Unemployment among Malaysia’s Youth: Structural Trends and Current Challenges

Lee Hwok Aun*

EXECUTIVE SUMMARY

- Youth unemployment poses pressing challenges for Malaysia. Structural problems deriving from education quality deficiencies, skills mismatch, and low-quality jobs have stressed labour markets in recent years – and are compounded by imminent recession.

- The labour force participation of youth – aged 15-24 years – steadily increased over the past decade. While overall a positive trend, some specific developments should raise concern: 15-19 year-olds are much more likely to choose work over upper- and post-secondary education in Sabah, the state with the country’s highest poverty rate; among ethnic groups, labour force participation of Indian young adults has dropped slightly.

- Unemployment has been rising among 20-24 year-olds, particularly in urban areas, and remains persistently high among 15-19 year-olds. Male youth unemployment is notably high in Sabah, while female youth unemployment is high in most regions. Unemployment has also risen to alarmingly high levels in the young Indian labour force.

- Youth will disproportionately bear the brunt of adverse effects from Covid-19. Young Malaysians are more vulnerable to employment loss in the face of tenuous job growth, coupled with a focus on worker retention which constrains new recruitment, and the increasing share of self-employed with minimal resources to absorb the downturn.

- The weight of empirical evidence, on balance, underscores the need for Malaysia’s labour markets – and education and training systems – to work better for the country’s youth.

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INTRODUCTION

All countries, to varying extents, grapple with problems of unemployment, job quality and working poverty, alongside changes in technology and labour markets that introduce new opportunity especially for skilled young workers – but which also broadly heighten uncertainty and insecurity (ILO 2017). Globally, the unemployment rate of youth, defined as 15-24 years old, has hovered at around 13% in recent years, about three times that for adults (aged 25-64). Southeast Asia and the Pacific nations, with youth unemployment averaging 12%, fare a little better in absolute terms, but worse in relative terms: youth unemployment is almost six times that of adults (See Appendix 1 for terms and definitions).

Malaysia resembles the regional pattern, registering youth unemployment of 10.5% in 2019, which is more than six times the adult rate of 1.7%. The ratio of youth unemployment to the national average has been rising over the past decade. In previous downturns, youth have lost jobs more severely than average, suffering higher increases in unemployment after the recessions of 1985-86, 1997-98 and 2008-09 (Cheng and Welsh 2020). The economic fallout from the Covid-19 pandemic will likely hurt young workers more severely.

This Perspective, the first of two on the employment situation of Malaysia’s youth, unpacks trends in labour force participation (LFP) and unemployment, providing glimpses into multiple facets of youth entry into the labour market and the outcomes of their quest for career and income. The LFP represents the inclination to work; a rising LFP among teenagers may reflect the choice to leave secondary schooling early or to forego post-secondary education. Unemployment indicates the overall vitality of the economy and the disconnects between the labour force and jobs offered; unemployment among the young is typically higher than that for adults, because many are new to the labour market, whereas adults have more experience and networks. Nonetheless, the magnitude of the youth-to-adult gap in unemployment, and trends over time, are matters of concern.

I primarily address long-term structural factors, but also consider the aftermath of the Covid-19 induced shutdown of many sectors. A few themes recur. First, education features saliently; in 2018, 45% of young Malaysians – 50% of women and 45% of men – are graduates, with tertiary-level qualifications. However, Malaysia’s graduate labour force also registers a higher unemployment rate than other education levels. Second, the gender aspects are substantial. Women have exceeded men in formal qualifications and steadily increased their labour force participation, but they also experience higher unemployment rates. Third, ethnic and geographic factors weigh in. The bulk of attention has looked at unemployment in the Bumiputera population, who constitute two-thirds of the Malaysian citizenry, but other categories – notably, the Indian labour force, and Sabah and Northern Peninsular Malaysia states – are impacted in ways warranting further research and policy attention.
Table 1. Education and gender profile of Malaysia’s labour force (2019)

<table>
<thead>
<tr>
<th>Highest education attained</th>
<th>Share of labour force</th>
<th>Labour force participation rate</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>Overall</td>
<td>100%</td>
<td>68.7%</td>
</tr>
<tr>
<td></td>
<td>No formal education</td>
<td>2.9%</td>
<td>60.2%</td>
</tr>
<tr>
<td></td>
<td>Primary</td>
<td>11.9%</td>
<td>70.8%</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>55.6%</td>
<td>68.1%</td>
</tr>
<tr>
<td></td>
<td>Tertiary</td>
<td>29.6%</td>
<td>70.0%</td>
</tr>
<tr>
<td>Male</td>
<td>Overall</td>
<td>100%</td>
<td>80.8%</td>
</tr>
<tr>
<td></td>
<td>No formal education</td>
<td>2.9%</td>
<td>78.5%</td>
</tr>
<tr>
<td></td>
<td>Primary</td>
<td>13.1%</td>
<td>88.7%</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>59.3%</td>
<td>81.8%</td>
</tr>
<tr>
<td></td>
<td>Tertiary</td>
<td>24.8%</td>
<td>75.4%</td>
</tr>
<tr>
<td>Female</td>
<td>Overall</td>
<td>100%</td>
<td>55.6%</td>
</tr>
<tr>
<td></td>
<td>No formal education</td>
<td>3.0%</td>
<td>44.7%</td>
</tr>
<tr>
<td></td>
<td>Primary</td>
<td>10.0%</td>
<td>50.0%</td>
</tr>
<tr>
<td></td>
<td>Secondary</td>
<td>49.7%</td>
<td>51.9%</td>
</tr>
<tr>
<td></td>
<td>Tertiary</td>
<td>37.2%</td>
<td>65.1%</td>
</tr>
</tbody>
</table>

*Source: Department of Statistics (2020a).*

**LABOUR FORCE PARTICIPATION**

Malaysia remains a relatively young population; 15-24 year-olds constitute 17.8% of residents, and 18.0% of the labour force (Malaysian and foreign). The labour force participation (LFP) rate, referring to the proportion of the 15-64 population who are in the labour force, has increased on the whole, driven by rising women’s participation. However, these effects are taking shape predominantly, and positively, in the 25-34 age category. Younger age brackets have seen slight gains – and this is not an unambiguously positive outcome. Considering that the 15-19 age bracket corresponds with upper- and post-secondary study, rising LFP is not necessarily desirable, particularly when these youth are engaged in full-time employment. The statistics indicate that rising LFP is unlikely due to increased part-time employment. Weekly work hours for employed teenagers and young adults is virtually equal to all age groups, with a median of 48 and mean of 45-46.
The burgeoning numbers of tertiary-qualified women have contributed to a narrowing LFP gender gap – but again, mainly for adults 25 years and older. The LFP gender gap among youth has virtually stayed constant (Figure 1). This is a matter of further inquiry. The persisting gap is somewhat surprising, in light of research that shows young women articulating more career ambition than men. A nationally representative survey of upper secondary and tertiary-level students found female respondents to be more career-minded that their male counterparts (KRI 2018). Among tertiary students, larger shares of women compared to men regard work success with clear career goals as their main goal in life. At the same time, women’s enrolment in science, technology and engineering courses is persistently lower.

The ethnic dimension typically arises in unemployment and labour market discourses, with the spotlight shone on Bumiputera youth. Bumiputera 15-19 year-olds are marginally more likely to participate in the labour force, and this may be driven by particular regions, notably Sabah (Figure 2). The more striking trend, however, pertains to the Indian population, whose LFP among 20-24 year-olds dips slightly, converse to the rising trend in other groups. Regional factors come into play (Figure 3). Participation among teenagers is exceptionally high in Sabah, reaching 40% in 2019 which almost doubles the national average. The reasons for this trend are not yet conclusive but it is an issue of concern, considering that Sabah records the highest incidence of poverty among all states.
UNEMPLOYMENT

Malaysia’s youth unemployment vastly exceeds the other age groups. In 2019, unemployment rates were 14.4% for 15-19 year-olds and 9.5% for 20-24 year-olds, dropping to 3.8% (25-29) and under 2% for all other age groups. The level of youth unemployment, and the wide margin relative to the rest, underscore the seriousness of the
problem. Gender and geographic factors reveal other important aspects of joblessness. Male and female unemployment rates are remarkably similar – except among youth, where we can observe a conspicuous gender gap in the 20-24 age group (Figure 4). Spatially, 80% of Malaysia’s labour force is urban, slightly exceeding the 76% urbanization rate of the country’s population. Youth unemployment varies between urban and rural areas. Trends are less clear among 15-19 year-olds, but in the 20-24 years-old bracket, rural unemployment has been on a decline, mirrored by rising unemployment in urban areas (Figure 5). This pattern holds for both men and women.

Figure 4: Unemployment rate, by gender and age group (2011-2019)


Figure 5: Unemployment rate, by gender, area and age group (2011-2019)

Clustering the labour force by states, based on income level and geographic location, a few patterns emerge (Figure 6). Youth unemployment is most pronounced in Sabah, at 14%, followed by the Northern Peninsular states of Kedah, Kelantan, Perak and Perlis at 11%. Interestingly, the Peninsular Southern states and Penang, grouped due to economic similarities, register the lowest unemployment rates, averaging about 8%. Youth unemployment in the other regions, including the economic nucleus of Selangor and Kuala Lumpur, hovers at 10%. Male unemployment is outstandingly higher in Sabah, but female youth unemployment is dispersed across various regions, including the Northern Peninsula and Sarawak, with Pahang and Terengganu, and also Selangor and Kuala Lumpur, in close succession.

Figure 6: Unemployment rate by region, gender and age group (2019)

Source: Author’s calculations from Department of Statistics (2020a).

Next, we delve deeper into the correspondence of unemployment with educational advancement, which Table 1 presented in macro perspective (Figure 7). Official statistics do not disaggregate labour force data by education and age groups, hence we can only look at graduates as a whole regardless of age, but we are able to disaggregate by gender and state, which yields important differentiations. Sabah records the highest graduate unemployment rates for both men and women, but the levels are also notably high for women in Terengganu, Perlis and Kelantan.
Graduate tracer studies present another data source. Based on responses to a survey administered in the 3-4 weeks surrounding convocation ceremonies, this data series informs whether recent graduates are working, studying further, awaiting recruitment, or not working. The statistics are not precisely compatible with the unemployment rate, since the respondents do not indicate whether they are participating in the labour market, and sampling is not stratified and random. Nonetheless, the tracer studies provide useful supplementary information. The proportion of Malaysian graduates who are not working has remained quite high, albeit with a gradual decline, from 24-25% (2011-2012) to 23-24% (2015-2016) and 20-21% (2017-2018) (Ministry of Higher Education 2016, Ministry of Education 2019b).

Also of concern is the relationship between socioeconomic disadvantage and non-employment. Research shows that inter-generational education mobility prevails; many students have exceeded their parents’ educational attainment (KRI 2018). However, the bridge from graduation to employment is not working out as effectively and progressively as desired. Among bachelor’s degree graduates from very low-income backgrounds (RM1,000 or less per month), 32% are not working. This proportion steadily decreases with rising income, to 27% (RM1,001-2,000), 25% (RM2,001-3,000), and 21-23% (RM3,001 or more) (Ministry of Education 2019b). In terms of securing employment, higher education is not necessarily narrowing gaps, and may well widen them, as graduates from high-income backgrounds set off on steeper career trajectories than disadvantaged members of their cohort.

The ethnic dimension constitutes another aspect of unemployment warranting important, albeit brief, consideration. Bumiputera graduate unemployment tends to occupy the mammoth share of attention, and various policies have either explicitly designated Bumiputeras as beneficiaries or effectively reached out to them without exclusive targeting. Those concerns are legitimate; the Bumiputera unemployment rate stays almost identical to or marginally above the national rate, and consistently exceeds that of the
Chinese labour force. Lack of data breakdowns within the Bumiputera population deprive analysis and policy formulation of potentially valuable and important insight, on Peninsular versus East Malaysia differences, or disparities between ethnic sub-groups bearing the broad Bumiputera label. In the available labour force data, the unemployment rate of Indian youth stands out (Figure 8). Myriad factors contribute to this outcome, but one that merits mention here is the low enrolment in technical and vocational education and training (TVET). As a share of secondary school students, only 4% of Indians, compared to 15% Bumiputeras, are enrolled in TVET (KRI 2018). The share of Chinese is even lower, at 1%, but the community enjoys more alternate training opportunity through apprenticeships or family businesses.

Figure 8: Unemployment rate, by ethnicity and age group (2013-2019)

![Unemployment rate chart]

Notes: Statistics not available for 2011 and 2015.

Causes of youth unemployment are numerous and complex, and intertwined with wage levels, job quality and work conditions. Employer surveys have repeatedly found that lack of language proficiency, especially in English, and shortcomings in communication, technical and professional skills, hinder employment prospects of graduates. Such employer-based sources also tend to fault young jobseekers, especially fresh tertiary graduates, for excessive demands in salary and work conditions. The above scenarios undoubtedly capture the experience of a section of employers – who operate primarily in English, and face difficulty securing talent among fresh graduates, who may well expect higher salary than employers are willing to pay and exhibit high turnover from one workplace to another. However, young adults’ wages are still severely inadequate to sustain cost of living, especially in metropolitan areas.
Additionally, KRI’s (2018) nationally representative survey of students aged 15-29 indicates that wage expectations are in fact quite modest. The survey finds surprisingly low median reservation wages, meaning that half of the reference group is unwilling to work below this wage level. The study reports a median reservation wage of RM2,400 for upper secondary students and RM2,000 for tertiary students. These declared wage rates fall below RM2,700, an estimated living wage for a single person in Kuala Lumpur (Chong and Khong 2017). KRI (2018) finds an even lower reservation wage of RM1,600 for first-time jobseekers. Although the study sampled jobseekers through non-random methods, and hence the results are technically not nationally representative, the strikingly low reservation wage challenges the perception of overly demanding youth.

On the quality of jobs, a frequent criticism that the labour market perpetuates low-skilled, low-wage employment is borne out in vacancy statistics. Among job openings advertised on the government portal JobsMalaysia, elementary occupations – a broad category for routine, manual, ‘unskilled’ jobs – accounted for 68.4% of the total in 2015-2015 (out of 1,081,387 total vacancies per year), and a staggering 76.9% in 2017-2018 (out of 1,284,198 total vacancies per year). The median wage for such jobs was RM1,329 in 2018, considerably below the reservation wages cited above (Department of Statistics 2019b). This profile of jobs generated partly derives from the requirement that employers must post on JobsMalaysia and attempt to employ Malaysians first before recruiting foreign workers, and may thus overstate the preponderance of elementary jobs. However, the uptrend bodes ill, especially for new Malaysian job market entrants who may find the combination of job types and pay scales insufficient. A forthcoming Perspective will dive deeper into wages and work conditions pertaining to young workers.

COVID-19 IMPLICATIONS

Large swaths of Malaysia’s economy shut down due to Movement Control Order (MCO) restrictions enforced comprehensively from 18 March, and selectively since 4 May. Education programmes for all students were disrupted, with pronounced implications on the tertiary-level graduating class of 2020. Social assistance extended through the government’s Prihatin relief packages help tide over households and young people, but uncertainty clouds upcoming youth entry to the labour market, even as the just announced Penjana economic recovery plan commences.

It is difficult, and rather speculative, to quantify the full magnitude of the Covid-19 economic fallout. Nonetheless, empirical evidence and deductive reasoning point to age group differences. Two important implications demand policy attention.

First, economic stoppage has shrivelled employment. Adverse macro conditions, coupled with the crisis-mitigating focus on retaining workers and the likely bias toward rehiring experienced workers in the recovery phase, will benefit previously employed workers – likely at the expense of young workers. New graduates and school leavers will enter a slackened labour market. The spectre of heightened unemployment for youth in some
categories identified above – women, urban areas, the Indian population, and particular regions probably affecting pockets of Bumiputera communities – must be monitored and addressed.

Second, preliminary evidence emphatically shows the self-employed being the worst hit by the MCO. A Department of Statistics online survey of late March 2020, to which 168,182 individuals responded, reported that 47% of self-employed persons had lost their jobs, compared to 24% of employers and 2% of private sector employees (Department of Statistics 2020b).\(^{10}\) In terms of income loss, 91% of self-employed and 86% of employers reported themselves to be in that state, far above 41% for private sector employees. The extent of income loss and savings buffers are also most dire for the self-employed.\(^{11}\)

These conditions compound the hardship of young workers, who have increasingly opted to operate a business on their own. Labour Force Surveys plot a steady increase in the share of own-account workers, referring to persons working by themselves without hiring any employees, by wider margins among youth (Figure 9). Older workers are still more likely to be own-account workers (Schaper 2020). However, the trend among youth is significant, also because it is mirrored by declining shares of 15-19 year-olds who are family workers, and 20-24 year-olds who are employees. While this is a product of structural changes and policies seeking to equip young workers to be less dependent on wage employment, it also exposes larger proportions to economic vagaries.

Figure 9: Share of employed by employment status by age group (2011-2019)

![Figure 9: Share of employed by employment status by age group (2011-2019)](image)


Graduate tracer studies shed further light on the state of employment, specifically of fresh graduates. Among those who are working within the first few months of graduation in 2018, 6.5% were solo self-employed, 5.3% worked with family, 4.3% were employers, 11.5% government employees, 72.4% employees in the private sector. Some of the self-employed are poised to gain from technological changes, and may even thrive as a result of a further
shift to e-commerce as a result of the pandemic. But the vast majority are involved in various established service sectors, such as food, education, construction and home repair, and clothing and apparel, of which the outlook is less certain, particularly if consumers cut back on these expenditures or the businesses continually rely on physical modes without online presence.\textsuperscript{12}

CONCLUSION

Malaysia’s youth unemployment challenges are acutely felt in these crisis times, but are also deeply rooted in structural trends. This article has surveyed salient features of unemployment among 15-24 year-olds, with attention to education, gender, regional and ethnic dimensions. While highly qualified in terms of formal education certificates, high unemployment rates among young adults and fresh graduates reflect quality deficiencies and skills mismatch. Concurrently, young women are increasingly exceeding men’s educational attainment, but experiencing higher unemployment, especially in urban areas and particular states. Sabah’s situation raises a few concerns, notably high labour force participation among 15-19 year-olds, and higher unemployment across the board. The homogenization of Bumiputeras in the data surely omit variances between sub-groups that the regional unemployment rates are capturing. Following the three-category convention, publicly disclosed statistics point to acute unemployment among young Indians. The economy continually generates low-skill and low-wage jobs, while the share of self-employed rises all around, and more steeply among youth. These structural underpinnings of unemployment, coupled with implications of the Covid-19 induced economic downturn, pose urgent and serious policy challenges for Malaysia.

APPENDIX 1: TERMS AND DEFINITIONS

<table>
<thead>
<tr>
<th>Labour force</th>
<th>Persons aged 15-64 who are employed or unemployed but looking for work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force participation (LFP) rate</td>
<td>Number in the labour force as a percentage of the population of the same age: Overall LFP = \frac{\text{Labour force 15-64 years old}}{\text{Population 15-64 years old}}</td>
</tr>
<tr>
<td>Unemployed</td>
<td>Not employed but looking for work</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>Number of unemployed as a percentage of the labour force: Unemployment rate of 15-19 year-olds = \frac{\text{Unemployed aged 15-19}}{\text{Labour force aged 15-19}}</td>
</tr>
</tbody>
</table>
REFERENCES


**NOTES**

1. Corrigendum: A previously published version of this article contained an error in Figure 8. This error has been rectified. The author regrets any inconvenience caused.
2. Author’s calculations from Department of Statistics (2020a).
4. Only primary schooling is compulsory in Malaysia; secondary schooling is not.
5. Weekly work hours are even across all five-year age groups from 15-19 to 50-54, and noticeably but slightly decline for the 55-60 and 60-64 categories (Department of Statistics 2020a).
6. Among school-going youth, girls are more career-minded, as reflected in their answer to “goal in life” questions: 20% of girls and 11% of boys indicated “having clear career goals”, and a slightly higher proportion of girls (27%) than boys (24%) regard success at work as a priority (KRI 2018).
7. Men attach greater importance to good family life and being wealthy. Specifically, the proportion stating their main life goals are as follows: Success at work (27% women, 24% men), good family life (16% women, 19% men), clear career goals (16% women, 10% men), variety of experiences (14% women, 11% men), contributing to society (9% women, 10% men), being wealthy (6% women, 11% men) (KRI 2018).
8. Programmes facilitating youth employment include the Tunas Usahawan Belia Bumiputera (TUBE) for entrepreneurship and self-employment, and the graduate training scheme formerly called SL1M and currently branded PROTÉGÉ which provides training and pathways to recruitment for fresh graduates, primarily involving government-linked companies and reaching out to Bumiputeras.
9. The higher reservation wage of secondary students compared to tertiary students seems counterintuitive. However, it is plausible that tertiary students are more aware of market wage rates and calibrate their wage expectations accordingly.
10. The online mode and voluntary participation of this survey introduces probable biases to the findings. That 49% of private sector employees are working from home seems implausibly high, given the breadth of the businesses that have shuttered with no income to sustain operations.
11. 66% of self-employed and 33% of private sector employees lost more than half of income; 71% of self-employed, 58% of private sector employees and 49% of employers hold less than a month of savings (Department of Statistics 2020b).
12. E-commerce, constituting 8.5% of self-employed fresh graduates, is the biggest category by a whisker, next to the following categories, all in the range of 5-8%: education, food, clothing and apparel, construction/electrical/plumbing contractors, graphics and advertising, direct selling (Ministry of Education 2019b).
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