

Factors Impinging Human Capital of Rural Youth in Malaysia

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Abstract: The main aim of the present study is to identify the factors impinging the human capital of rural youth in Malaysia. The study is quantitative in nature whereby a developed questionnaire was used to collect the required data. Via a multi-stage cluster sampling, a total of 240 rural youth from four districts in Peninsular Malaysia had been selected as the respondents. Analysis performed confirmed that rural youth possessed a high level of human capital while specific analysis confirmed that there was a significant difference on human capital with the factor of occupation while significant relationship was detected between human capital and the factors of age and income. Several discussions have been highlighted and expectantly it can offer some ideas to the concerned parties in constructing strategies to further enhance the development of human capital among rural youth in Malaysia.

Key words: Human capital, rural youth, rural development, youth development, Malaysia

INTRODUCTION

Youth always been acknowledged as an important group in any country. They are the backbone of any country and of course the future leaders. As the future leaders, certainly, their roles in developing the country are vital. In preparing youth as the future leaders, several important aspects need to be taken into consideration and one of them is their knowledge and skills. Knowledge and skills are the prime components of human capital. Having a strong human capital enables youth to be physically, mentally, socially and economically strong. Issue with regard to youth human capital has attracted scholars' interests across the globe, up to date, there is are a number of international studies that examined this issue (Chen and Chang, 2013; Lee *et al.*, 2010; Enyekit *et al.*, 2011; Bhatti *et al.*, 2011; Martin *et al.*, 2013; Weaver and Habibov, 2012). Although, an abundance of youth human capital studies can be found at the international stage, however, a similar scenario cannot be found in Malaysia. Though, there are some local scholars who conducted research with regard to youth human capital (Mustapha *et al.*, 2010; Azizan, 2013; Abdullah *et al.*, 2013; Resad *et al.*, 2012) nevertheless, they are still inadequate. This inadequacy has led to the lack of understanding on youth human capital which prompted human capital strategies that are not in line with youth interests, needs and ability.

Realizing such a scenario, the current study was conducted with aims to identify the factors that impinge

upon human capital among youth in Malaysia especially those in the rural areas and it is a hope that the findings of this study can narrow down the existing gap in human capital studies in Malaysia.

Youth in Malaysia: Within the scope of Malaysia, youth constitute a large portion of the population. In Malaysia, based on the definition provided by the Ministry of Youth and Sport, youth are those whose ages range between 15-40 years old. However, the definition of youth age varies according to nations. Compared to age group in other ASEAN countries, the youth ages in Malaysia are 'quite old'. In countries such as Singapore, youth are defined as those whose age within 15-29 years old while in Brunei, youth are defined as those whose age between 15-25 years old. Comparatively in Thailand, youth are considered as those whose age ranges between 15-24 years old. Moreover in Vietnam, youth are those whose age ranges between 15-35 years old while in Philippines, youth are considered as those whose age ranges between 15-30 years old. According to the recent statistic by IPPBM, there are 12.0 million youth in Malaysia which is 42% of the population. Youth males are slightly more than females whereby, out of 12.0 million, a total of 6.1 million youth are male.

Youth and human capital: Human capital refers to the skills, knowledge, capacity to labour and a better health level which aid them to achieve their livelihood objectives. Within the scope of household level, human capital

refers to the quantity and quality of labour available; it is impinged by the household size, skills possessed, leadership potential and health status. In order to enhance their human capital, youth in Malaysia are assisted by available government machineries such as Ministry of Education and Ministry of Human Resources. Currently, there are wider access and opportunities for youth to pursue their education at the highest level which consequently will affect their level of knowledge and skills. Up to date there are 21 public universities in Malaysia, 27 polytechnic colleges, 10 matriculation colleges, 38 community colleges, 21 private universities, 38 college universities and 324 private colleges. A wider access to higher education has positively affected the Malaysian human capital and this can be based on the facts that currently there is a low unemployment rate (2.9%) in Malaysia. Furthermore, youth constitute the largest portion of human resources in Malaysia whereby a total of 65% workers in Malaysia are youth. This signals that a majority of youth in Malaysia are possessing the human capital needed by the various sectors and industries in Malaysia. Furthermore, the government places their best effort to ensure that graduates are employed that suit their academic qualifications in 2011 for example, a total of 1.985 million youth workers were with a tertiary level of education while a total of 4.25 million working youth were with upper secondary school qualification. Most of the youth in Malaysia were found to work in government, technical, services, construction and business sectors.

Factors affecting human capital: Similar to other components of sustainable livelihood, human capital can be influenced by several factors. Although, the factors are varied, among the common factors associated with human capital are the demographic factors whereby aspects such as gender, age, educational achievement, occupation and income are among the common ones.

With regard to gender, males are said to possess a better human capital compared to females. Understandably, a number of causes such as social conventions, legal and institutional frameworks, inadequate employment opportunities, family commitment and limited access to finance are said to lessen the possession of human capital among females. In addition to gender, another factor namely educational achievement is also positively associated with human capital. Education is considerably strengthens the concept of human beings as capital as well as their economic and productive outputs (Enyekit *et al.*, 2011). Furthermore, educated people are not merely act as the economic contributors, they are also able to spend as

commonly they are possessing a higher incomes. Mustapha *et al.* (2010) on the other hand has confirmed that lack of academic credentials have hindered youth from improving themselves.

Compared to young people, older people are commonly associated with a better possession of skills and knowledge on things they are doing. Usually, these skills and knowledge are acquired via their experience. In a study done by WUP (2010) has clarified that older workers possess a better human capital as they demonstrate less absenteeism, less turnover, superior interpersonal skills and deal better with customers. Types of occupation are said to impinge upon individual human capital (Joia, 2008; Dietz and Bozeman, 2005; Chen and Chang, 2013; Lee *et al.*, 2010). Those who work in environments that requires technical abilities are said to possess higher skills and knowledge (Dietz and Bozeman, 2005; Chen and Chang, 2013; Lee *et al.*, 2010). A study done by Joia (2008) suggested that a higher human capital possessed by government servants as they are exposed to a number of courses and classes which intend to enhance their expertise and knowledge. Furthermore, in a study done by Shahpari and Davoudi (2014) has clarified on the ability of income to influence individual human capital. Those with higher incomes are said to have bigger opportunities to attend courses, seminars or to buy tools which can enhance their skills and knowledge.

MATERIALS AND METHODS

The study is quantitative in nature whereby a developed questionnaire was used as the main instrument in collecting the data. The instrument was constructed based on two main sources, first via the review of literature and second by referring to the questions of the past studies. The developed questionnaire was then pre-tested among 30 rural youth in Kuala Besut, Kuala Terengganu. After completing the pre-test process the questionnaire then was validated via series of instrument development workshops. Via a multi-stage cluster sampling, a total of 240 rural youths from four districts in peninsular Malaysia had been selected as the respondents. The selected districts were Gurun (represented Kedah), Kuala Selangor (represented Selangor), Jelebu (represented Negeri Sembilan) and Kemaman (represented Terengganu). Each of the districts were represented by 60 respondents (60 respondents×4 districts = 240 respondents). The actual data collection took four months to be completed which started from November 2013 and ended on February 2014. Assistance from trained and experienced enumerators were gained during the data collection. For each question asked

(except for demographic questions), the respondents were given an option of five Likert-like scale of answer where it ranges from 1 (strongly disagree) to 5 (strongly agree). Each enumerator took between 25-35 min to complete the survey. Data gained then was analysed using SPSS whereby descriptive and inferential analyses were performed to fulfil the objective determined.

RESULTS AND DISCUSSION

Table 1 demonstrates the demographic findings of the study. It can be seen that a majority of the respondents are male (81.3%) and most of them aged between 15-20 years old (37.9%). Furthermore, based on the findings, a majority of rural youth in Malaysia were having a better educational achievement, this is based on the fact that only one respondent had never been to school while another 18.3% possessed an upper secondary school level of education. Additionally, a total of 18.3% of them possessed tertiary level of education. A majority of rural youth in this study were working on the contract basis while another 24.6% were self-employed while just a mere 24.2% were working on permanent basis. Encouragingly, a total of 28.4% of the rural youth were earning more than RM 1000 (roughly equal to USD 330) a month which far exceeded the poverty level set by the Malaysian Economic Planning Unit (EPU) which is RM 720 (roughly equal to USD 240).

Table 2 indicates the overall mean scores of rural youth human capital. The overall mean score was gained by cumulating the mean scores of the seven statements used to measure the human capital. The level of mean

score was categorized into three namely low, moderate and high. This categorization is based on range of score measurement.

The possible scores on rural youth human capital ranges from 1.00-5.00, resulting an interval of 4. Since, the present study aims to categorize the mean score of rural youth human capital into three categories, the range was divided by 3, resulting in the class interval of 1.33. Such interval then has resulted in three categories of mean scores namely low (mean score between 1.00-2.33), moderate (mean score between 2.34-3.67) and high (mean score between 3.68-5.00). Based on the analysis performed, it can be seen that the overall mean score was 3.97 and it indicated a high level mean score for human capital.

Table 3 demonstrates the statements used to measure rural youth human capital. The human capital was measured based on seven statements. Analysis performed has confirmed that all of the seven statements had recorded a high level of mean score ranging from 3.74-4.11. The highest mean score was recorded by the statement of 'I will try different ways to complete the works assigned to me' followed by the statement of 'I can be independent in completing my tasks'. The third highest mean score was recorded by the statement of 'it is easy for me to work with my colleagues for achieving the common good'.

The findings of this study are not surprising as they are in line with a number of previous studies. In a study done by Chen and Chang (2013) and Lee *et al.* (2010) have clarified on the importance of inventing new things and the ability to diversify methods as the joint product of human capital. Lee *et al.* (2010) further stated that the ability to innovate is seen to be a central function to enhance human capital and to offer low barriers to entry for rural youth regardless their socio-economic background.

Furthermore, Enyekit *et al.* (2011) and Mustapha *et al.* (2010) have accentuated on possession

Table 1: Demographic factors

Factors	Frequency	Percentage	Mean
Gender			
Male	195	81.3	
Female	45	18.7	
Age (years old)			22.90
15-20	91	37.9	
21-25	79	32.9	
>26	70	29.2	
Educational achievement			
Never been to school	1	0.4	
Primary school	6	2.5	
Secondary school (lower)	20	8.3	
Secondary school (upper)	169	70.4	
Tertiary	44	18.3	
Occupation			
Permanent based	58	24.2	
Contract based	71	29.6	
Self-employed	59	24.6	
Unemployed/students	52	21.7	
Income (n = 188) (RM)			1167.55
<750	43	17.9	
RM 751-1000	77	32.1	
1001-1500	40	16.7	
>1501	28	11.7	

Table 2: Overall mean score for human capital

Scores	Frequency	Percentage	Mean
Low (1.00-2.33)	17	7.1	3.97
Moderate (2.34-3.67)	39	16.3	
High (3.68-5.00)	184	76.7	

Table 3: Statements measuring rural youth human capital

Statements	Mean
I will try different ways to complete the work assigned to me	4.11
I can be independent in completing my tasks	4.10
It is easy for me to work with my colleagues for achieving the common good	4.05
I strive to improve the knowledge related to my current works	4.02
I'm very committed with my current works	4.00
I have a wide range of skills related to my job	3.81
I have a depth knowledge on my current works	3.74

of skills and knowledge in enhancing the human capital. In a study done by Enyekit *et al.* (2011) has looked onto the importance of ability to work independently in completing any tasks. Similar to a study done by Carr and Walton (2014), the current study also accentuated on the importance of cooperating in enhancing rural youth human capital whereby via the sense of togetherness in completing any tasks will enhance the quantity and quality of the tasks. Bhatti *et al.* (2011) on the other hand has looked on the importance of commitment in completing tasks to enhance human capital. Bhatti *et al.* (2011) further stressed on the commitment aspects such as working spirits and determination to fulfil organization goals and policies that contributed to human capital.

The present study then moved to its prime objective which is to identify the possible factors that can impinge the rural youth human capital. In fulfilling this objective, five demographic aspects namely gender, educational achievement, occupation, age and income had been selected as the independent variables.

To examine the influence of gender on rural youth human capital, inferential analysis using independent t-test was performed (Table 4). Result gained had proven that males had the highest mean score ($M = 3.98$) compared to female ($M = 3.97$). However, further analysis had confirmed that $t(240) = 0.24$, $p = 0.981$ and concluded that there was no significant difference between the two groups studied and such a result is not in line with studies done by Fapohunda who confirmed on a better possession of human capital among males.

To further examine the differences on human capital on the factor of educational achievement, ANOVA was performed (Table 5). A total of three groups of educational level were studied to determine the significance difference at $p < 0.05$. Analysis performed had resulted in F-value (3.240) = 1.058, $p > 0.05$ which signalled that there was no significant difference which existed between the three groups studied. Such a findings is contradicting with studies done by Enyekit *et al.* (2011) and Mustapha *et al.* (2010) who confirmed on the influence of educational achievement on human capital.

ANOVA was also performed to examine the difference on human capital with the factor of occupation. Based on the analysis of F-value ($4, 240$) = 21.809, $p < 0.005$, it indicated that there was significant difference which existed between the four groups of occupation studied. Such a finding is not surprising as it is in line with a study done by Joia (2008) and Dietz and Bozeman (2005).

Further, analysis using Pearson correlation was employed to examine any relationship that might occur between the human capital and the factors of age and

Table 4: Differences on human capital in the factor of gender (independent t-test)

Factors	n	Mean score	SD	t-value	p-value
Gender				0.24	0.981
Male	195	3.98	0.90		
Female	45	3.97	1.07		

Table 5: Differences on human capital with the factors of level of educational achievement and occupation

Variables	N	Mean	SD	F-values	p-values
Educational achievement				1.058	0.3490
Lower secondary school	21	4.110			
Upper secondary school	169	3.910			
Tertiary	48	4.100			
Occupation				21.809	0.0001
Permanent basis	58	4.280	0.670		
Contract basis	71	4.140	0.710		
Self-employed	59	4.290	0.640		
Unemployed	52	3.150	1.250		

Table 6: Relationship between selected independent variables and human capital

Variables	r	p-values
Age	0.323	0.0001
Income	0.153	0.0360

income (Table 6). Based on the analysis performed, it can be seen that all of the selected independent variables age and income were detected to have a significant relationship with human capital. Specifically, age was detected to have positive and low relationship with human capital while income was detected to have positive and negligible relationship with human capital. These findings are in tandem with previous findings done by Shahpari and Davoudi (2014), Martin *et al.* (2013) and Weaver and Habibov (2012). Understandably, such situations are expected as rural youth with a better skills, expertise and knowledge on certain works will definitely create more occasions for generating more money (Shahpari and Davoudi, 2014). Furthermore, analysis performed had clarified that the older the respondents were the greater human capital they possessed. To have such finding is in tandem with findings by WUP (2010) who found that senior people were associated with a greater skills and a wider experience which eventually enhance their human capitals.

CONCLUSION

Going back to the common definition for human capital, it often refers to the knowledge, competencies and the social relationships that an individual possesses that determines his or her level of human capital. However, from the perspective of the youth, human capital is the present value of all future wages. When the youth are young, it is usually the most valuable asset that the youth own. Human capital is also your best

protection against inflation. With a strong professional skill set, the youth will always command a fair wage, no matter how inflated the local currency becomes.

Today, most theories attempt to break down human capital into one or more components for analysis usually called "intangibles". Most commonly, social capital, the sum of social bonds and relationships has come to be recognized, along with many other terms such as goodwill or brand value or social cohesion or social resilience and related concepts like x-factor or fame as distinct from the talent that an individual (such as an artisan <http://en.wikipedia.org/wiki/Sportsperson> has uniquely) has developed that cannot be passed on to others regardless of effort and those aspects that can be transferred or taught known as instructional capital. On the other hand, others refer to this as the knowledge and skills that can be learned or better managed or the "intellectual capital" of systems and organizations. However, this study was dealing more with the tangible components of knowledge and education, age and employment.

An individual's human capital may be attained through a variety of means. In the industry, employees utilise their human capital to accomplish a job and in return, the job rewards the human capital investment through pay, benefits, intrinsic job satisfaction, recognition for good performance and opportunities to learn and advance in the organization. In the rural situation, this condition may not be as rosy as expected as youth in this study showed that just a quarter of them were permanently employed and the benefits that big employers bring to human capital enhancement may be absent.

Nevertheless with aging, human capital does increase up to a point with the ensuing extra qualification, job experience, formal education, job training, on the job learning and life experiences, to name a few. Also, associated with human capital is an increase in social capital as relationships grow and flourish. This study thus, affirms this notion of commensurate increase in human capital with development of social capital, education and experience.

Income is an important component of financial capital. With the increase in human capital, increase in wage is commensurate with increase in productivity value along side increased competencies and skills. Again, this relationship was confirmed by this study. However, it is pertinent to note here that with time, although wages (read financial capital) may increase over time (subject to the further training and education that the person undertakes), human capital may stagnate or even decrease with the advent of years coupled with the unstable nature

of the youth's employment. This is another aspect to follow through about the youth's human capital in the context of rural sustainable employment.

Lastly, it is heartening to note that this study affirms the human capital index (World Economic Forum, 2014) pillars as postulated by the Davos group. The four pillars of the index are:

- The education pillar contains indicators relating to quantitative and qualitative aspects of education across primary, secondary and tertiary levels and contains information on both the present workforce as well as the future workforce
- The health and wellness pillar contains indicators relating to a population's physical and mental well being from childhood to adulthood
- The workforce and employment pillar is designed to quantify the experience, talent, knowledge and training in a country's working age population
- The enabling environment pillar captures the legal framework, infrastructure and other factors that enable returns on human capital

In a way, the study offers a launching pad for other research efforts to further examine the relationship of human capital to the human capital index that has been recently postulated.

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