis the Bumiputera Development Action 2030 (TPB2030), the Government should have a **clear direction and objective** in assisting the Bumiputeras.

- a) The Government must have **follow-up arrangements** accordingly to **ensure the execution of Bumiputera Development Action 2030 (TPB2030)**.
- b) Policies and actions **should be needs-based**, with focus on Bumiputeras belonging to the B40 income band, and with targeted KPIs to ensure monitoring and track progression.
- c) Establish a **one-stop centre database** for Bumiputera for the monitoring of progression and develop further research. This should also be used to **monitor existing Bumiputera initiatives** to ensure agencies can work in tandem instead of working in silo.
- d) **Lessen bureaucracy and other administrative issues to expedite the process of approving financial/grants** at government ministries/agencies of mentioned states. Below are steps that must be executed in ensuring no exploitation from any sides can be made:
 - I. **Job Rotation Policy** – to minimise corruption/graft involving “higher-ups” in ministries/agencies.
 - II. **Exercise Open Tendering** – to ensure transparency in open competitive bidding - increase participation of Bumiputera in acquiring goods and services at the best price.

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- 2) The Government should place a **high priority on developing and utilising the economies of the "left behind" states**. Utilise Malay/Bumiputera Land to promote Bumiputera growth and global competitiveness by establishing a **Bumiputera Economic Development Corridor**.¹¹
- a) Sabah and Sarawak are well known among East Asian nations like China and South Korea due to both having a wealth of natural resources that can be used to their advantage to **promote Malaysia's ecotourism industry**.
 - b) Kelantan and Terengganu are in the same geographic area which are along the coast, and can **strategically be uplifted as advanced maritime states** and from **capitalisation of their cultural heritage through well-maintained preservation**.
- 3) To uplift the socio-economic status of Bumiputera, the Government must then stress upon their involvement in the employment sector. As such:
- a) **Institut Kemahiran MARA (IKM) and GIATMARA** that provide low-skills training courses must transform to provide comprehensive skills training modules. Then, the courses **should be tied as a progression programme** to the current initiatives of MySTEP/PROTEGE programmes to ensure a successful employment of Bumiputera.
 - b) In ensuring the absorption into the highly professional talent pool, it is a must for the Government **to station and train the potential Bumiputera employees/entrepreneurs within GLCs or Private Large Companies**. This can also be done in **collaboration** between **relevant skill training institutions and the industry players**.

¹¹ Shared Prosperity Vision 2030 (SPV2030) Strategic Plan, page 158

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	<p>c) Ensure Bumiputera criteria in programs such as Peneraju Profesional Training Initiative with Industry (PERTIWI) whose aim is to provide working abroad experience and exposure to be brought back to Malaysia.</p> <p>d) Encourage addition of Bumiputera segment within the HRD Corp Microcredential initiative with incentives to encourage focused participation of lifelong learning for the ethnic group.</p>
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