

SERVICES SECTOR IN SARAWAK: CHALLENGES AND WAY FORWARD

Wen Chiat Lee^{1*}, Boo Ho Voon¹

¹Faculty of Business Management, Universiti Teknologi MARA Sarawak, 94300 Samarahan, Sarawak, Malaysia

ABSTRACT – Service sector is an important sector in Sarawak and it contributes about 36 percent to Sarawak's Gross Domestic Product (GDP) in 2020. The sector also contributes 56 percent of total employment of the state. However, there are some challenges in service sector. Among the key challenges are low productivity growth, shortage of skilled workforce, and weak internet connectivity in rural area that restricted the development of service sector. This paper presents the performance of service sector in Sarawak and the challenges of the service sector. The proposed recommendations to face the challenges include providing training to semi-skilled and low-skilled workers to improve the productivity, providing quality, and cheap food to attract tourists, and developing internet infrastructure in rural Sarawak.

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INTRODUCTION

Sarawak Economy is a diverse economy that comprises the service sector, manufacturing sector, mining and quarrying sector, agriculture sector, and construction sector. Sarawak economy is the third largest contributor to Malaysian GDP, contributing 9.5 percent to Malaysian GDP in the year 2020. Sarawak economy has experienced 2.8 percent growth in the year 2019 but suffered a decline of 7.1 percent contraction in economy as a result of the Coronavirus (COVID-19) pandemic outbreak in the year 2020.

The service sector is important to the Sarawak economy as it is the largest sector in Sarawak. The service sector contributes 36 percent to the Sarawak Gross Domestic Product in the year 2020 (Department of Statistics Malaysia, 2020). Moreover, the service sector also provides employment opportunities to 702,700 employees in the whole Sarawak and accounted for 56 percent of the total employed in the state. The service sector in Sarawak consists of the wholesale and retail sector, tourism sector, and education sector. In this paper, the authors discuss the status of the service sector in Sarawak and highlight the related challenges for strategic improvement in the service sector for sustainable development and competitive advantage.

SERVICE SECTOR IN SARAWAK

The service sector is the largest sector in Sarawak, accounting for 36 percent of the Sarawak GDP. It is followed by the manufacturing sector (26.3 percent), mining and quarrying (22.2 percent), agriculture sector (11.7 percent), and construction sector (3.2 percent) (Department of Statistics Malaysia, 2020). This is shown in Figure 1.

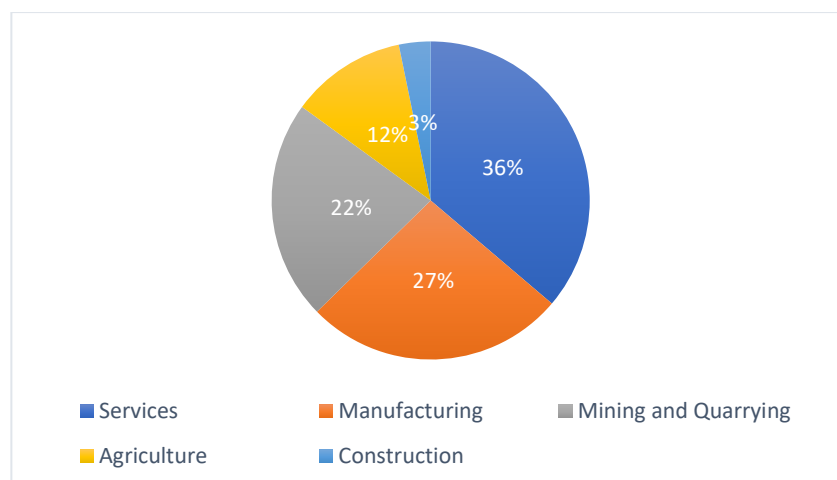


Figure 1. Contributions of the Economic Sectors to Malaysian GDP (%)

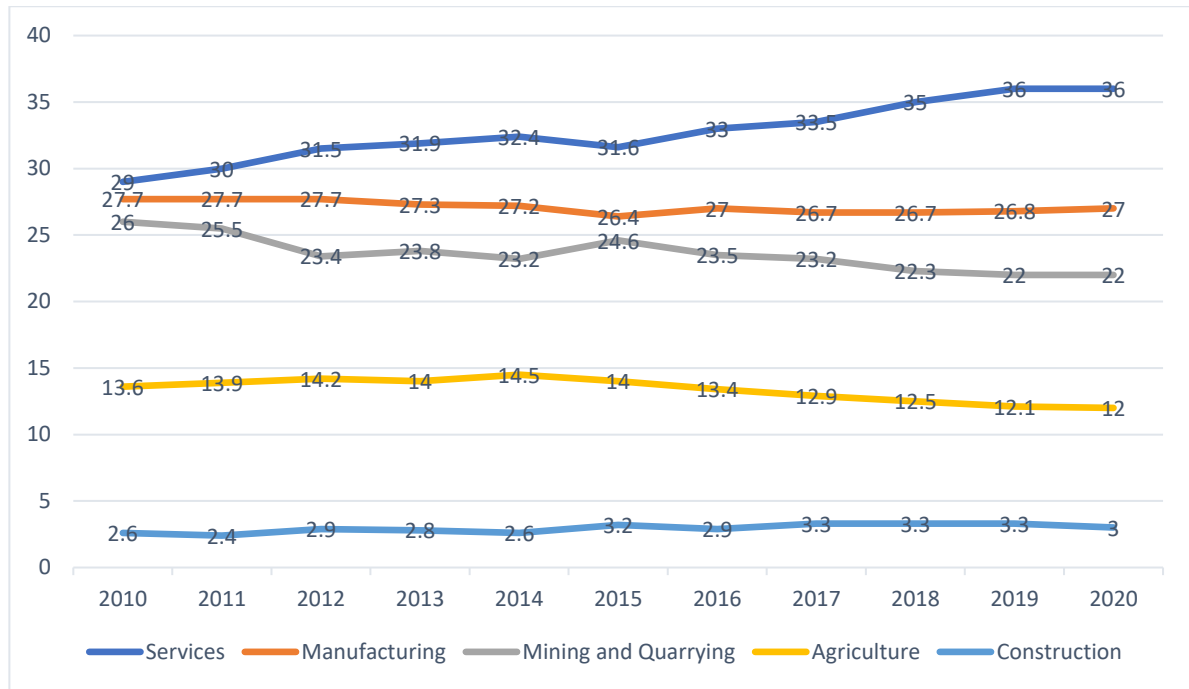


Figure 2. Percentage of Each Sector to Sarawak Gross Domestic Product (GDP) from the year 2010 to 2020
 Source: Department of Statistics Malaysia (2017) and Department of Statistics (2021b)

METHODOLOGY

Data

The data of the service sector in Sarawak in this paper was obtained from a secondary source. The data was gathered from the Department of Statistics Malaysia and the year of the study covers a ten-year period from 2011 to 2020. The data for the growth rate of the service sector and components of the service sector were collected and the results are presented in the results section to provide the overview performance of the service sector in Sarawak. Discussions on the challenges faced by the service sector in Sarawak and its recommended solutions are presented as well.

RESULTS

Growth Rate of Service Sector in Sarawak

Table 1. Growth Rate for Each Sector in Sarawak from Year 2011 to 2020

Year	Service Growth Rate (%)	Manufacturing Growth rate (%)	Mining and Quarrying Growth Rate (%)	Agriculture Growth Rate (%)	Construction Growth Rate (%)
2011	7.4	6.6	4.7	8.9	-1.3
2012	6.2	1.3	-7.2	3.7	21.4
2013	5.5	2.7	6.4	2.3	1.7
2014	6.0	4.0	1.5	8.2	-6.0
2015	5.8	3.6	0.3	2.0	20.2
2016	6.8	4.5	-2	-2.1	-5.4
2017	6.3	3.7	3.3	0.6	19.8
2018	6.4	2.2	-1.9	-0.7	1.1
2019	5.4	2.9	1.3	-0.2	1.7
2020	-5.6	-8.6	-5.9	-10.0	-8.8

Source: Department of Statistics Malaysia, 2011-2020

Table 1 shows the growth rate for each sector in Sarawak from the year 2011 to the year 2020. Table 1 shows that the service growth rate experiences positive growth from the year 2011 to 2019. From 2011 to 2019, the service sector grows at an average of 6.2 percent. The service sector performs better than other sectors. Other sectors such as mining and quarrying, agriculture, and construction sector experience negative growth in certain years from 2011 to 2020. However, the service sector experiences negative growth of 5.6 percent in the year 2020 due to the outbreak of COVID-19 and the movement control order in the year 2020. The movement control order imposed by the government has restricted the movement of people to visit service-related businesses such as hotels, shopping malls, and restaurants. Thus, the service sector suffers a negative growth in the year 2020.

Components of Service Sector

Table 2. Components of Service Sector from Year 2010 to 2020

Year	Utilities, Transportation, Information & Communication (RM million)	Wholesale and Retail, Food and Beverage and Accommodation (RM million)	Finance and Insurance, Real Estate and Business Service (RM million)	Government Service (RM million)	Other Service (RM million)
2010	6,026	7,638	5,445	4,488	2,380
2011	6,390	8,185	5,826	4,955	2,543
2012	6,723	8,541	6,255	5,471	2,651
2013	7,103	8,911	6,547	5,931	2,782
2014	7,552	9,612	6,811	6,298	2,880
2015	8,335	11,845	7,540	7,185	3,465
2016	9,144	12,729	7,924	7,568	3,617
2017	9,806	13,578	8,426	7,964	3,768
2018	10,415	14,640	8,960	8,370	3,928
2019	11,027	15,589	9,367	8,683	4,103
2020	9,955	14,157	9,056	9,064	3,802

Source: Department of Statistics Malaysia, 2010 to 2020

There are five subsectors under the service sector. The five subsectors are wholesale and retail, food and beverage subsector, utilities, transportation, information and communication subsector, finance and insurance, real estate and business service subsector, government service subsector, and other services. Table 2 shows that the largest contributor to the service sector is wholesale and retail, food and beverage, and accommodation subsector. This subsector contributes RM14,157 million to Sarawak GDP in the year 2020. The second-largest contributor to the service sector is the utilities, transportation, and information and communication subsector, valued at RM9,955 million in the year 2020. The finance and insurance, real estate, and business service subsector comes third and contributed RM9 billion to Sarawak GDP in the year 2020. All subsectors are equally important and need to be taken care of.

DISCUSSION

Productivity of Service Sector is Relatively Lower

The first challenge is the productivity of the service sector is still much lower compared to other sectors (i.e., manufacturing, mining, and quarrying) in Sarawak. As shown in Table 3 below, the growth rate of productivity for the service sector is the slowest, growing at an average of 2.13 percent compared to other sectors from the year 2011 to year 2020. The growth rate of productivity for the construction sector is highest at an average of 5.45 percent and the agriculture sector comes second, an average of 4.26 percent.

Table 3. Growth Rate of Productivity for Each Sector in Sarawak from Year 2011 to 2020

Year	Service (%)	Manufacturing (%)	Mining and Quarrying (%)	Agriculture (%)	Construction (%)
2011	-2.36	10	-18.29	29.46	-17.21
2012	2.38	-12.31	-14.90	-11.98	20.63
2013	3.62	14.42	30	-12.89	-1.92
2014	-1.79	7.59	-19.62	13.27	-19.76
2015	13.94	18	-13.53	24.88	57
2016	3.69	3.08	71.49	-1.02	-3.68
2017	2.91	-9.88	18.59	1.18	17.04
2018	-0.68	-9.22	-7.42	14.68	8.53
2019	6.03	-1.19	-20.66	-4.73	-8.02
2020	-6.48	13.36	9.02	-10.21	1.87
Average Growth	+2.13	+3.39	+3.47	+4.26	+5.45

Source: Department of Statistics, 2021

There are two possible reasons for the slow growth rate of productivity for the service sector. Firstly, there are too many workers in the sector. In the year 2020, there are 684,100 workers in the sector. Secondly, the workers are not well-trained and the skilled manpower is still low in Sarawak. Only 20 percent of the total employed people had gone to university or colleges in the year 2017 (Sarawak Data, 2018). Therefore, the productivity of a worker in the service sector

is still low. These low to medium educated service workforce in Sarawak could not contribute to more productivity in the service sector as they do not possess the necessary skills such as internet technology skills, ability to have good command in English, ability to communicate with global customers through the use of the internet, and the ability to generate good ideas to assist in the productivity of their respective companies. Therefore, many of the service sector workforce work in routine and clerical works, and could not upgrade their productivity and contribute to the development of the service sector.

Impact of COVID-19 on service sector

The pandemic COVID-19 outbreak in March 2020 brought severe impacts to the Sarawak economy especially the service sector in Sarawak. The service sector's gross domestic product (GDP) reduces by 5.61 percent from 2019 to 2020. With the implementation of movement control in order to reduce the spread of the COVID-19 outbreak, the businesses in the service sector suffer declining sales. Many service-related businesses were forced to close down, especially in the tourism sector. Many chalets, hotel operators, and flights are cancelled.

The decline in the tourism sector has spilled over to other service sectors, particularly in the transport and logistic sectors, hotel and accommodations, wholesale and retail trade, and food and beverage industries (Tawie, 2020). The number of visitors arrivals contracted by 75 percent due to travel restrictions and the closure of international borders from 4,662,419 visitors in the year 2019 to 1,199,872 visitors in the year 2020 (Ministry of Tourism, Arts and Culture Sarawak, 2021). The tourism sector contributes 20 percent to Sarawak's Gross Domestic Product and 55 percent of total service GDP in the state. Therefore, the decline in the tourism sector will reduce Sarawak GDP and the service sector significantly.

Lack of skilled employed people in the service sector

The second problem is the lack of skilled labour in the service sector. In Sarawak, there is only 20 percent of the employed people had undergone tertiary education in the year 2017 (Sarawak Government, 2018). The lack of skilled labour will reduce the productivity of the service sector. When there is a lack of skilled labour in the service sector, the performance of the service sector will not be improved. For example, the financial and insurance sector needs well-educated people that possess at least a tertiary education to serve the customers. Graduates with tertiary education are more competent to work to improve the service sector because they have the capability to think, capability to operate software and computer system, ability to learn fast, and harness the latest technology to deal with global customers and thus bring better sales to the service sector. In Sarawak, it is shown that 45 percent of the interviewed companies (including companies in the service sector) are not utilizing new technologies and automation to increase productivity and this leads to low productivity in the service sector (Sarawak Jobs, 2020). Therefore, it is important for workers in the service sector to be trained and further their tertiary education to increase productivity in the service sector.

Weak internet connectivity in rural areas

Some of the rural areas do not have good internet facilities to support effective education services including teaching and learning processes. According to a study by Dr. Nurrianti Jalil, an assistant professor of Communication at Northern State University in Aberdeen, South Dakota, USA, it shows that 67 percent of the East Malaysia especially rural areas were dissatisfied as they experience weak internet connectivity. 14.6 percent of the interviewed respondents said that they had no internet access at home. Without good internet connectivity, the students could not have their teaching and learning activities done through a virtual learning platform.

Not only teaching and learning cannot be done online without good internet connectivity, but many internet-related service subsectors such as food and beverage service, information and communication service, and tourism service cannot be developed as well. Therefore, it affects the productivity of the service sector in the state. For example, weak internet connectivity can affect retail businesses. The traders in the rural area could not market their products to bigger towns or even outside the state when the movement control order is in place. The rural traders have to rely on reaching their customers via online purchase. With weak internet connectivity in rural areas, the rural traders could not reach their customers in bigger towns. Therefore, the sales of the traders in rural areas are reduced as a result of low internet connectivity.

RECOMMENDATIONS

Training to be provided to semi-skilled and low-skilled workers

Training needs to be provided to the semi-skilled and low-skilled workers that work in the service sector. Without training, the productivity of the workers cannot be improved. Training can be conducted by academicians from the universities. Academicians have the expertise to conduct workshops and training courses for low-skilled workers. Examples of training that can be provided to these workers are programmes for food catering service, value-added for food programme, programme and short courses for hotel management and culinary service. The training provided can upgrade the skills and knowledge of the workers that enable them to provide quality service to their customers. The better-quality service such as more hospitable workers, serving customers on time, and better quality in food can attract more

customers to come. The gross domestic product for the service sector can be improved as a result of better and developed service quality.

Moreover, emphasis should also be given to improving the welfare of the workers. Incentives such as rewards and bonuses can be awarded to productive workers that perform excellently in the service sector. Recognition can be given by the state government to recognize the contribution of productive service workers in the state. The incentives and recognition can incentivize the workers in the service sector to perform better and strive for excellence in the service sector.

Focus on providing cheap food to attract tourists to visit Sarawak

Local tourism in Sarawak can be encouraged. Rural tourism in Sarawak can be developed with complete facilities such as food and beverage eateries outlets, chalets and homestays, and transportation services to promote Sarawak tourism. Moreover, agrotourism with cheap food and affordable entrance fees can also encourage tourists to visit Sarawak and increase the contribution of the tourism sector to the service sector. Promotion of the tourism sites in Sarawak can be placed in popular travel websites such as Booking.com and Traveloka to inform the potential tourists on the existence of the places of interest in Sarawak.

The universities researchers must also assist in developing the local community and the service sector. The universities and colleges in Sarawak can provide short courses to secondary school students, school leavers, and the working population to increase skills in automotive service, information and communication service, hotel management service, culinary service, and food and beverage service. The short courses and training in service-related sectors provided to people can increase employment opportunities, increase productivity in the service sector, and increase the gross domestic product in the service sector.

Upgrade internet facilities and rural development in rural area

The government can invest and upgrade the internet facilities in the rural area to enable the people to also enjoy internet connectivity. The connectivity enables people living in the rural area to access information and engage in the internet-related service sector such as food and beverage service, information and communication facilities, tourism-related service, and education services. Currently, they are 46 percent which is equivalent to 1.26 million people living in the rural area of Sarawak. Once the rural living people can access better internet connectivity and better infrastructure, they can communicate with the customers in the urban area to market their agricultural goods to the urban centre. The sales of goods and income of the rural people will increase as a result of better internet connectivity in rural areas.

Moreover, the rural area needs to be developed as well. More facilities such as medical facilities, food and retail service, and tourism-related activities can be developed in the rural area. More hospitals, food and beverage outlets, telecom tower that provides better internet connectivity, banking service can be developed in rural areas that provide similar service in the cities and big towns. With this development of the service sector, the people staying in a rural area can enjoy better facilities and more employment opportunities can be created. It also reduces the urban congestion in cities as young people would not migrate to the cities to look for jobs if plenty of employment opportunities can be developed in the rural area.

CONCLUSION

The service sector is an important contributor to Sarawak GDP. The service sector contributes 36 percent to Sarawak GDP and 52 percent to Sarawak total employment. It will remain a significant contributor to the Sarawak economy. However, there are some challenges that need to be addressed. The challenges are low productivity growth in the service sector, shortage of skilled workforce, and weak internet connectivity in the rural area. The government can work with the universities to provide short courses to the employed people in the service sector to increase the productivity of the service sector. Moreover, the government can provide better internet coverage and access to the rural area and encourage the creation of more service-related employment to provide more opportunities to people living in a rural area such as in food and beverage service, agro-tourism and rural tourism promotion, healthcare facilities, and also professional service. With more services created in a rural area, the people in a rural area can enjoy better facilities and contribute to the service sector in the state.

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CONFLICT OF INTEREST

The author(s), as noted, certify that they have NO affiliations with or involvement in any organisation or agency with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, jobs, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, expertise or beliefs) in the subject matter or materials addressed in this manuscript.

AUTHORS' BIOGRAPHY



Author Full Name: Wen Chiat Lee

Author's Email: wenchiat@uitm.edu.my

Author's Biography: Wen Chiat Lee is a senior lecturer working in Universiti Teknologi MARA (UiTM) Sarawak. He obtained his PhD in Environmental and Development Economics from Universiti Utara Malaysia in the year 2014. He completed his Corporate Master in Business Administration and Bachelor degree in Industrial Economics from Universiti Malaysia Sarawak. He has six years lecturing experience in Universiti Utara Malaysia in the field of economics. His research area is fisheries economics and agricultural economics. His research interest includes service economics, blue economy, service management and fisheries management.



Author's Full Name: Boo Ho Voon

Author's Email: bhvoon@uitm.edu.my

Author's Biography: Boo Ho Voon is a Professor of Marketing at University Teknologi MARA (UiTM) Sarawak. He obtained his Doctor in Business Administration from University of South Australia in the year 2005. He completed his Master in Business Administration from Heriot-Watt University in the year 2000 and Bachelor of Economics from Universiti Utara Malaysia in year 1993. He has more than 20 years of teaching experience in the field of Economics, Service Management, Marketing and Research Methodology. His research interest is Service Economics, Service Management and Marketing.