



MALAYSIA PRODUCTIVITY CORPORATION (MPC)

TERMS OF REFERENCE (TOR)

**STUDY ON MEASURES AND STRATEGIES
TO INCREASE LABOUR COMPENSATION**

(APRIL – SEPTEMBER 2022)

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1.0 INTRODUCTION / BACKGROUND

The Twelfth Malaysia Plan targeted 40% of labour compensation share to GDP to be achieved by 2025 (in 2020 the share was 37%). This study outlines the determinants of changes in labour compensation and recommends medium-term policy interventions to improve the share of labour compensation.

There are three of issues that are inter-related addressed in this study. The first issue addresses specifically the measures and determinants of changes in labour compensation. There are two measurement issues which need to be carefully addressed as it directly influences the outcomes. Salary and wages and components of non- salary and wages (includes payment in kind) correlates differently with the productivity. The measures used in the current policy is likely underestimate the overall income distribution.

The second issue examines the issue of labour displacement and shortage that may affect the level of labour compensation with specific attention will be given to Penang as a case study. The labour shortage may have two direct implications to the labour compensation. First wage adjustment may not take place in the labour market if shortage filled by foreign workers and the need to mobilize domestic unemployed and inactive people to fill the shortage. Penang is important since the data indicated share of vacancies exceeds the share of job seekers and the state is one of the major contributors to the national economy.

The third issue involves a study for the establishment of a research-based institute that studies and monitors the productivity and competitiveness in Malaysia. The study is vital in addressing areas in labour compensation, productivity, and competitiveness issues of the national priorities since issues concerned are not cyclical but a structural phenomenon. It is also aligned with MPC role as the institution to engage government, policy makers, university, industry players and public.

2.0 THE OBJECTIVES OF THE STUDY

- i. To deepen the understanding of the concept and measures for labour compensation which directly and indirectly affects the productivity and other indicators such as income inequality.
- ii. To assess the productivity and labour compensation trends of industries that can provide better understanding on the productivity-compensation gap.
- iii. To determine other determining factors (in addition to productivity) that influence the pattern and change in the labour compensation.
- iv. To evaluate the types, key features, and determinants of labour shortage by taking Penang as a case study.

3.0 OUTPUT

To address the Scope of Works (SoW) for a minimum period of 6 months within 110 man-days, the Expert is expected to provide deliverables as follows:

- i. Inception report
- ii. Interim report
- iii. Draft report; and
- iv. Final report submission.

4.0 SCOPE OF STUDY

Duties and responsibilities of the Expert involve three inter-related focus as mentioned in detail below:

- i. To assess the measures and determinants of labour compensation; and
- ii. To conduct case study labour shortage in Penang.

5.0 PROJECT DURATION

The proposed project will require approximately **six months** and is intended to be started in **April 2022 and expected to be completed by September 2022.**

ACTIVITIES / MONTH	PHASE						
	PHASE 1		PHASE 2		PHASE 3		PHASE 4
	Mac	Apr	May	Jun	Jul	Aug	Sep
1. Documentations for Mesyuarat Lembaga Perolehan <ul style="list-style-type: none"> i. Mesyuarat Jawatankuasa Penilaian Perunding (JPP1) on 15th March 2022 ii. Mesyuarat Lembaga Perolehan – 8th April 2022 iii. Prepare documentation for Mesyuarat Jawatankuasa Penilaian Perunding (JPP2) 							
2. Inception Report <ul style="list-style-type: none"> i. Revised working plan, approach and timeline ii. Finalized list of stakeholders iii. Developed survey instruments and questionnaires iv. Lists of data request v. Conceptual framework for institutional mechanism 							
3. Interim Report <ul style="list-style-type: none"> i. Findings on sensitivity assessment on the measures of labour compensation ii. Results of productivity-compensation gap. iii. Results of demand-supply analysis in Penang. iv. Findings obtained from pilot survey v. Initial assessment of the benchmarking and site visit. 							
4. Draft Final Report <ul style="list-style-type: none"> i. Results of productivity and other determinants of the labour compensation. ii. Findings obtained from survey analysis on the labour shortage in Penang. iii. Establishing components of feasibility study. iv. Policy recommendations 							
5. Final Report <ul style="list-style-type: none"> Submission of Final Report 							

6.0 PAYMENT TERMS

NO	PHASE / SPECIFICATIONS	PAYMENT (%)	FINAL OUTPUT
1	Phase 1 - Inception Report <ul style="list-style-type: none"> i. Revised working plan, approach, and timeline ii. Finalized list of stakeholders iii. Developed survey instruments and questionnaires iv. Lists of data request 	10%	Inception Report
2	Phase 2 – Interim Report <ul style="list-style-type: none"> i. Findings on sensitivity assessment on the measures of labour compensation ii. Results of productivity-compensation gap. iii. Results of demand-supply analysis in Penang. iv. Findings obtained from pilot survey v. Initial assessment of the benchmarking and site visit. 	40%	Interim Report
3	Phase 3 – Draft Final Report <ul style="list-style-type: none"> i. Results of productivity and other determinants of the labour compensation. ii. Findings obtained from survey analysis on the labour shortage in Penang. iii. Establishing components of feasibility study. iv. Policy recommendations 	30%	Draft Final Report
4	Phase 4 – Final Report <ul style="list-style-type: none"> i. Submission of Final Report 	20%	Final Report
TOTAL		100%	

7.0 REPORTING REQUIREMENTS

The Expert will report to Talent Development Section (TDS) secretariat. However, in certain cases, the MPC reserves the right to request the cooperation of the Expert to make a presentation at any time required.

8.0 CONFIDENTIALITY & NON-DISCLOSURE TERMS

The appointed Expert agrees to hold in confidence and to cause their agents, representative, if any, to hold in confidence and not to disclose or reveal to any person or entity the information received in the due course of preparing the data, thematic papers, and other consolidated reports without the clear and express prior written consent from the Malaysia Productivity Corporation (MPC).

9.0 SUBMISSION

The final report must be submitted not later than one (1) month from the date of presentation to Talent Development Section (TDS):

- i. A complete and comprehensive Final Report of the study in English. The Final report of the study should also contain Abstract and Executive Summary.
- ii. Final Report of the study in the form of softcopy and hardcopy and in the form of MS Word; and
- iii. Framework and research findings (summary) in the form of softcopy and in the form of MS Power Point.

10.0 MPC'S OWNERSHIP RIGHTS TO THE STUDY REPORTS, RECORDS AND RELATED DOCUMENT

- i. All relevant reports and data such as methodology, maps, diagrams, drawings, images, statistics and records or materials collected or provided during the period of this study is confidential and shall be property belonging to TDS, MPC throughout the preparation of the study and after the study implemented.
- ii. The Expert must not act or do anything dissemination of the results of this study without obtaining written permission from MPC.

11.0 DISCIPLINARY ACTION

MPC reserves the right to take appropriate disciplinary action to the Expert who have violated the terms as a set out in these guidelines. If the Expert is unable to complete the study as per entrusted / promised, MPC reserves the right to act appropriate discipline as follows:

- i. The study consultation fee will be discontinued, and this matter will be notified to the CEO of the company concerned
- ii. A show cause letter will be sent to the related Expert
- iii. Related Experts will be blacklisted from the projects MPC for a period of 3 years.

12.0 NOTICE OF DELAY BY EXPERT

Refers to the letter of acceptance and agreement in which the Expert facing delays in carrying out the study, the Expert shall immediately inform MPC of this matter in writing and apply for an appropriate extension of period for complete the report of this study. Delay and extension of period studies will only accept with the consent of MPC.

PERBADANAN PRODUKTIVITI MALAYSIA