

Page Contracting

TALENT ON-DEMAND

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# The Rise of Contracting in Malaysia



# Foreword



“We have observed a marked increase in demand for contract staff solutions for white-collar and more senior positions.”

Dear all,

Despite economic uncertainty during COVID-19, the contracting landscape in Malaysia is showing resilience. The unparalleled impact caused by the pandemic has altered working models, exposed weaknesses in supply chain systems and sped up digital transformations. At the same time, these seismic shifts have had repercussions on employment trends and workforce scalability, specifically in terms of contracting.

Contracting has been a popular employment strategy both opted by businesses and working professionals. Contractors are also known as contingent staff, temporary workers, short-term staff, non-payroll and interim hires, and are hired generally for a fixed term duration. While it was predominantly a mainstay hiring solution for high-volume, low-cost employment previously, we have observed a marked increase in demand for contract staff solutions for white-collar and more senior positions.

This report outlines our findings about trends and insights on contracting in Malaysia as a hiring solution, which was collated as a result of a survey conducted with leaders and executives in 205 companies across Malaysia from May – June 2021. We also look at how COVID-19 had impacted the demand for specialist contractors and the leading solutions adapted by businesses to manage on-demand talent.

Our report also serves as a trend report on how businesses are managing their contracting workforce in an effort to stay agile during this unpredictable period and beyond, enabling companies to keep their contracting solutions competitive and up to date to attract quality contract talent.

At Page Contracting, we interact and engage with thousands of clients and contract professionals every day, and that provides us with exclusive insights into Malaysia's contracting landscape. If you would like to discuss what might be relevant in your industry or have any other recruitment-related questions, please don't hesitate to contact us.

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# Thriving in Uncertainty

## THE CONTRACTING WORKFORCE: FUELLED BY DIGITALISATION

Even before COVID-19 hit in 2020, many organisations were already employing contractors as a way to flex and scale their talent needs. With the pandemic, it has further highlighted the need for companies to reassess their growth strategy and operational costs – and one component that stood out was the deployment of talent, both in the short and medium term. Companies are scaling back the permanent workforce, while others are engaging independent contract staff to execute ad-hoc projects.



Our findings revealed that 62% of organisations across Malaysia currently employ contractors. In particular, there has been an significant increase in contract hires during the pandemic in specific sectors such as FMCG, Retail, Manufacturing and Technology. This spike in contract hires was brought about by the need for digitalisation during the pandemic. To manage the uncertainty of headcount and its associated costs, companies depend on contractors as that allows them to scale up or descale the workforce where needed.

COVID-19 has resulted in the need for

**30%** 

of companies to **increase their contractor headcount**

**62%** 

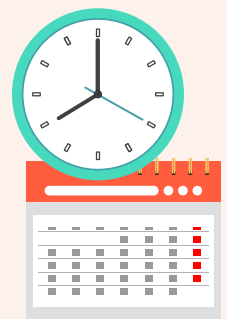
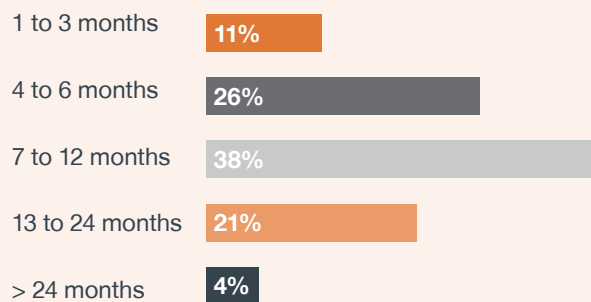
of organisations in Malaysia **currently employ contractors**

Most organisations using contractors say this group make up

**1-10%** 

of their **overall talent pool**

### AVERAGE CONTRACTING TENURE



### TOP 5 SECTORS THAT EMPLOY CONTRACTORS



Banking and  
Financial Services



FMCG



Retail



Technology



Manufacturing



53%



of companies in the **Retail** sector increased their contracting headcount in 2021, the highest across all sectors. Other sectors seeing growth include:

#### FMCG

**42%** increased headcount

#### Technology

**40%** increased headcount

#### Manufacturing

**30%** increased headcount

72% of Banking and Financial Services companies use contractors and they have been engaging contractors for years before the pandemic hit as this industry had started their digitalisation efforts much earlier.

The other four sectors, namely Fast-Moving Consumer Goods (FMCG), Retail, Manufacturing and Technology, each saw growth in the hiring of contractors in H1 2021 as merchants and consumers relied heavily on e-Commerce during the pandemic.

With the Movement Control Order (MCO) being imposed periodically to control the outbreak, consumers turned to popular platforms such as Tesco e-shop, Grabfood, Lazada and Shopee to get their groceries, homeware, food and personal care items. Similarly, the retail sector also trended in a similar direction, adapting to internet-of-things applications through online stores.

Marlinda comments that “with the acceleration in demand for e-Commerce, we saw a spike in demand for contract hires with IT backgrounds, as their skills are needed to maintain various parts of the e-Commerce ecosystem. This covers areas ranging from online payments, warehousing, inventory tracking to delivery management. Therefore, experienced talent in cybersecurity, app development, DevOps and digital marketing are being highly sought after - and this will continue to be the case as Malaysia accelerate its pace in digital transformation.”

The manufacturing sector is also seeing growth in tandem with increased demand from the FMCG, Retail and Technology sectors as it supplies related components and equipment. In addition, the sustained production of personal protective equipment has also bolstered the industry further.

## DIFFICULTY ATTRACTING CONTRACTORS

Hiring contractors can sometimes be more challenging than expected. 1 in 4 companies surveyed expressed that they had difficulties in attracting and securing contingent workers for short-term, contract roles. One way to attract talent is to create a smooth and positive interview experience, and following that, an efficient onboarding process. Most importantly, sell the benefits of contracting to prospective employees, which can include gaining experience in a challenging role, or an opportunity to develop new skills. Ensuring contracting staff are treated in line with permanent staff is also crucial.



**1 in 4** companies expressed difficulty in hiring contractors

Contractors, being an external workforce, value communication and responsiveness. Therefore, an efficient onboarding process will help create a positive first impression for the contract employee from the get-go, and both the organisation and external workforce can focus on the assignment at hand.

“We understand that it can be challenging to manage permanent employees alongside the contractors,” says Marlinda. “Therefore, when companies work with us to hire independent contractors, we assist in managing them, and can even cover payroll, leave and other benefits – which is a very popular option to keep headcount numbers in check. Our engagement team ensures the candidates’ well-being, so their concerns are being taken care of - and they can in turn have everything they need to do their job well.”

# The Merits of Contracting

## A SCALABLE, AGILE WORKFORCE

Traditionally, contract staff were mainly hired to reduce costs, fill in the gaps for seasonal peak periods and when permanent staff go on extended leave of absence, such as sabbaticals, hospitalisation leave and maternity leave.

In recent times, contract hires serve as a strategic staffing solution for a scalable, agile workforce. More companies are turning to contracting professionals to manage or work on new projects.

The primary driver for using contractors is no longer the cost. On the whole, 58% of organisations say they use contractors for project implementation and transformation.



## TOP 4 REASONS FOR HIRING CONTRACTORS

**58%**

Project implementation and transformation

1



**47%**

Seasonal help during peak periods

2



**25%**

Cover for maternity leave and sabbaticals

3



**17%**

Trial a new hire before conversion

4



### EMERGING TREND

“An emerging trend that we’re definitely seeing is that organisations are now increasingly considering interim staff for senior positions such as C-Suite roles. It offers many advantages, as they’re able to benefit from specialised skillsets or knowledge for a specific period of time. Additionally, organisations see C-Suite contractors as being lower risk as it allows for increased agility and speed - beating more traditional hiring processes which can be slow and tedious.”

**MARLINDA ZULKIFLI**

The contracting workforce also assists in filling skills gaps for organisations facing skills shortages in niche areas. Many contractors are experienced professionals who are specialists in their respective fields. For instance, a traditional retail store planning for a new product launch is lacking the capabilities to run a full social media campaign – therefore, an social media marketer may be hired to help run certain aspects of the campaign that the company’s existing team is unfamiliar with. Bringing contingent workers into the workforce also challenges the business to upskill its full-time employees and identify opportunities for employees looking to advance and progress in the company.

## HIRING FOR THE FUTURE

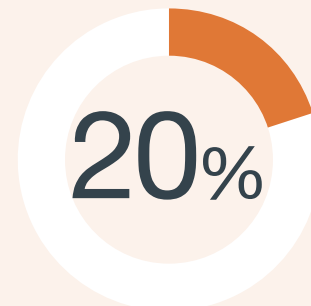


Having a contingency workforce can be vital to making an impact on core operations. Aside from hiring contractors for project implementation, transformation and seasonal help, companies may also engage contracting professionals as a solution to permanent headcount freezes and various other employment restrictions, resulting in longer duration contracts. This also serves as an opportunity for organisations to increase headcount and review productivity/performance without committing to an increase in permanent staff numbers.

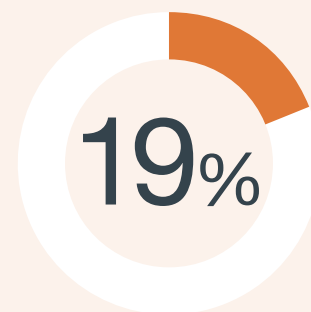


On average, 3 in 5 contractors will receive a contract extension in Malaysia, and 2 in 5 get converted to permanent roles. While some professionals only seek contracting positions for their flexibility and variety, others see contract employment as a stop gap opportunity to secure permanent employment. "When we work with clients or candidates, it has to be clear whether there is a chance for the role to lead to a permanent position before we start hiring a contractor," explains Marlinda.

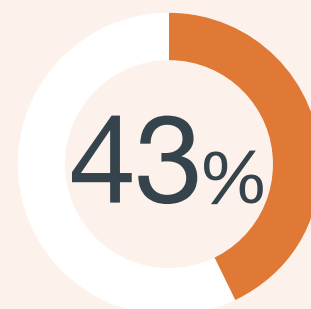
### HOW SOON DO COMPANIES NEED CONTRACTORS TO START WORK?



need contractors to **start immediately**



need contractors to start within **2 weeks**



need contractors to start between **2 weeks to 1 month**

# A Contractor-Focused Employer Brand

- Brand name
- Training and team culture
- Competitive salary – Many offer higher salary for contractors
- Great benefits
- Equal access and opportunities as perm staff
- Opportunity to learn and develop new skills
- Growth prospects/possibility of perm conversion



## FOOD FOR THOUGHT

Many organisations we surveyed stated that they do not differentiate their Employee Value Proposition (EVP) between permanent and contract hires. While the company culture and values should not differ, it's important to be able to communicate unique aspects of the EVP that apply specifically for a contractor, as some of their concerns vary from permanent hires – which may include:

- ✓ How will this role and its scope supplement or complement my existing skillsets? Am I able to apply myself well?
- ✓ Will I be gaining exposure to new projects, industries or companies?
- ✓ Is there any difference in how this company values/ treats its contractors, vs permanent hires? What has the experience of other contractors been?

## A UNIQUE, CONTRACTOR-FOCUSED EVP

As more organisations hire contract staff to keep their workforce agile, the demand for short-term skillsets will increase, resulting in greater levels of competition for contracting talent. A great EVP can be a game-changer. Jobseekers now emphasise a company's culture before joining. That means that employers need to do more than present a job advertisement to attract quality candidates. For a company to position itself as a desirable employer, it needs to present its brand values, benefits package, career opportunities, and company culture and environment in ways that resonate with the contractors it seeks to attract.

Often, it is easier for a third-party recruiter who can identify these concerns and present these nuances in the EVP to a potential contract hire. Clear, consistent communication during the hiring process will help nip potential problems in the bud and ensure contractors are fully invested in the process – leading to better outcomes, and a win-win outcome for both employer and employee.

The interesting point about having an EVP is, every organisation already has one arising from its culture, leadership, processes and way of working – whether or not it has been formalised. Here, you would find the essential elements for a successful EVP.

## ONBOARDING PROCESS AND CANDIDATE EXPERIENCE



First impressions count a lot, and it starts from the candidate's very first interaction. It is how candidates feel about any company after undergoing the hiring process, and affects how they perceive a company's job culture, work ethics, and eventually, whether or not they accept the job offer. Candidates who have a terrible experience during the interview process may share their experiences online, affecting employer branding.

Onboarding is crucial. A smooth and effective transition can be critical in instilling a positive impression. This engages and motivates the new contract hire right from the beginning, and the enthusiasm this generates will likely carry on to the rest of the contractor's career.

## EMPLOYER BRANDING

The biggest obstacle contracting candidates face when applying for a job is not knowing the work culture at an organisation. This is where employer branding can help to gain the trust of potential applicants from the start.



According to LinkedIn's Talent Solutions report, a good employer brand can reduce turnover rates by 28% and cut costs per hire by half. Companies will also find themselves with 50% more qualified applicants, cutting down the time needed for recruiting.

To create a strong employer brand, companies should focus on their mission statement, values, and culture. By identifying companies' needs, employers can gain better insight into the talent they seek and then target them accordingly. Ensuring the workplace is an environment that encourages personal and professional growth is also paramount to retaining current talent and attracting new ones.

## COMPETITIVE SALARY



A key driver of job attraction for contractors is the salary. In a competitive market, contract professionals can be paid higher than permanent staff. While factors like employer branding are important, the remuneration must match the role and skills required. A reasonable salary shows candidates that the organisation supports, recognises and values their contribution. "As some contractors do not get fringe benefits like dental coverage or paid maternity leave, the salary is usually a bit higher than perm staff to attract quality contract hires," explains Marlinda.

## TEAM CULTURE AND WORK ENVIRONMENT



The next step is to communicate that culture to the outside world. Building a great looking website that showcases the company's image, what it's like to work there, and what potential employees can expect will be highly beneficial. This goes beyond the About Us section. The journey of communicating one's employer brand typically starts from the home page.

Social media has also become an increasingly popular way for candidates to work out whether their potential employers have values aligned to their own. Professional social networks are an effective tool for spreading awareness about employer brand. It is, however, essential to understanding which platforms are better suited for a company's audience and industry. Sharing pictures of a company's workspaces and group gatherings on social media gives a voice to their employees through videos, posts, and testimonials, which are helpful for job seekers deciding if they believe they are the right fit for that business.

## BENEFITS PACKAGE



Depending on the tenure of the contract role, some organisations offer temporary workers benefits like annual leave, medical leave, transport allowance, overtime pay and completion bonus. In most cases, the longer the contract period, the more benefits the position would come with to keep the contract hire engaged, supported and valued.

## OPPORTUNITY TO LEARN AND DEVELOP NEW SKILLS

Keeping contract workers well-engaged will establish a rewarding relationship between a company and contractors, especially if organisations plan to engage the same contingent workforce in the future.



According to Margaret Graziano, an organisational culture architect, 80% of the working population does not see money as a lever that leads to engagement or incentivisation. Instead, 40% of these people want other kinds of workplace recompense such as educational opportunities, rewarding and challenging projects, or a feeling of advancement.

Career growth opportunities can come in the form of mentorship or training and are an important factor in a talent attraction program. It's not just employees who benefit from these initiatives, too; organisations can enjoy higher levels of engagement, retention and knowledge-sharing, which boosts employer branding to attract top contract talent.



# Employee Experience: Making it Great

## KEEPING IT COMPETITIVE

The rise in contracting labour is a shift in workforce strategy for businesses and a change in how workers view work. The COVID-19 pandemic has helped raise awareness for mental health, specifically, mental health at the workplace. And more often than not, it comes down to having a work-life balance. That has led to more people reassessing their career options and choosing to have more flexibility when it comes to work. Experienced professionals in industries like Banking, Technology and Engineering often leave employers to pursue freelance and contract work.

As organisations look beyond their permanent employees to create an agile workforce, they need to change their way of engaging with the contracting workforce. Traditionally, companies may undermanage non-payroll staff as temporary workers usually only stay in a company for a short period of time. However, undermanagement can hinder productivity and performance, preventing the integration of contractors into the company's overall workforce.



**70%** 

of companies furnish contract hires with training

**40%** 

of companies use team building activities to aid integration

70% of companies furnish contract hires with training, while 40% provide team-building exercises to help integrate contracting staff with the broader team. In addition, some companies offer a buddy system or create an environment to help ensure equality between permanent and temporary workers.

**To help integrate contractors into the wider workforce and boost employee engagement, companies can explore ways such as:**



Define goals, expectations and project timelines



Include contract staff in critical conversations



Keep contractors updated on project changes to boost motivation



Promote open communication and collaboration



Check in regularly with contractors



Provide positive feedback

## BENEFITS PACKAGE

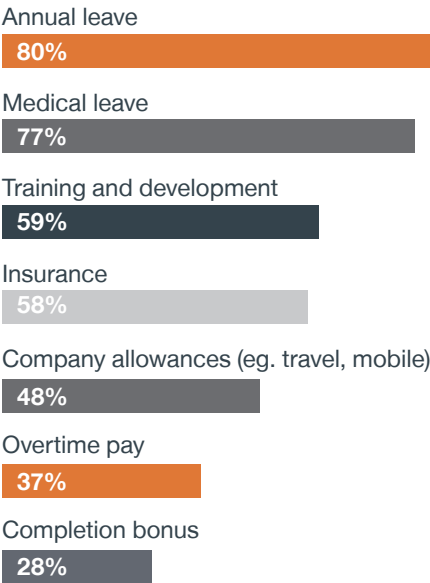
One of the primary elements that differentiate an independent contractor from a full-time employee is the benefits package. Full-timers enjoy a series of benefits such as annual leave, life insurance, paid sick leave, childcare leave, dental care coverage, and hospitalization, maternity and compassionate leave.

Popular contractor benefits provided by organisations in Malaysia include annual leave, medical leave, training and development, health insurance and company allowances.

According to Marlinda, contractor benefits are dependent on the contract role, duration and the company's budget.

“As we interact with clients and contractors on a daily basis, we have access to what companies are offering and what quality candidates are looking for. We can advise clients on the type of benefits that would entice contractors to accept a role,” explains Marlinda. Companies need to consider the nature of the contract position as well. For instance, if a company is looking for a manufacturing professional in a high-risk role, insurance coverage should be provided. “Some ways to improve the benefits package are to include maternity or paternity leave, and insurance and dental care coverage as well as compassionate leave,” she adds.

## % COMPANIES OFFERING VARIOUS BENEFITS FOR CONTRACTORS



## CONTRACTORS VS PERMANENT HIRES

While an increasing percentage of the Malaysian workforce are becoming receptive to the idea of taking on contract positions, a common misconception is that contractors are only secondary employees in an organisation – that can stem from their salary, benefits package, access to equal opportunities or ability to integrate culturally.

While there are still opportunities for improvement, our findings reflect a positive trend, with most Malaysian companies offering on-par benefits for their contractors. Notably, 22% offer higher wages for contract employees. On top of that, 73% of companies offer the same annual leave for contractors, 85% equip contractors with training on par with what permanent employees get, and 80% provide flexible work arrangements.

Salaries are trending in favor for contractors, with

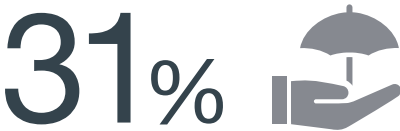


of companies paying parity or more for them

## EVALUATING CONTRACTORS' BENEFITS AGAINST PERMANENT HIRES

	Better than perm hires	On-par with perm hires	Not on-par with perm hires
Salary	22%	66%	13%
Annual leave	3%	73%	24%
Insurance	2%	66%	31%
Training	3%	85%	12%
Flexi-working	6%	80%	14%

Insurance for contractors still leaves more to be desired, with



of companies offering a sub-par package

In order to attract quality contract hires, companies should consider providing a higher salary for contractors, especially if the role requires a longer term. This is because contractors do not have the job security that comes with a full-time position, and in certain cases they do not get the same employee benefits. Therefore, a higher salary helps to keep them motivated. The higher pay is also justified as contractors typically come with more skills than full-time employees, and have more exposure to different companies and can bring great insights and ideas to your business. If companies cannot provide salaries on par with their permanent staff, they could offer other forms of benefits such as additional allowances, paying the contractor on a weekly or bi-monthly basis, and flexible work hours.

# Page Contracting Malaysia

Keeping the workforce agile with contract and interim hires, Page Contracting Malaysia harnesses the global network of PageGroup to deliver swift employment solutions in response to dynamic economic landscapes. We provide qualified white-collar professionals skilled with niche industry expertise to address short or fixed term recruitment needs in Malaysia across a variety of functions and sectors.

Tapping into **10 years**  
of success in Malaysia



**70+** recruitment  
specialists



**14,000** CVs  
received every month



## PART OF PAGEGROUP

PageGroup is a leading international specialist recruitment group with a market capitalisation in excess of GBP 1 billion. We are listed on the London Stock Exchange as a FTSE 250 company, and currently employ over 6500 staff with 149 office locations in 37 countries.

We are organically grown, and each PageGroup office has been established by our own employees, conforming to the best practices and values common to our existing business.

PageGroup has built a cast-iron reputation on its consultative approach. First established in London in 1976, we've been sourcing world's brightest professionals for over 40 years.

**37** countries

**149** global offices

**6500+** employees worldwide

## 360° END TO END SUPPORT



Candidate  
mapping &  
searching



Candidate  
screening



Interviewing  
& offer  
negotiation



On-boarding  
hypercare



Payroll  
outsourcing



Insurance  
management



Invoicing  
matters

## HOW WE VALUE-ADD

### High quality, immediately available professionals

Together with our network accumulated over 10 years, our talent recruitment services are fast and accurate.

### Dedication to great service with 900+ reviews

We've worked with thousands of employers who trust us to represent their company well and produce results. Our Google reviews are industry-leading, with 4.8\* garnered over 900 reviews.

### Tailored agile solution

Based on your specific requirements, our specialist consultants will provide a candidate shortlist, with a turnaround time of 24 hours for most roles.

### Risk & compliance guarantee

We comply with MOHR guidelines and other regulatory standards to ensure the maximum legal protection for you and your contractors.

# Page Contracting

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