MINISTRY OF HUMAN RESOURCES

HRDF
MALAYSIA

"PEOPLE, PROWESS, PROGRESS"

# Human Resources Development Fund Malaysia

## Ministry of Human Resources, Malaysia

## MOVING FORWARD

# PRESENTATION OUTLINE

1
- **About HRDF**

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- **HRDF Coverage Effective 1st April 2017**

3
- **Registration Benefits**

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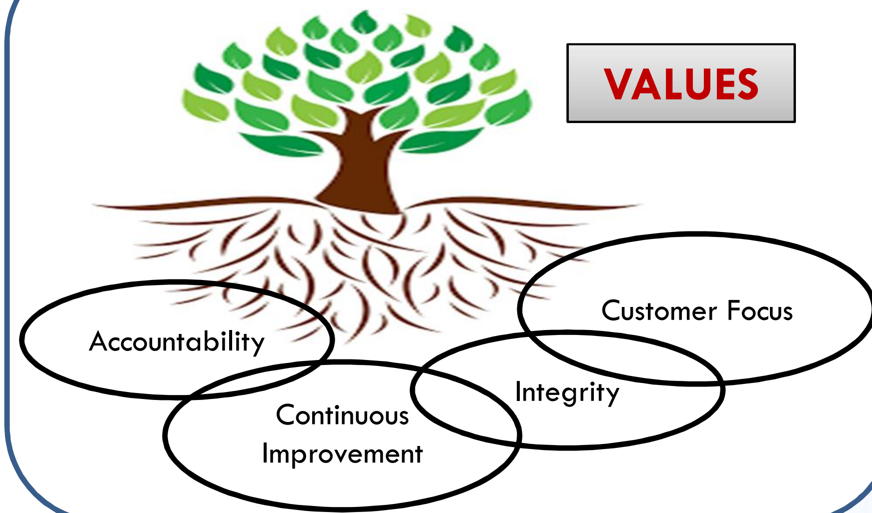
- **Q & A**

# ABOUT HRDF

# About HRDF : Vision, Mission and Values

## VALUES




## VISION

To be the human capital development authority in strengthening the economic development of Malaysia

## MISSION

Spearheading the human capital learning and development through strategic interventions that fulfil the current and future needs of the industry

## The Establishment & The Milestones

**1993**
Human Resource Development Council (HRDC) was established in 1993. Our Act is known as Human Resources Development Act 1992.

**1995**
Employers with 10-49 employees & paid-up capital ≥ RM 2.5 million (manufacturing):
Hotel, air transport, travel agency (In-bound), telecommunication, freight forwarding, shipping, postal or courier, advertising, computer services.

**2001**
Incorporated on 17 April 2001 and known as Pembangunan Sumber Manusia Berhad. PSMB Act 2001 came into force on 16 May 2001 and PSMB is governed by the same. PSMB is the manager of Human Resource Development Fund (HRDF).

**2005**
Employer with 10 employees in services sector; & Employers with 50 employees in hypermarket.

**2007**
Commercial land transport and railway transport services.

**2014**
PSMB expanded the PSMB Act 2001 by adding Oil & Gas sector and 19 new subsectors to the existing 44 subsectors under the Services & Manufacturing sectors. These employers are required to pay levy effective from 1 June 2014.

**2015 - 2020**

# About HRDF : PSMB Act 2001

**Section 3**

To encourage employers covered under the Pembangunan Sumber Manusia Berhad Act 2001 to **retrain and upgrade the skills of their employees, apprentices and trainees** in line with their business' needs and the development strategy of the country

**PREAMBLE**

The imposition and collection of a human resources development levy for the purpose of promoting the training and development of employees, apprentices and trainees, the establishment and the administration of the Fund.

**Section 4**

a) To assess and determine the types and extent of employees' apprentices' and trainees' training and retraining in keeping with the human resources needs of industries;

b) To promote and stimulate manpower training; and

c) To determine the terms and conditions under which any financial assistance or other benefits are to be given

**PSMB Act 2001**

# HRDF COVERAGE EFFECTIVE 1ST APRIL 2017

# HRDF : Industry Sectors Coverage Under The PSMB Act 2001

## Manufacturing Sector

Electrical and Electronic
Metal Product
Mineral Product
Food and Beverages
Transport Equipment
Plastic
Wood & Wood based and Cork
Machinery
Industrial Chemicals
Paper and Pulp
Iron and Steel

Rubber Product
Furniture and Fixtures
Printing and Publishing
Textile and Apparel
Petroleum and Coal
Optical and Photography
Glass and Glass Product
Petroleum Refinery
Footwear
Ceramic
Tobacco
Leather

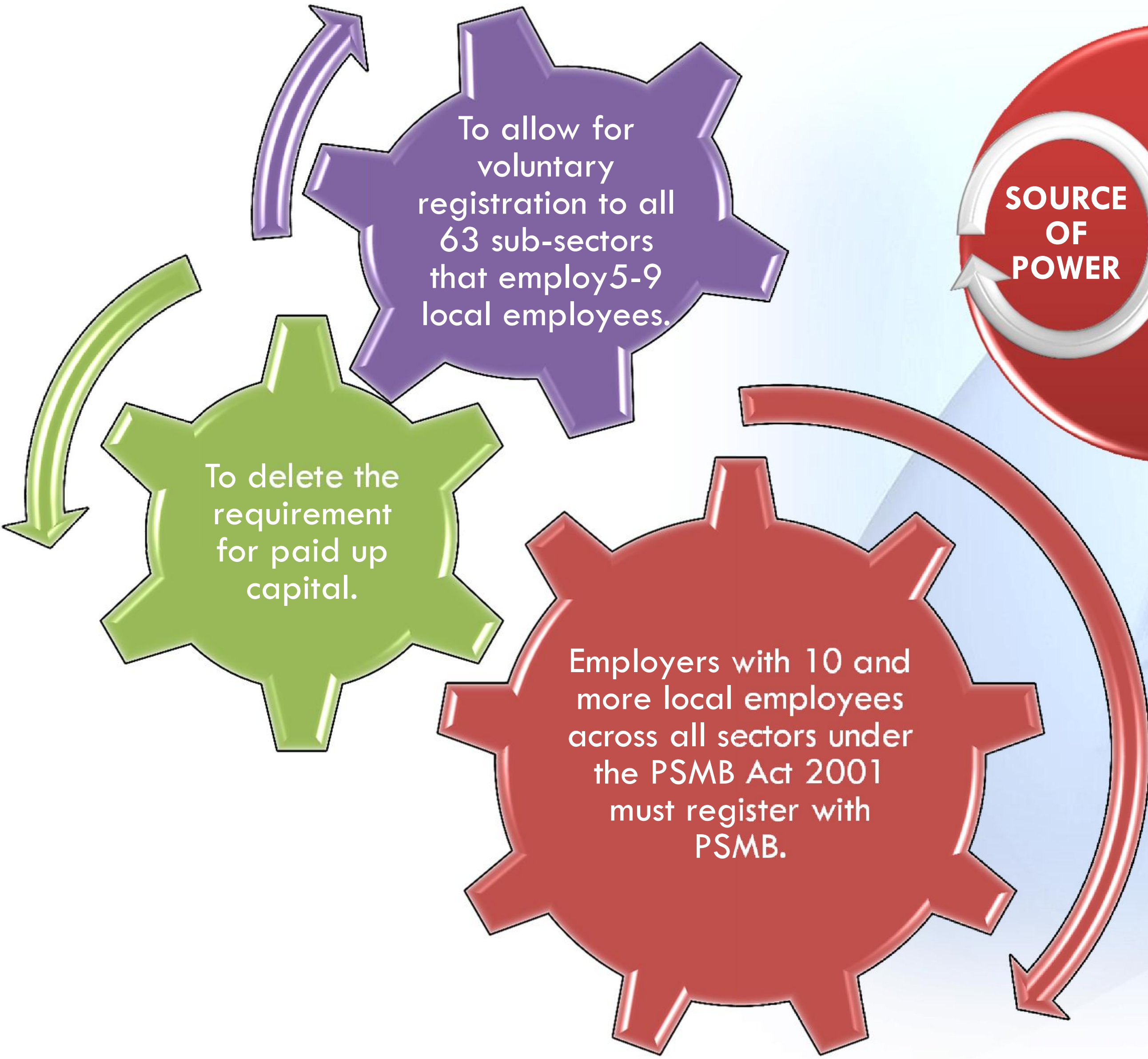
## Mining & Quarrying Sector

Petroleum and gas extraction
Mineral and stone quarrying

## Service Sector

Energy
Hypermarket/Supermarket/Departmental Store
Direct Selling
Commercial Land Transport and Railway Transport Services
Warehousing Services
Port Services
Hotel Industry
Freight Forwarding
Shipping
Air Transport
Tour Operating Business (In-bound only)
Postal or Courier
Telecommunication
Research & Development
Engineering Support & Maintenance Services
Security Services
Computer Services
Advertising
Private Hospital Services
Higher Education
Training
Gas, steam and air-conditioning supply
Water treatment and supply
Sewerage
Waste management and material recovery services
Food and beverage services
Production of motion picture, video and television programme, sound recording and music publishing
Information service
Tourism enterprise
Building and landscape services
Event management services
Early childhood education
Health support services
Franchise
Sale and repair of motor vehicles
Private broadcasting services
Driving school
Veterinary services

# HRDF : Coverage Under The PSMB Act 2001 Effective 1st April 2017




**SOURCE OF POWER**

By virtue of Section 49 of the PSMB Act 2001 – Power of the Minister to amend the First Schedule of the Act.

# **HRDF**: Mechanics of the expansion of the PSMB Act 2001

| SECTOR | CURRENT CLASS OF EMPLOYERS COVERED UNDER PSMB ACT 2001 | CURRENT IMPOSITION OF LEVY | CLASS OF EMPLOYERS COVERED AFTER THE AMENDMENT OF PSMB ACT 2001 | IMPOSITION OF LEVY AFTER THE AMENDMENT OF PSMB ACT 2001 |
|---|---|---|---|---|
| **Manufacturing & Mining and Quarrying** | ≥ 50 Malaysian empoyees. | 1% | ≥10 Malaysian employees. | 1% |
| | 10-49 Malaysian employees & paid-up capital ≥RM 2.5 million | | ≥10 Malaysian employees.<br><br>The requirement for paid-up capital is deleted. | |
| | 10-49 Malaysian employees & paid-up capital <RM2.5 million **(given option to register).** | 0.5% | ≥10 Malaysian employees.<br><br>The requirement for paid-up capital is deleted. | |
| | – | – | 5-9 Malaysian employees **(given option to register).** | 0.5% |

# HRDF: Mechanics of the expansion of the PSMB Act 2001

| SECTOR | CURRENT CLASS OF EMPLOYERS COVERED UNDER PSMB ACT 2001 | CURRENT IMPOSITION OF LEVY | CLASS OF EMPLOYERS COVERED AFTER THE AMENDMENT OF PSMB ACT 2001 | IMPOSITION OF LEVY AFTER THE AMENDMENT OF PSMB ACT 2001 |
|---|---|---|---|---|
| Service | ≥10 Malaysian employees except :- i. Hypermarket ,supermarket & departmental store services - ≥50 Malaysian employees ii. Food Beverage - ≥30 Malaysian employees | 1% | ≥10 Malaysian employees. | 1% |
| | — | — | 5-9 Malaysian employees (given option to register). | 0.5% |

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HRDF MALAYSIA

# HRDF : Coverage Under The PSMB Act 2001 Effective 1st April 2017

| SECTOR | EMPLOYERS COVERED UNDER THE PSMB ACT 2001 | RATE OF LEVY |
|---|---|---|
| MANUFACTURING<br>MINING & QUARRYING<br>SERVICE | 10 ≥ Malaysian employees | 1 % |
| | 5 - 9 Malaysian employees<br>**(given option to register)** | 0.5 % |

**REGISTERED EMPLOYERS** (as at 28 February 2017)

| Manufacturing Sector | | Mining & Quarrying Sector | | Service Sector | | |
|---|---|---|---|---|---|---|
| 7,209 | + | 67 | + | 10,382 | = | 17,658 |

# HRDF: Definition of Employees & Wages

## EMPLOYEE

_Any citizen of Malaysia_ who is _employed for wages_ under a _contract of service_ with _an employer_, but does not include any domestic servant

- Temporary
- Contract
- Permanent

## WAGES

*Basic salary and fixed allowances or other emoluments of a like nature paid in cash by or on behalf of an employer to an employee*

- 1% FROM THE TOTAL WAGES (for mandatory category)
- 0.5% FROM THE TOTAL WAGES (for optional category )

# REGISTRATION BENEFITS

# PERCENTAGE OF **SKILLED WORKFORCE** FOR HRDF REGISTERED EMPLOYERS

28%

**Nation**

SKILLED WORKFORCE

38%

**HRDF**

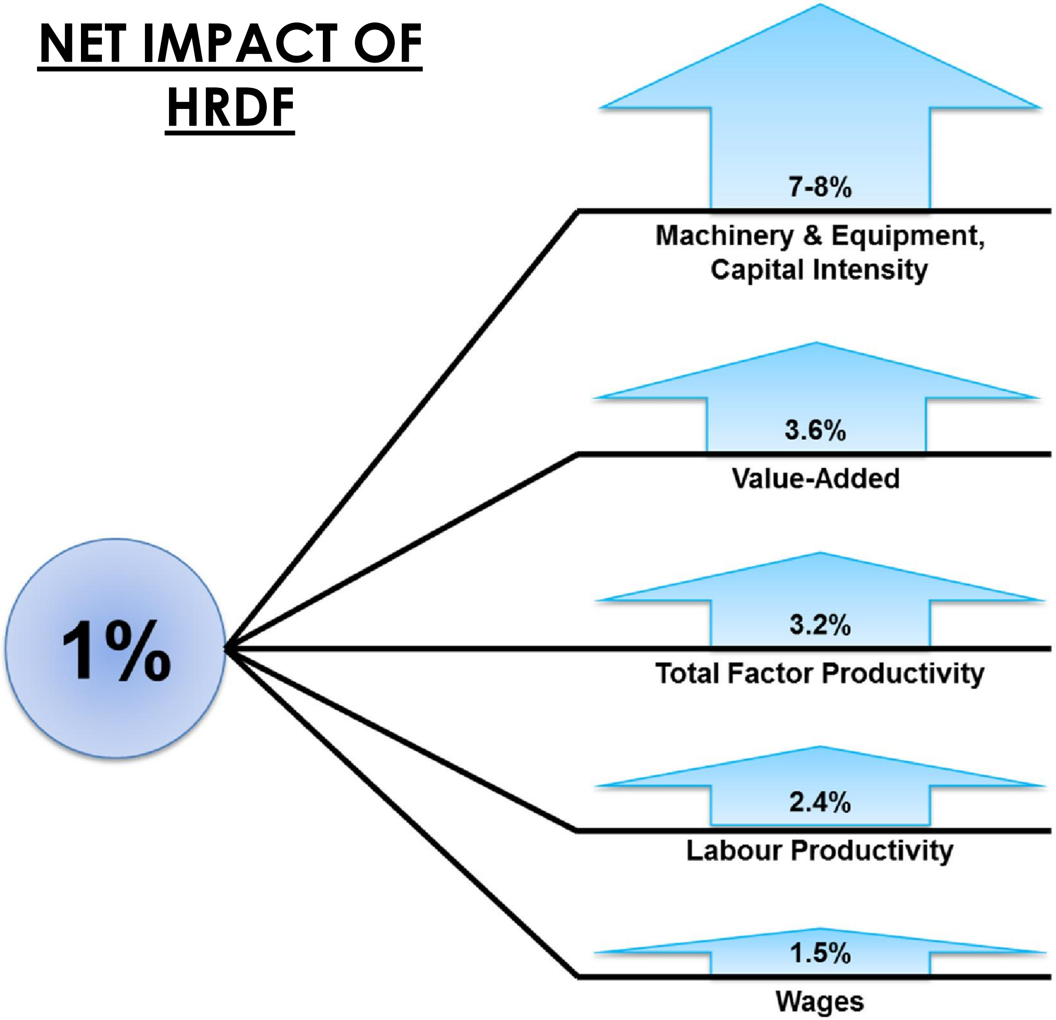
Percentage of skilled workforce under HRDF coverage are 38%

Note:
Definition of Skilled Workers was based on the Department of Statistics (DOS) job positions category: Managers, Professionals and Technician and Associate Professionals

Source: Study on the HRDF Registered Employers' Employees' Skilled Bracket 2014
Note: Data were based on NER 2011 by ILMIA, Ministry of Human Resources

# THE NET IMPACT OF 1% LEVY CONTRIBUTION FOR SMEs

## NET IMPACT OF HRDF




It was found that training programmes by HRDF indicated a strong positive impact including effects on productivity (Total Factor Productivity [TFP] and Labor Productivity).

The highest impact was on investment in machinery and equipment and capital intensity followed by increase in value added and TFP.

This programme also showed increase in labor productivity and wages.

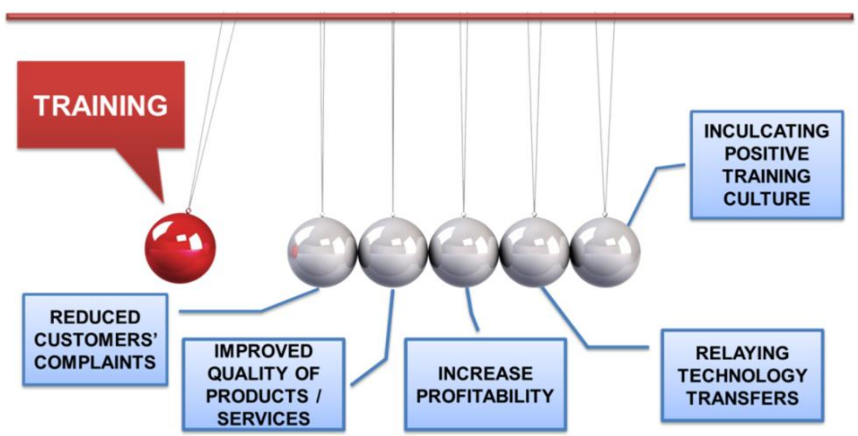
*Source: World Bank based on census and survey from Department of Statistics, Malaysia – SME Master plan 2012-2020*

# EFFECTIVENESS STUDY OF THE HUMAN RESOURCES DEVELOPMENT FUND (HRDF)

The study found that HRDF training schemes **were effective** in terms of…

- Increasing the employees' knowledge and skills
- Increasing *companies*' performance
- Improving companies' productivity level

Further findings have shown that **training were able to effectively give impacts to the actual business results in terms of** …




*Source: Study on the Effectiveness of Human Resources Development Fund (HRDF) by Saujana Edu Urus Sdn. Bhd.*

# EFFECTIVENESS STUDY OF **APPRENTICESHIP SCHEME**

PEOPLE PROWESS PROGRESS

## APPRENTICE


**80%** APPRENTICE BEING EMPLOYED WITHIN 6 MONTHS AFTER COMPLETION OF TRAINING

**RM1,202**

AVERAGE STARTING MONTHLY PAYMENT RECEIVED BY APPRENTICES

**1.0% - 44.3%**

AVERAGE SALARY INCREMENT RECEIVED BY APPRENTICES (comparison between entry level salary and salary received during study being conducted)

**82%** APPRENTICES SATISFIED WITH THE QUALITY OF TRAINING DELIVERY DONE BY TRAINING PROVIDERS AND SPONSORING EMPLOYERS

## EMPLOYERS

**95%** SAID THAT SALARY OFFERED BY THEM WERE ALIGNED WITH APPRENTICES' SKILLS AND EXPERIENCE GAINED DURING TRAINING

EMPLOYERS WERE SATISFIED WITH APPRENTICES' SKILLS AND KNOWLEDGE THAT ARE IN-LINE WITH ORGANISATION'S WORKING ENVIRONMENT. THEY ALSO PROVIDE OPPORTUNITY FOR APPRENTICES TO APPLLY THEIR SKILLS IN THE ORGANSATIONS

**71%** SATISFIED WITH PERFORMANCE SHOWED BY APPRENTICES AT WORKPLACE

*Source: The Effectiveness Study of Apprenticeship Scheme under RMK-9 by IRSHAD Consulting Sdn. Bhd.*

# EFFECTIVENESS STUDY OF
# THE TRAINING INCENTIVE SCHEME

Majority of respondents cited that the scheme has **positive impacts on employees in the areas of:**

Enhanced Job-Relevant Knowledge and Skills

Improved productivity

Increased Job Motivation of Trained Employees

Reduced Levels of Absenteeism (Sick Leaves and No-Shows)

They also have seen the **difference** between trained employees and non-trained employees under this programme in terms of:

- More motivated than non-trained employees
- More productive than non-trained employees
- More likely to be promoted than non-trained employees
- More likely to receive a salary increment than non-trained employees

*Source: Study on the Effectiveness of Training Incentive Scheme (2011/2012 Allocation) by Frost & Sullivan*

# HRDF: Registration Benefits

## HRD LEVY IS ALLOWABLE EXPENSE UNDER INCOME TAX ACT 1967

PEMBANGUNAN SUMBER MANUSIA BERHAD (545143 D)
KEMENTERIAN SUMBER MANUSIA
Wisma PSMB
Jalan Beringin, Damansara Heights
50490 Kuala Lumpur

Tel : 03-2096 4800
Faks : 03-2096 4999
Laman web : www.hrdf.com.my

Our ref. : (55)PSMB/20/8
Kulit 5
Date : 1 June 2010

**EMPLOYERS CIRCULAR NO. 10/2010**

**HUMAN RESOURCES DEVELOPMENT LEVY AS ALLOWABLE EXPENSE UNDER INCOME TAX ACT, 1967**

1.0 **PURPOSE**

1.1 The purpose of this circular is to inform employers that the human resources development (HRD) levy paid to Pembangunan Sumber Manusia Berhad is classified as allowable expense for tax purposes under section 33 of the Income Tax Act, 1967 as it is considered as an expense incurred in the production of gross income.

1.2 With this treatment, employers are encouraged to pay their monthly HRD levy promptly and claim financial assistance to create a highly skilled workforce through retraining and skills upgrading.

1.3 Please contact your tax agents or auditors on the computation of chargeable income for further clarification.

Thank you.

**"PEKERJA TERLATIH MENJANA KECEMERLANGAN"**
**"Pekerja Berinovasi Pemacu Transformasi"**

Yours sincerely,

**( AMIRNUDDIN BIN MAZLAN )**
Chief Executive
Pembangunan Sumber Manusia Berhad

# HRDF: Registration Benefits

One-off training grant of RM5000 to employers registered through the associations (limited to the first 400 employers).

Help and ground support through nationwide briefings to members of associations by HRDF.

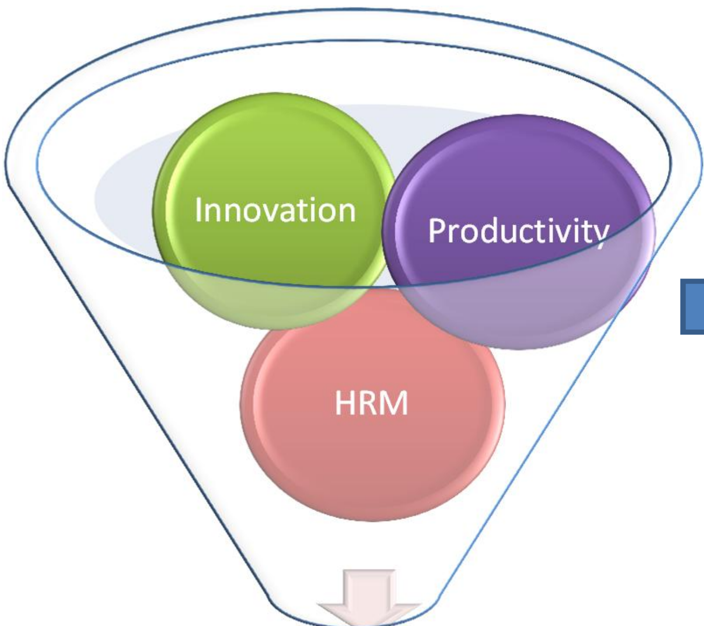
# HRDF: Registration Benefits

- Free HRDF workshop slot for each and every employer that registered.
- Free trainings for SMEs under SME development programmes.
- Free consultation fees on conducting organisation training needs analysis for SMEs.
- Online training to cater SMEs employees' needs.
- Claimable on the job training programmes.
- Human resource management consultative services under National Human Resource Centre (NHRC).

# BENEFITS TO SME

## OBJECTIVE OF SME CAPABILITY PROGRAMME

To develop and enhance the capabilities of the Small Medium Enterprises (SME) through a structured training and skill development programme whose outcome are measurable. This will be an advantage for potential registered PSMB employers.




**SME CAPABILITY PROGRAMME**

**Outcome**

- Productivity and Efficiency
- Increase in Profitability
- New employment creation
- Business Sustainability

1. To support the mandate under NSDC and SME Master Plan (2011-2020)


2. To strengthen Strategic Human Resource Management of SMEs (SRI- Human Capital Development)

# PROGRAMME IMPLEMENTATION UNDER SME CAPABILITY PROGRAMME

Focus on building the capability and leadership of the entrepreneur.

**Strategic Level**

Business Management, Business Strategies, Finance, Innovations, Business sustainability and Strategic Human Resources Management.

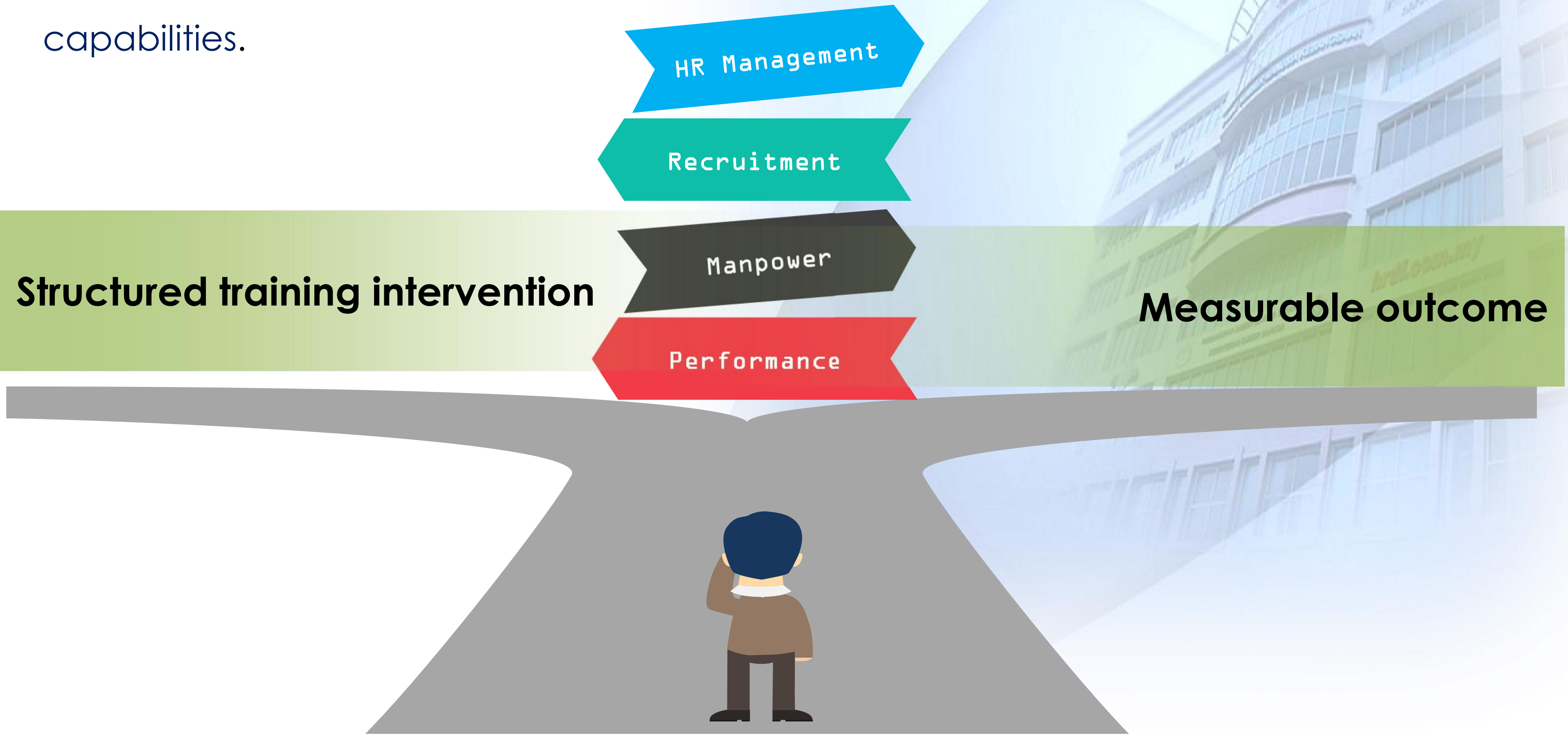
Focus on skill upgrading and development of the Employee.

**Functional Level**

Soft skills and technical skills. (Accounting / Finance / Marketing / Quality)

# ADOPTION OF DIAGNOSTIC TOOL FOR SME EMPLOYERS

MyFuture is a **SME Competency Profiling Tool** that was developed by Human Resources Development Fund to address the growing concerns on the effectiveness, timeliness and impact of SME training and development programmes. It is a diagnostic tool use to rate and enhance competitiveness of SMEs based on their performance and capabilities.



# HOW THE DIAGNOSTIC TOOL FOR SME EMPLOYERS WORKS?

## Diagnostic Tool

**HR Maturity**

- Recruitment
- HR Management
- Manpower Planning
- Training & Development
- Performance Management
- Compensation & Benefits
- Talent Management & Succession Planning

## Training Intervention

**Findings**

- Map findings to training programme (technical/soft skill/ certification and leadership)
- Use NHRC services to resolve issue on Human Resource Management.

## Outcome

**Results**

- Business Productivity
- Business Efficiency
- Increased Profitability
- Staff turn-over
- Sales turn-over
- Increase in export

- **Detailed capability inventory**
- **Roll out customised HR training and other interventions for SMEs**
- **Enabler for SME Champions!**


ANY
QUESTIONS


Q&A

MINISTRY OF HUMAN RESOURCES

HRDF
MALAYSIA

**"PEOPLE, PROWESS, PROGRESS"**