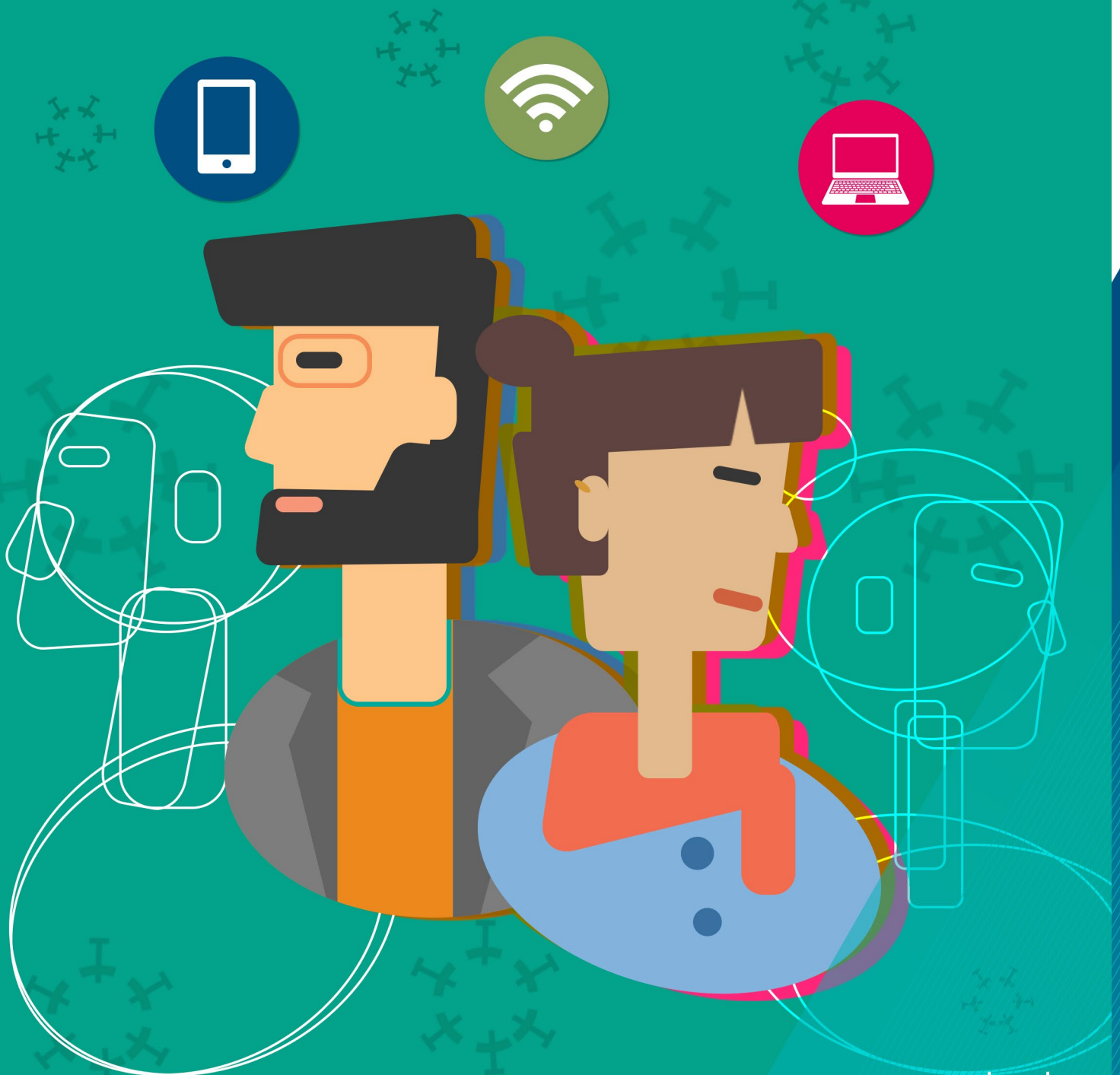


The Future of Work for the Asian Youth

Country Profile: Malaysia





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Shy Kit WONG and Calvin WOO

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Introduction



1. Introduction

The much discussed “future of work” is now the reality that has been accelerated by the COVID-19 pandemic here in Malaysia. The pandemic has exposed government, employers and workers to both the opportunities and threats of the future of work, and spur a greater conversation on how the future of the Malaysian economy will take shape. A research conducted by McKinsey(2020) highlighted that Malaysia and many ASEAN economies are now vulnerable to disruption due to high concentration of labour intensive manufacturing and service jobs. And among these jobs, over 50% of the tasks for these occupations could be automated. This will in turn leave the Malaysian workforce vulnerable to technological disruptions consequently affecting the employment rate of the Malaysian workforce. Based on McKinsey’s projection, there could be up to 4.5 million jobs displaced by automation by 2030.¹

~50% of work time in Malaysia is spent on repetitive activities that are highly automatable

Automation Potential by Activity, %	72	71	71	37	26	22	13
Time spent in all Malaysian occupations 2016, %	13	18	19	20	14	10	9
Example occupations with high level of those activities	Payroll officers, transaction processors	Legal support workers, mortgage originators	Production workers, machine operators	Gardeners, construction labors	Personal caretakers, salespersons	Artists, scientists	CEO, project manager

Most susceptible activities to automation account for ~50% of total working hours in Malaysia

- 1. Managing and developing people
 - 2. Applying expertise to decision making, planning and creative tasks
 - 3. Interfacing with stakeholders
 - 4. Performing physical activities and operating machinery in unpredictable environments.
 - 5. Performing physical activities and operating machinery in predictable environments.
- Note: Numbers may not sum due to rounding
 Source: ONET, BLS, Oxford Economics, IHS, EIU, McKinsey Global Institute analysis

Figure 1: Malaysian’s workforce work activities

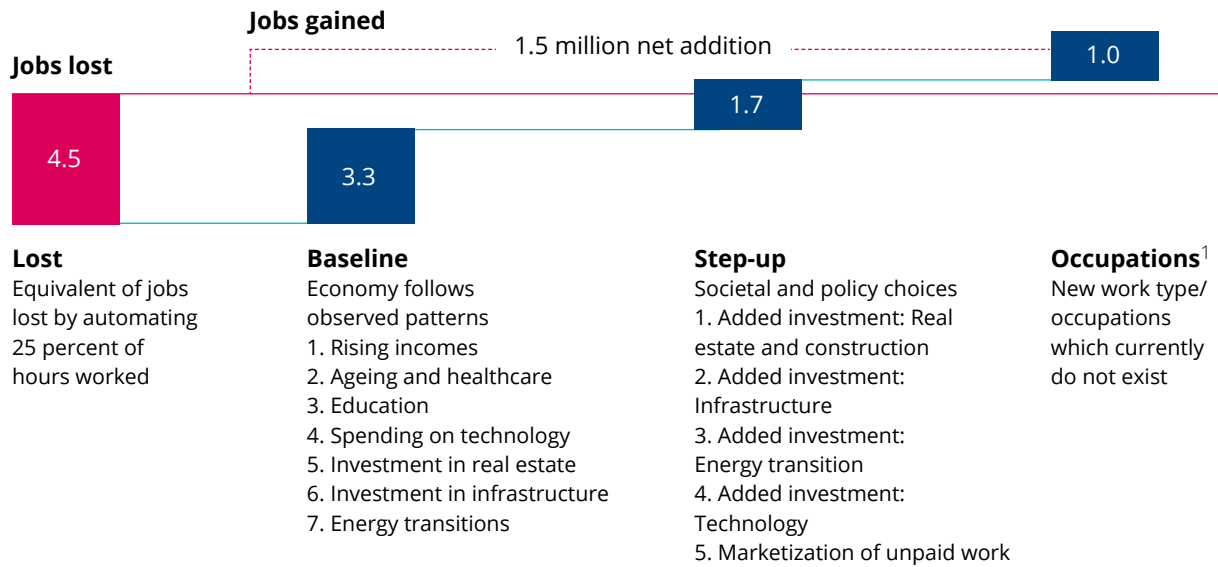
Source: McKinsey, 2020

Eventhough one may point fingers to the doom and gloom side of automation, on the flip side, the technological growth will in turn create new labour demand which will then offset the number of displaced jobs. According to McKinsey, through rising consumer income, increased education spending, new demand for range of occupation especially in healthcare, and concerted effort to make investments in energy transitions, infrastructure, real estate and technology could potentially create over 6 million new jobs by 2030, that translates into 1.5 million net new jobs created.¹

¹ McKinsey (2020). Automation and adaptability: How Malaysia can navigate the future of work. Retrieved 17 March 2021 from <https://www.mckinsey.com/featured-insights/asia-pacific/automation-and-adaptability-how-malaysia-can-navigate-the-future-of-work>

3.3 - 6.0 million new jobs are expected to be created by 2030.

Midpoint automation scenario and additional labor demand from 7 catalysts, 2016 - 30, millions



1. Study has shown that on average, 0.5 percent of the workforce has been working in "new jobs" every year (Lin, Jeffrey, "Technological adaptation, cities, and new work." The Review of Economics and Statistics, Issue 93, May 2018)

Note: We identified seven catalysts of labor demand globally: rising incomes, health-care spending, investment in technology, buildings, infrastructures, and energy, and the marketization of unpaid work. We compared the number of jobs to be replaced by automation with the number of jobs created by our 7 catalysts as well as change in labor force, between 2014 and 2030
 Source: ONET, BLS, Oxford Economics, EIU, IHS, McKinsey Global Institute analysis.

Figure 2: Expected job creation by 2030

Source: McKinsey Report 2020

This country report serves to shed light on the realities of the future of work in Malaysia. The first part will examine the current state of youths in Malaysia from the demographical lenses, education and workforce participation of youths. The second part will discuss the realities faced by Malaysian youths from both the opportunities and challenges for the youths. And the final part will be the policy recommendations to further alleviate some of the challenges faced by youths in transitioning to the work.



2

Malaysian Youths



2. Malaysian Youths

The International Labour Organisation defines youths as the 15-24 age segment², while the Youth Societies and Youth Development Act 2019 defines youths as the 15-30 age segment³. The document will refer to youths as those who fall within the 15-30 age bracket unless stated otherwise.

Demography

Based on Department of Statistics Malaysia's data, the estimated youth ages 15-30 year-old is approximately 12.1 million in 2020⁴. With a population of 32.7 million, the youth population is approximately 40% of Malaysia's population.

Gender

Age Range	Male	Female	Total
15 - 19	1468.3	1367.4	2835.7
20 - 24	1649.1	1483.5	3132.6
25 - 29	1729.6	1518.1	3247.7
30 - 34	1503.3	1374.2	2877.5
Total	6350.3	5743.2	12093.5

Table 1: Total youths based on gender

Source: DOSM, 2021

Based on table 1 above, out of the 12.1 million youths in Malaysia, there are more male (6.35 million/52.5%) than female (5.73 million/47.5%).

Geographical Distribution

States	15 - 19	20-24	25-29	30-34	Total
Malaysia	9%	10%	10%	9%	37%
Johor	9%	10%	9%	8%	35%
Kedah	9%	10%	9%	7%	36%
Kelantan	10%	10%	11%	7%	37%
Melaka	8%	9%	11%	9%	37%
Negeri Sembilan	9%	10%	10%	9%	37%

2 ILO Global Employment Trends for Youths (2006). Retrieved 17 March 2021 from https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_elm/---trends/documents/publication/wcm_041929.pdf

3 'Youth' now defined as those between 15 and 30 (2019). Retrieved 17 March 2021 from <https://www.nst.com.my/news/nation/2019/07/501288/youth-now-defined-those-between-15-and-30>

4 Department of Statistic Malaysia (2020). Population Quick Info. Retrieved 17 March 2021 from <http://pqj.stats.gov.my/searchBI.php?tahun=2020&kodData=2&kodJadual=1&kodCiri=3&kodNegeri=00>

Pahang	9%	10%	10%	8%	37%
Pulau Ninang	7%	9%	10%	9%	35%
Perak	9%	10%	10%	8%	36%
Perlis	8%	8%	12%	9%	36%
Selangor	7%	8%	9%	11%	36%
Terengganu	10%	10%	10%	8%	37%
Sabah	11%	12%	12%	9%	45%
Sarawak	9%	10%	10%	8%	37%
W.P. Kuala Lumpur	7%	8%	9%	9%	33%
W.P. Labuan	8%	8%	9%	9%	34%
W.P. Putrajaya	7%	9%	5%	6%	27%

Table 2: Malaysian's youth geographical distribution by respective state and age bracket

Source: DOSM 2021

From Table 2, the distribution of youths in each Malaysia state is rather similar at 36% except for the state of Sabah, which has 45% of its state population mainly consisting of youths.

Education Attainment

Gender

Age Bracket	Education Attainment	Total	Male	Female
15 - 30	Primary	7.6	9.6	5.4
	Secondary	55.2	57.9	52.1
	Tertiary	34.1	29.1	39.6
	No formal Education	3.1	3.3	2.8

Table 3: Education Attainment of Youths in Malaysia(%)

Source: Labour Force Survey, 2018⁵

Based on Table 3, the highest education attainment for Malaysian youth are secondary education at 55.2% and tertiary education at 34.1%. The data also indicated that of those who completed tertiary education, close to 40% are female. There are still 3.1% of Malaysian youth who never have formal education.

⁵ Harun M. S., et.al, (2020), The Determinants of Malaysia's Youth not in Employment, Education or Training. Retrieved 17 March 2021 from https://www.unescap.org/sites/default/files/APS2020/65_The_Determinants_of_Malaysian_Youth_not_in_Employment_Education_or_Training.pdf

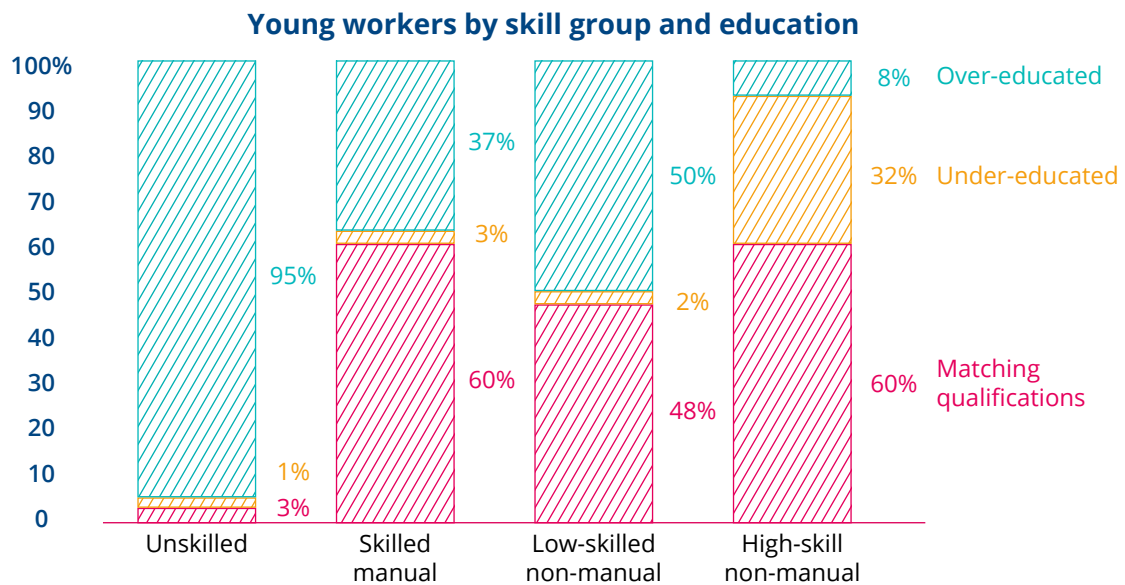


Figure 3: Young workers by skill group and education⁶

Source: KRI 2018

When looking into the skill level of the young labour force, 95% of unskilled labour and 50% of low-skilled non manual labour are over-educated. Based on the analysis by KRI (2018), this phenomenon negates the perpetuation of the media that youths are ‘choosy’ with their jobs. Given the scarcity of jobs, many youths are forced to accept jobs that they are overqualified for, consequently causing youth underemployment.

Labour Force Participation

Highest Education Attained		Share of labour force	Labour force participation rate	Unemployment rate
Total	Overall	100%	68.7%	3.3%
	No formal education	2.9%	60.2%	2.7%
	Primary	11.9%	70.8%	1.7%
	Secondary	55.6%	68.1%	3.3%
	Tertiary	29.6%	70.0%	3.9%
Male	Overall	100%	80.8%	3.2%
	No formal education	2.9%	78.5%	2.9%
	Primary	13.1%	88.7%	1.9%
	Secondary	59.3%	81.8%	3.3%
	Tertiary	24.8%	75.4%	3.5%
Female	Overall	100%	55.6%	3.4%
	No formal education	3.0%	44.7%	2.4%
	Primary	10.0%	50.0%	1.4%
	Secondary	49.7%	51.9%	3.2%
	Tertiary	37.2%	65.1%	4.3%

Table 4: Education and Gender profile of Malaysian Labour Force

Source: ISEAS, 2020

6 Khazanah Research Institute (2018), The School to Work Transition Survey. Retrieved 17 March 2021 from http://www.krinstitute.org/assets/contentMS/img/template/editor/20181205_SWTS_Short%20Book.pdf

Table 4 revealed that 55.6% of the labour force in Malaysia attained secondary education while only 29.6% of the labour force attained tertiary education. Looking from the gender lens, the labour participation rate of male (81%) is higher compared to females (56%).

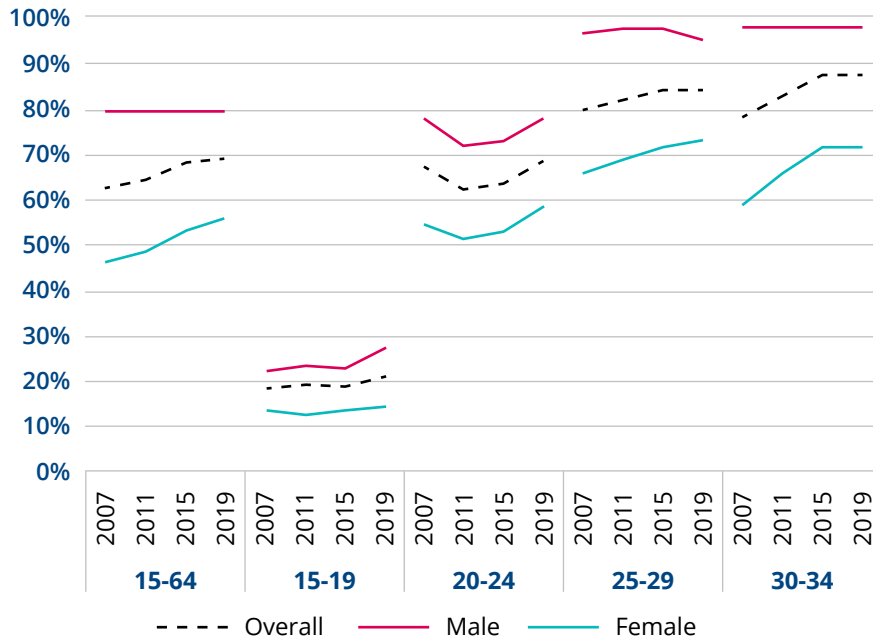


Figure 4: Labour Force Participation by Gender (2007 to 2019)

Source: ISEAS, 2020⁷

Table 4 revealed that 55.6% of the labour force at large, those aged between 15-64 in Malaysia attained secondary education while only 29.6% of the labour force attained tertiary education. Looking from the gender lens, the labour participation rate for male (81%) is higher compared to females (56%).

Meanwhile, Figure 4 revealed a consistent labour force participation trend for youth that is representative of the overall labour force participation rate, where males have a higher participation rate compared to females. The unequal labour participation between males and females could be closely associated with the entrenched culture that women will take the lead in domestic family affairs instead. From the chart, we can also see that the participation of those aged between 25-34 is higher, at close to 100% compared to those in their 20-24, at 70%, as they could be pursuing tertiary education.

7 ISEAS (2020), Unemployment Among Malaysia's Youths: Structural Trends and Current Challenges, Retrieved 17 March 2020 from https://www.iseas.edu.sg/wp-content/uploads/2020/05/ISEAS_Perspective_2020_65.pdf

Unemployment

Age Group	Subgroup	Reason	Total	Male	Female
15 - 30	Unemployed Youth	Actively looking for work	19.8	37	12.8
	Inactive Youth	Discouraged	1.4	2.8	0.8
		Family Careers	52.7	12.9	69.2
		Sick/Disabled	7.4	15.7	3.9
		Others	18.7	31.8	13.3

Table 5: Heterogeneity of youths who are not in education, employment of training, 2018 (%)

Source: UNESCAP,2020⁸

Based on both Table 4 and Table 5 above, the overall unemployment for the Malaysian labour force sits at 3.3%. Of those who are unemployed, 3.9% are tertiary educated whereas only 1.7% are primary educated. However, youth unemployment in Malaysia is at a staggering 15%, based on Figure 5 below.

Thirty-seven percent of unemployed male youths are more likely to be actively looking for work compared to female youths. For those who decide to leave the workforce, female youth dominates this specific category as 69.2% decide to be family carers.

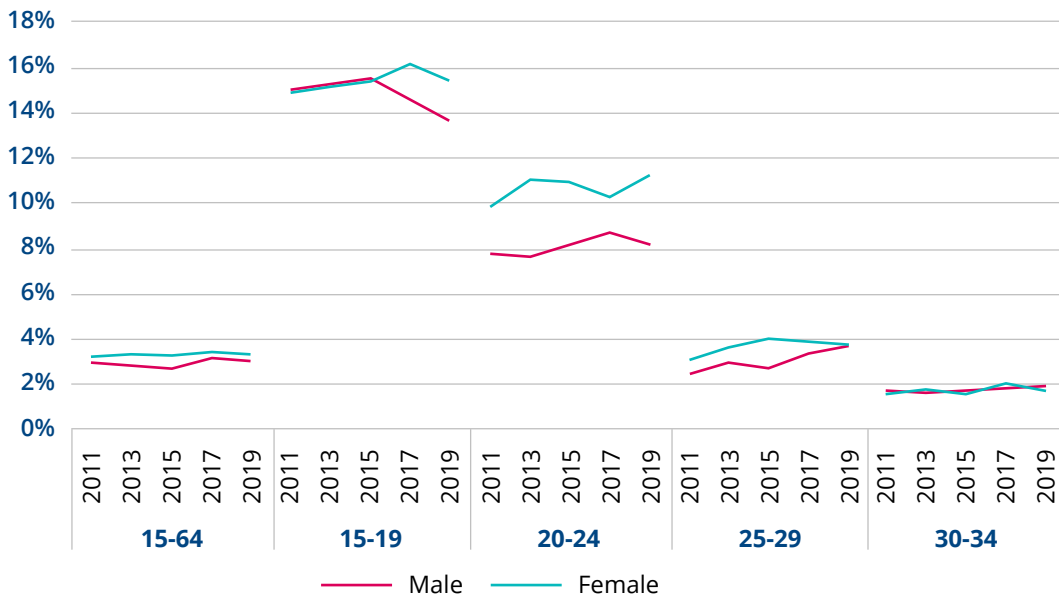


Figure 5: Youth Unemployment Rate by Gender

Source: ISEAS,2020

8 UNESCAP (2020), The Determinants of Malaysia’s Youth not in Employment, Education or Training, Retrieved 17 March 2020 from https://www.unescap.org/sites/default/files/APS2020/65_The_Determinants_of_Malaysian_Youth_not_in_Employment_Education_or_Training.pdf

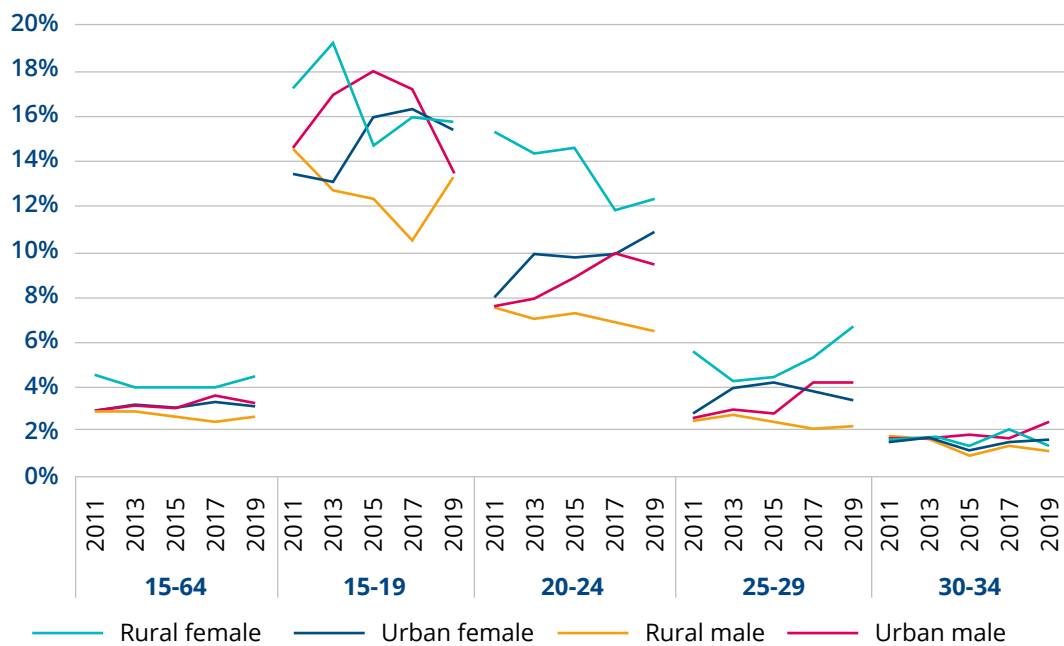


Figure 6: Unemployment Rate, by gender, area and age group

Source: ISEAS, 2020

From the geographical distribution standpoint, female youths in rural areas aged between 20-24 and 25-29 have the highest unemployment rate at 13% and 7% respectively. On the other hand, the unemployment rate for those aged 20-24 in urban areas sits at 10%. This trend could be associated with the transition from school to workplace, as youths in the age bracket are participating in tertiary education, vocational training or undertaking internship at this stage.

Preferred Occupation of Young Workers

Current and preferred occupation of young workers

Occupational Type	Current %	Preferred %
Managers	2.4	6.2
Professionals	24.8	38.2
Technicians and associate professionals	14.6	6.6
Clerical support workers	6.7	2.4
Service and sales workers	33.4	3.2
Skilled agriculture, forestry, livestock and fishery workers	0.5	0.6
Craft and related trade workers	2.4	1.2
Plant and machine operators and assemblers	3.1	0.7
Elementary occupations	3.3	0.2
Armed forces	1.7	5.7
Business related	5.7	32.2
Other	1.4	2.9
Total	100	100

Figure 7: Current and preferred occupation of young workers

Source: KRI (2018)

KRI's survey indicated that 38.2% youths do prefer roles as professionals, with 24.8% of youths currently holding professional positions. Professionals in Malaysia include high skills sectors such as those in technology, healthcare, creative and media, etc. On the other hand, 32.2% of Malaysian youths would aspire to have business related occupations, but only 5.7% of them are currently holding jobs in that field. Conversely, only 3.2% of youths prefer to hold jobs in service or sales work, yet 33.4% of them are currently in that role. This could be indicative of the entrepreneurial aspiration of youths to venture their own businesses, however, they have yet to find a launchpad or an entry point to entrepreneurship.



3

Future of Work



3. Future of Work

When it comes to the future of work, aspects such as artificial intelligence (AI), automation, and robotics have been prominent among the market leaders to accelerate their growths. While certain jobs will be lost, many others will be created and changed. With the Covid-19 pandemic, the conversations and adaptation of said aspects have been accelerated even further.⁹

Job Market in Malaysia

Prior to the Covid-19 pandemic, Malaysia’s economic performance rose by 4.8% per annum from 2015 to 2019. Yet, the performance had dropped in the first nine months of 2020 to negative 6.4% as compared to positive 4.3% in 2019.¹⁰ Such economic impact has certainly affected the job market in Malaysia too.

Since the beginning of the pandemic, Malaysia recorded a gradual decrease to the total number of jobs in the private sector, from quarter 1 (Q1) to Q4 in the year of 2020. Comparing Q4 2019 with Q4 2020, the total number of jobs in the private sector had fallen from 8.661 million to 8.457 million, a 204,000 drop, as shown in Figure 8. Although the rate of vacancies remained below 2.3%, the concerns with the availability of jobs to keep most of the Malaysians employed is still alarming. In addition, the number of jobs created has decreased by 29.5% compared to the previous year, from 104 thousand to 73.3 thousand jobs created per year.¹¹

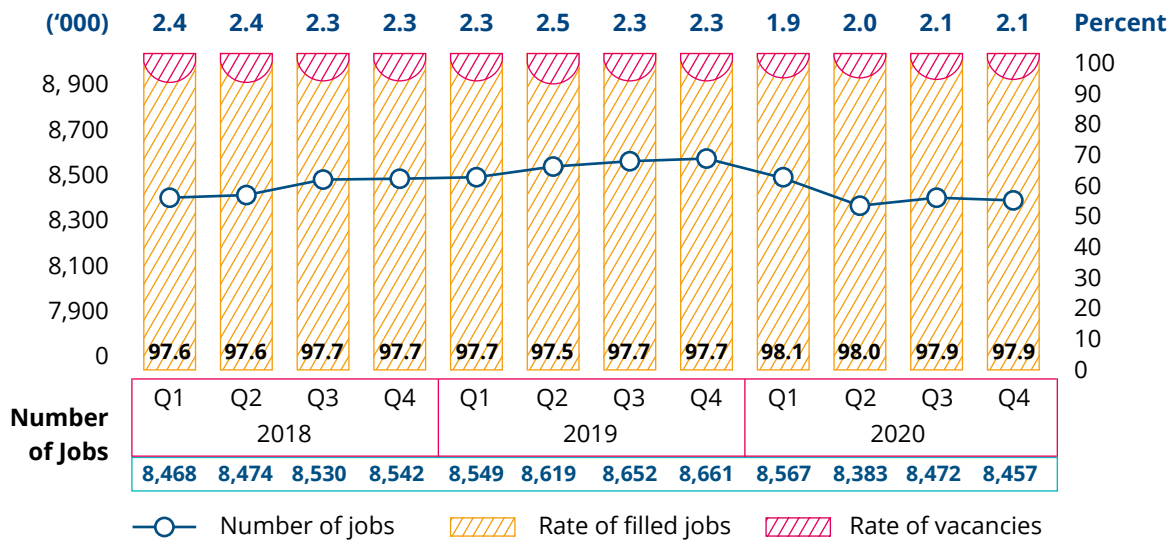


Figure 8: Jobs, Filled Jobs and Vacancies, Q1 2018 - Q4 2020

Source: DOSM, 2021

9 Lund, S, et.al, (2021). The future of work after COVID-19. Retrieved 18 March 2021 from <https://www.mckinsey.com/featured-insights/future-of-work/the-future-of-work-after-covid-19>

10 Department of Statistics Malaysia (2020). Malaysian Economic Statistics Review Vol.8 2020.

11 Department of Statistics Malaysia (2021), Employment Statistics Fourth Quarter 2020.

While the job market in Malaysia is predominantly categorised as semi-skilled, there is a need for Malaysia to move up the value chain to produce more high-skilled jobs in the market. Up to 62.3% of the jobs in the market are semi-skilled; 24.4% high-skilled and 13.3% low-skilled, signalling that there is a lack of high-skilled jobs created in comparison to the number of graduates entering the workforce annually. In comparison to Q4 of 2019, other than the decrease in the number of jobs created, the percentage of high-skilled jobs has actually dropped in Q4 of 2020, from 46.3% to 29.5%. This raises the concern on the need for consolidated effort among stakeholders to create more high-skilled jobs.¹²

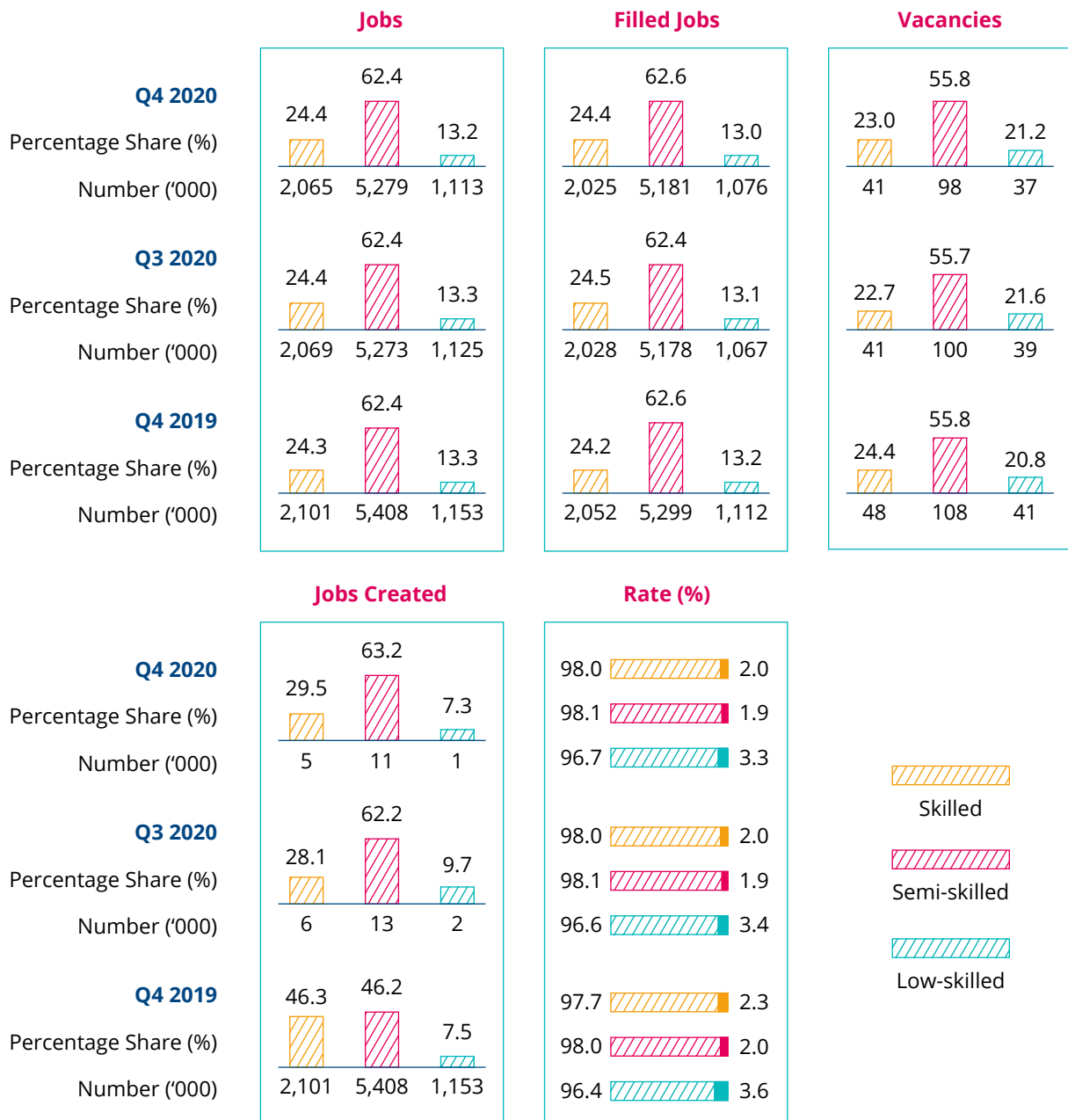


Figure 9: Labour Demand by Skill, Q4 2020 (% Share)

Source: DOSM, 2021

12 Department of Statistics Malaysia (2021). Employment Statistics Fourth Quarter 2020.

In regards to the economic activities of Malaysia's market, more than half of jobs and filled jobs are in the service sector, up to 51.6% and 52.4% respectively. Despite the pandemic, the majority of the jobs created during the Q4 of 2020 is within the manufacturing industries, accounting up to 40.5%.

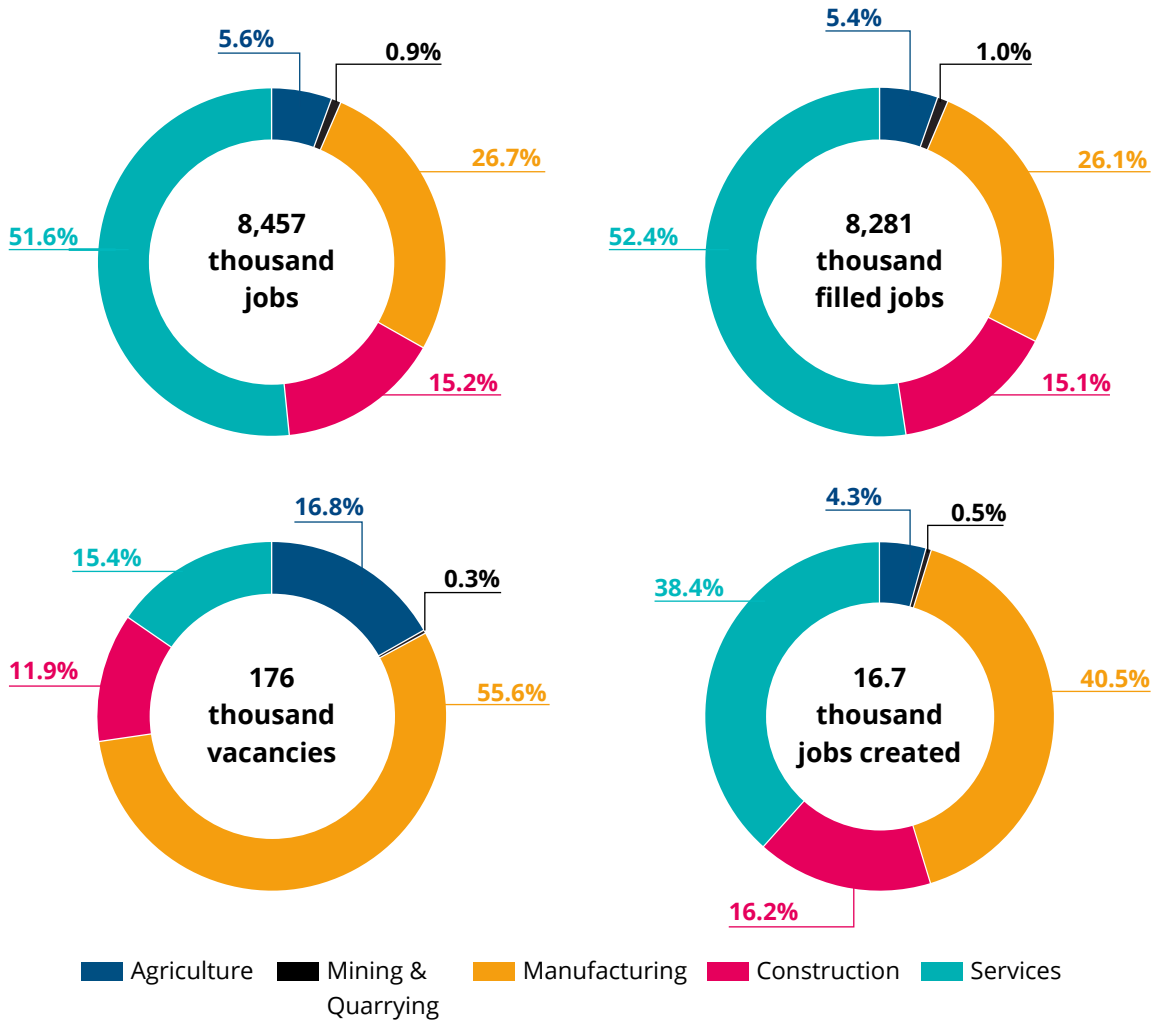


Figure 10: Labour Demand by Economic Activity, Q4 2020 (% Share)
 Source: DOSM, 2021

SME landscape and employment

Small and medium enterprises (SMEs) play a major role in Malaysia's economy. Up to 98.5% of the business establishments are SMEs, accounting for more than 7.3 million or 48.4% of Malaysia's employment, as well as 38.9% of Malaysia's GDP.¹³ Within the SMEs, microenterprises make up 76.5%, 21.2% for small enterprises and 2.3% for medium enterprises.¹⁴ While the SMEs were seen to have a steady growth over the years, the pandemic has highlighted and accelerated several barriers faced by Malaysia's SMEs, namely the need for digitalisation and their sustainability.

¹³ Department of Statistics Malaysia (2020). Small and Medium Enterprises 2019.

¹⁴ SME Corp Malaysia (2020). SME Statistics. Retrieved 18 March 2021, from <https://www.smecorp.gov.my/index.php/en/policies/2020-02-11-08-01-24/sme-statistics>

Before the Covid-19 pandemic, the World Bank Group (2018) recorded that Malaysia's digital economy was growing at 9% annually in value-added terms, which projected to make up 20% of the country's economy by 2020 with e-commerce making up to nearly 40% of the digital economy or up to RM 110 billion. Yet, the digital adoption by Malaysian businesses lags behind the global average, where only 29% of businesses have a web presence and only 5.2% of businesses engaged in e-commerce in 2015.¹⁵ The need for digitalisation is even larger among SMEs. While up to 77% of digitalised businesses are SMEs, only 25% are considered to achieve advanced digitalisation, which minimise the space for SMEs to capitalise the usage of technology to compete in the market.¹⁶

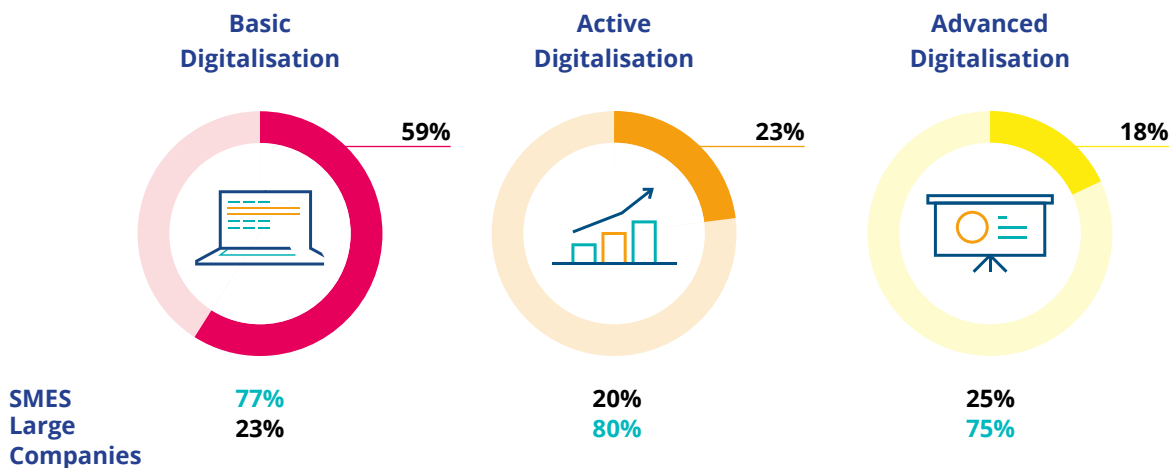


Figure 11: Digitalisation of SMEs and Large Companies in Malaysia

Source: YCP Solidiance, 2020

It is also found that the biggest challenges to the digitalisation of SMEs in Malaysia are financing, employee skill sets and inadequate technology. Up to 50% of SMEs in Malaysia cited that the lack of funding is one of the key hindrances to digitalisation, yet 60% of SMEs are unaware of their financing options. Connectivity is also raised as an issue as 44% of SMEs cited broadband issues, ranging from the issue of high price to low speed as a key barrier to using cloud services. In addition, up to 48% of SMEs mentioned that the lack of employee skill sets is a major challenge to digitalise their businesses as there is a need to develop sales and marketing, business management and IT technical skills among employees.¹⁷

The pandemic has certainly challenged the sustainability of SMEs in Malaysia. Based on a survey done by the SME Association of Malaysia back in October 2020, up to 25% of the SMEs were facing closure risk amid the new wave of Covid-19. In addition, only 22% of the businesses had cash flow to sustain for one month.¹⁸ Fortunately, the Malaysian government has introduced a series of economic stimulus packages for businesses such as the three phases of PRIHATIN packages. These stimulus packages have helped the SMEs to prevent employers from retrenching their workers and keeping the business running. Organisations such as Malaysia Digital Economy Corporation (MDEC) have also come in to empower the SMEs by introducing grants such as SME Business Digitalisation Grant. Yet, much still needs to be done to ensure the healthy growth of the SMEs.

¹⁵ World Bank Group (2018). Malaysia's Digital Economy: A New Driver of Development. Retrieved 18 March 2021 from <https://www.kkmm.gov.my/pdf/KPI/Laporan%207.pdf>

¹⁶ YCP Solidiance (2020). Accelerating Your Digital Transformation: Are Malaysian Companies Geared to Digitalise?

¹⁷ Huawei Technologies. (2018). Accelerating Malaysian Digital SMEs: Escaping the Computerization Trap. Retrieved from <https://www.huawei.com/minisite/accelerating-malaysia-digital-smes/img/sme-corp-malaysia-huawei.pdf>

¹⁸ Lim, J. (2020). 25% of SMEs face closure risk amid new wave of Covid-19. Retrieved 18 March 2021 from <https://www.theedgemarkets.com/article/25-smes-face-closure-risk-amid-new-wave-covid19>

The shift to remote work and education

Remote working or working from home has become a norm among businesses, especially due to the introduction of the Movement Control Order (MCO) because of the Covid-19 pandemic. Malaysia’s DOS (2020) found that up to 44% of workers work from home as businesses were halted, where it is prominent among standard workers or employees (receive regular wages, making up to 74% of total employment in Malaysia during 2019). For self-employed individuals, only 25% were able to work from home, as shown in Figure 12 and 13. It was also indicated that as Malaysian youths are technologically aware, they have the ability to adapt better and quicker into the digital world.¹⁹

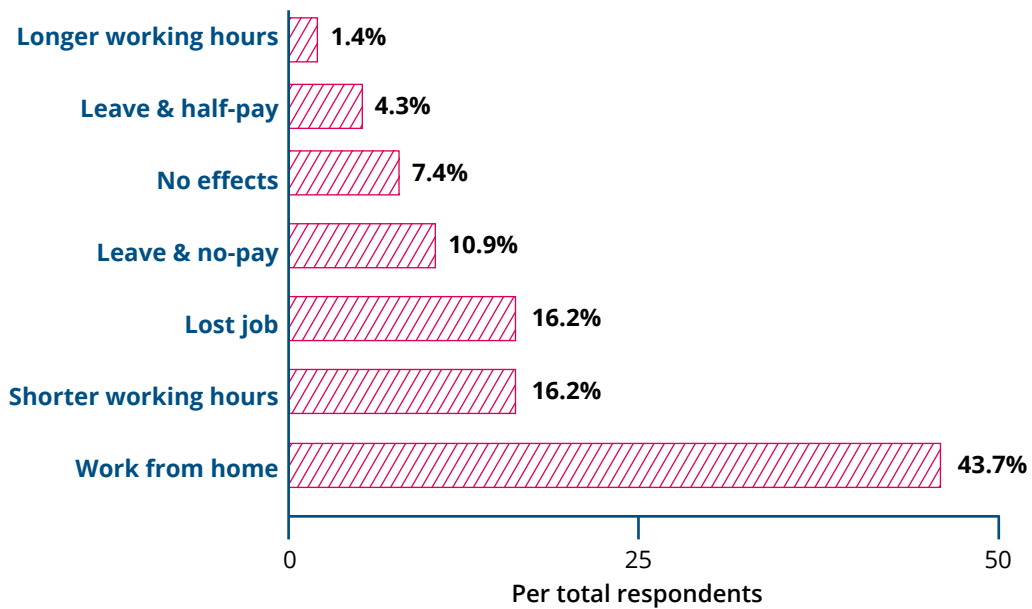


Figure 12: Effects of Covid-19 towards workers in Malaysia

Source: DOSM, 2020

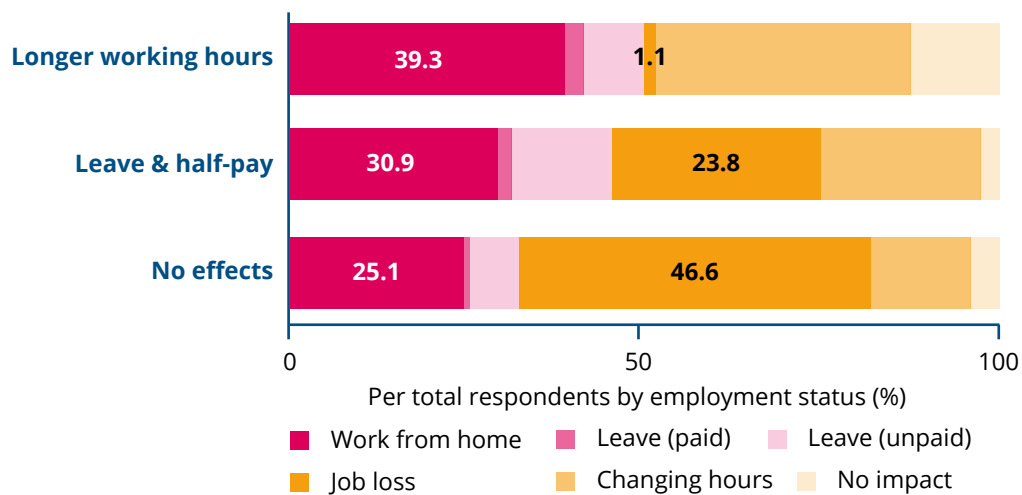


Figure 13: Share of COVID-19 effects by employment statuses in Malaysia²⁰

Source: DOSM, 2020

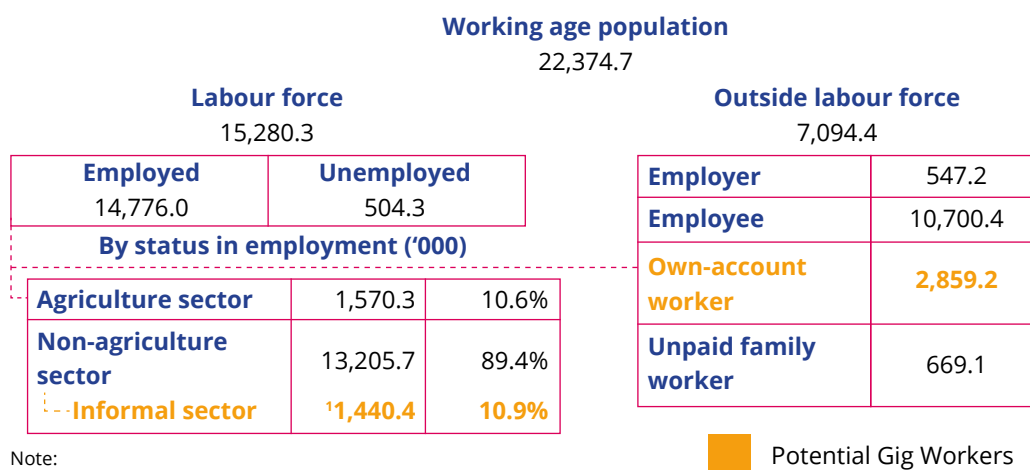
¹⁹ Bernama (2020). Youth adapting well to new normal amidst COVID-19 pandemic. Retrieved 18 March 2020 from <https://www.as-troawani.com/berita-malaysia/youth-adapting-well-new-normal-amidst-covid19-pandemic-243096>

²⁰ Department of Statistics Malaysia (2020). Report of Special Survey on Effects of COVID-19 on Economy & Individual – Round 1.

Remote education has been deployed by Malaysia’s education ecosystem as well. With the introduction of MCO, there was a closure of all pre-schools, government and private schools including daily schools, residential schools, international schools, tahfiz centres and other primary, secondary and pre-university institutions as well as colleges and institutions of higher learning. The government has stepped in to assist with the transition to online education with initiatives such as the implementation of home-based teaching and learning (PdPR) classes, pilot projects for mobile device ownership involving 150,000 students in 500 schools and all-day educational television DidikTV KPM^{21 22}. While now many education institutions are opened with strict Standard of Procedures (SOPs) and restrictions, online education still remains as part of the important element within the education system.

The rise of gig work

The gig economy is the economic activity that involves the use of temporary or freelance workers to perform jobs typically in the service sector. A study by PricewaterhouseCoopers (PwC) showed that the gig economy is expected to be worth RM263 billion globally.²³ The gig economy tends to attract more youths of 25 to 34 years old with 46.2% and 35 to 44 years old with 32.5%. In Malaysia, it is estimated that 26% of the total workforce form part of the growing gig economy, with an outlook for drastic growth with a 31% growth from 2017 to 2018, even before the pandemic. With just e-hailing drivers alone, Malaysia has 160,000 individuals employed.²⁴ Several initiatives were introduced by the Malaysian government to empower the gig economy too, such as incentives involving gig workers’ welfare in the Penjana package worth RM75 million, a matching grant of up to RM50 million for gig economy platforms that contribute to the workers through Socso and EPF’s i-Saraan, and RM25 million for MDEC’s Global Online Workforce (GLOW) programmes. In addition, there is a focus on enhancing freelancing capabilities of graduates in the gig economy via the Ministry of Higher Education’s National Economic Reform Plan (Penjana) Career Advancement Programme (KPT-CAP).²⁵



Note:

1. Compound Annual Growth Rate (CAGR) from 2011 to 2017 was applied to estimate the number of employed person in informal sector for 2018.

Figure 14: Labour Force Statistics in Malaysia

Source: DOSM, 2018

21 Ministry of Education (2020). Home-based teaching and learning (PdPR) Manual. Retrieved 18 March 2021 from <https://www.moe.gov.my/muat-turun/lain-lain/manual-pdp-di-rumah/3727-manual-pdpdr/file>

22 Daim N. (2020). PM launches DidikTV KPM. Retrieved 18 March 2021 from <https://www.nst.com.my/news/government-public-policy/2021/02/666355/pm-launches-didiktv-kpm-nsttv>

23 Lee C. H. (2019) Temporary employment, the new economy. Retrieved 18 March 2021 from <https://www.thestar.com.my/news/education/2019/12/22/temporary-employment-the-new-economy>

24 Department of Statistics Malaysia (2020). Gig Workers in Malaysia: A Review of Definition and Estimation. Retrieved 18 March 2021 from https://dosm.gov.my/v1/uploads/files/6_Newsletter/Newsletter%202020/DOSM_MBL5_1-2020_Series-8.pdf

25 New Straits Time (2020). Gig economy a new force for growth. Retrieved 18 March 2021 from <https://www.nst.com.my/opinion/letters/2020/10/629749/gig-economy-new-force-growth>



4

Challenges for Malaysian youths

4. Challenges for Malaysian youth

Brain drain

The issue of brain drain is commonly known in Malaysia. Back in 2011, the World Bank's Malaysia Economic Report showed that one in five Malaysian graduates opt into migration, primarily to the neighbouring country Singapore. World Bank (2011) has also claimed that Malaysia's efforts in becoming a high-income nation will highly depend on how Malaysia handles the issue of brain drain, further emphasising the severity of this issue. Fitch Solutions (2020) highlighted some of the potential causes of brain drain, which includes the continuation of race-based affirmative action and political instability as the major causes of local talent choosing to head abroad for better opportunities.²⁶ Associate Professor Dr Norizah Mohd Mustamil, the head of Universiti Malaya's Department of Business Policy and Strategy (2021) has also claimed that the lack of career prospects in Malaysia further enlarge the issue of brain drain as the domestic job market is designed more catered to traditional jobs such as doctors, engineers and lawyers.²⁷ Fortunately, the government has taken multiple initiatives to tackle such issues. Entities such as Talent Corporation Malaysia Bhd were initiated to bring back talented Malaysians, where the agency has approved 5,366 applications up until December 2019 under its Returning Expat Programme and recorded 116,605 students profiled for the workforce under the Nurturing Expert Talent and 996 women participated in the Career Comeback Programme. Other initiatives such as SkillsMalaysia 2.0 program and allocation of RM1 billion in reskilling and upskilling programs in the 2021 Budget are aimed to not just upskill the graduates, but also serves as an incentive for them to continue working in Malaysia.

Digital poverty

While both businesses and education are transitioning into the digital space, there are still barriers when it comes to connectivity and access to digital infrastructures. A recent survey by the Ministry of Education Malaysia (2020) reported that only 6% of students had personal computers, 5.67% for tablets, 9% for laptops and 46% for smartphones, while 36.9% of the students do not have as many devices.²⁸ In states such as Sabah, only one out of two students have access to such digital infrastructure to support their online education. While initiatives such as DidikTV KPM are initiated by the government to provide access to digital education via accessible means like television, the initiative is still at an early phase and much improvements are needed. Digital divide exists within the workforce too. As reported in The Vulnerability of Jobs to COVID-19: The Case of Malaysia report (2020), it was found that 64.5% of the jobs in Malaysia could not be done remotely and 50.9% of them require a high level of physical proximity. This is more prominent among the individuals with low-level of income and education.²⁹ Hence, ensuring the access to sufficient digital infrastructure for both workers and students are essential for digital education and remote work to be successful, to prevent the damage towards livelihood and lost generation to occur.

²⁶ Fitch Solutions (2020). Malaysia Country Risk Report.

²⁷ Selangor Journal (2021). Malaysia needs structural reforms to prevent brain drain. Retrieved 18 March 2021 from <https://selangorjournal.my/2021/01/malaysia-needs-structural-reforms-to-prevent-brain-drain/>

²⁸ Rosmin R.R & Muhammad Rosli M. J. (2020). Covid-19 turns online learning the way forward in education. Retrieved 18 March 2021 from <https://www.theedgemarkets.com/article/covid19-turns-online-learning-way-forward-education>

²⁹ Rahman A. R., Jasmin A. F. & Schmillen A. (2020). The Vulnerability of Jobs to COVID-19: The Case of Malaysia.

Social protection for gig and self-employed workers

One of the major concerns that was highlighted during this pandemic is the lack of classification and minimum social protection plans for gig and informal workers. While this pandemic has highlighted the importance of gig workers, the lack of social protection makes them vulnerable with potentially no savings in the future as they are not compulsory to contribute towards the Social Security Organisation (Socso) and the Employees Provident Fund (EPF). Based on a survey done by The Centre, more than half of the respondents, accounting up to 59% do not have emergency savings and retirement savings. In addition, 57% do not have healthcare insurance and 37% were not insured for workplace injury.³⁰ As the wave of digitalisation is going to grow, there will be more youths participating in freelancing or gig work. Coupled with the uncertainties created during this pandemic, social protection for gig and self-employed workers is more important than ever to keep everyone protected, leaving no one behind.

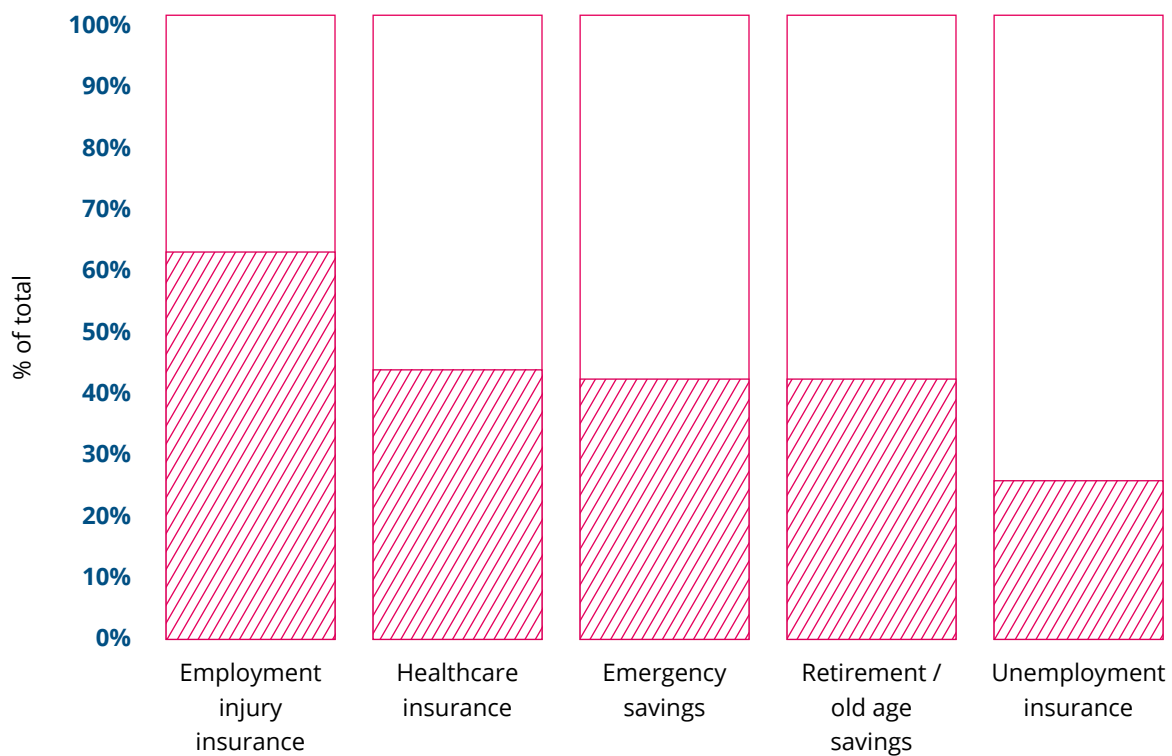


Figure 15: The possession or participation of gig workers in protection schemes.

Source: The Centre, 2020

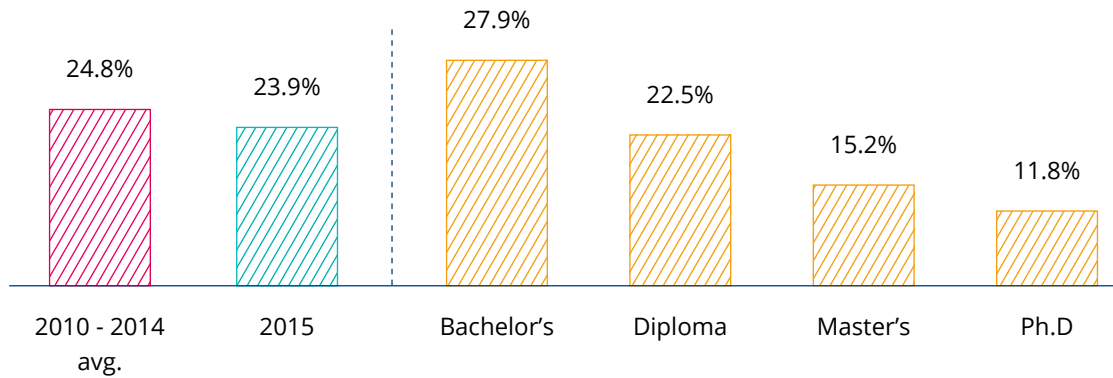
Unemployment, Underemployment and Wage

The Ministry of Education’s 2015 Graduate Tracer Study found that the graduates’ unemployment rate (within six months after graduation) is the highest among the Bachelor’s Degree holders at 27.9%, even higher than Diploma graduates at 22.5%, as shown in figure 16. Although the unemployment rates decrease for Master’s and PhD. holders, this finding indicated the decline of the Bachelor’s premium, which is the value of pursuing tertiary education in comparison with the wage premium gained when graduates seek for employment. This is essential as it would justify the need for pursuing tertiary education for a better livelihood, as well as representing the synergy between skill sets learnt in tertiary institutions and the demand in the job market. Furthermore, the report also found that the unemployment rate of graduates is correlated with the

³⁰ The Centre (2020). Ensuring Social Protection Coverage for Malaysia’s Gig Workers. Retrieved 18 March 2021 from <https://www.centre.my/post/voluntary-versus-automatic-figuring-out-the-right-approach-on-social-protection-for-informal-workers>

graduates' monthly family income. As shown in figure 17, graduates from lower-income households tend to have higher unemployment rates. The findings suggested a few reasons for such incidents, such as the readiness of graduates for the world of work, insufficient job creation for some fields, and the lasting implications of socioeconomic backgrounds on learning and social progression.³¹

Unemployment Rates of Graduates, and by Qualification*



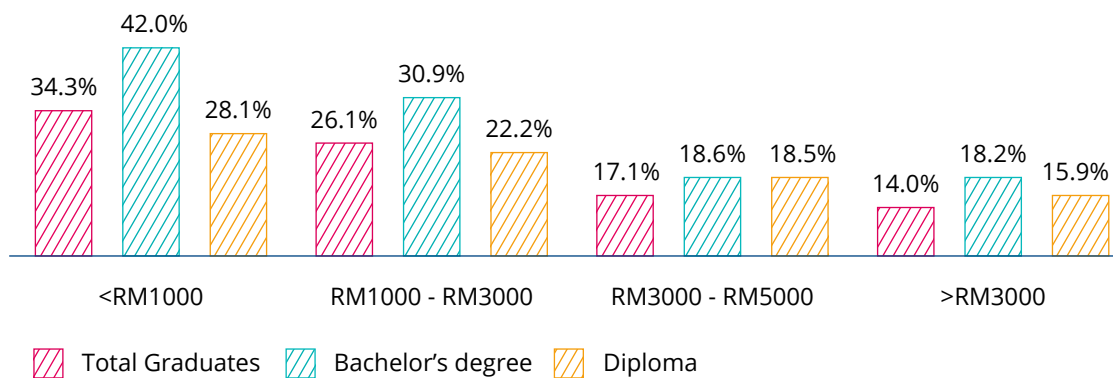
*Note: Unemployment rates are expressed as a percentage of respective group categories

Figure 16: Unemployment Rates of Graduates, and by Qualification

Source: Ministry of Higher Education and Bank Negara Malaysia estimates, 2016

The impact of the Covid-19 pandemic towards youth unemployment is worrying too. Malaysia's unemployment rate was found to peak at 5.3% in May 2020 and eased to 4.7% in July 2020. Meanwhile, youth unemployment rose to about 13.9% in July 2020 from the trend of 10% to 11% over the past decade.³²

Unemployment Rates of Graduates by Monthly Family Income Brackets*



*Note: Unemployment rates are expressed as a percentage of respective group categories

Figure 17: Unemployment Rates of Graduates by Monthly Family Income Brackets

Source: Ministry of Higher Education and Bank Negara Malaysia estimates, 2016

31 Ministry of Higher Education and Bank Negara Malaysia (2016). 2015 Graduate Tracer Study Report.

32 Poo, C. (2020) The State of the Nation: Incentives to hire, upskill and retrain youth needed in Budget 2021. Retrieved 18 March 2020 from <https://www.theedgemarkets.com/article/state-nation-incentives-hire-upskill-and-retrain-youth-needed-budget-2021>

Underemployment is also a great concern among the Malaysian graduates. Underemployment is defined as youths being employed in roles where they are not working full-time or having regular jobs, such as freelancing or gig work or where they are overqualified for the role. According to Bank Negara Malaysia's (BNM) Economic Development 2018 report, the starting salaries, with adjustment for inflation, had declined for graduates with tertiary education between the period of 2010 and 2018. The wage growth has been stagnant for the youths throughout the years despite Malaysia experiencing an average of 7% GDP growth annually.³³ In addition, the number of tertiary graduates entering the workforce had also surpassed the number of jobs created in the market. Between 2002 and 2010, it was found that 8% of the net change in new jobs created were for low-skilled work. But when it is compared with the period between 2011 and 2019, there was a major increase of up to two times, where it rose to 16%. This could be correlated to the economy's focus on creating more low-skilled and low-cost work than high-skilled work since the 2008 financial crisis.³⁴

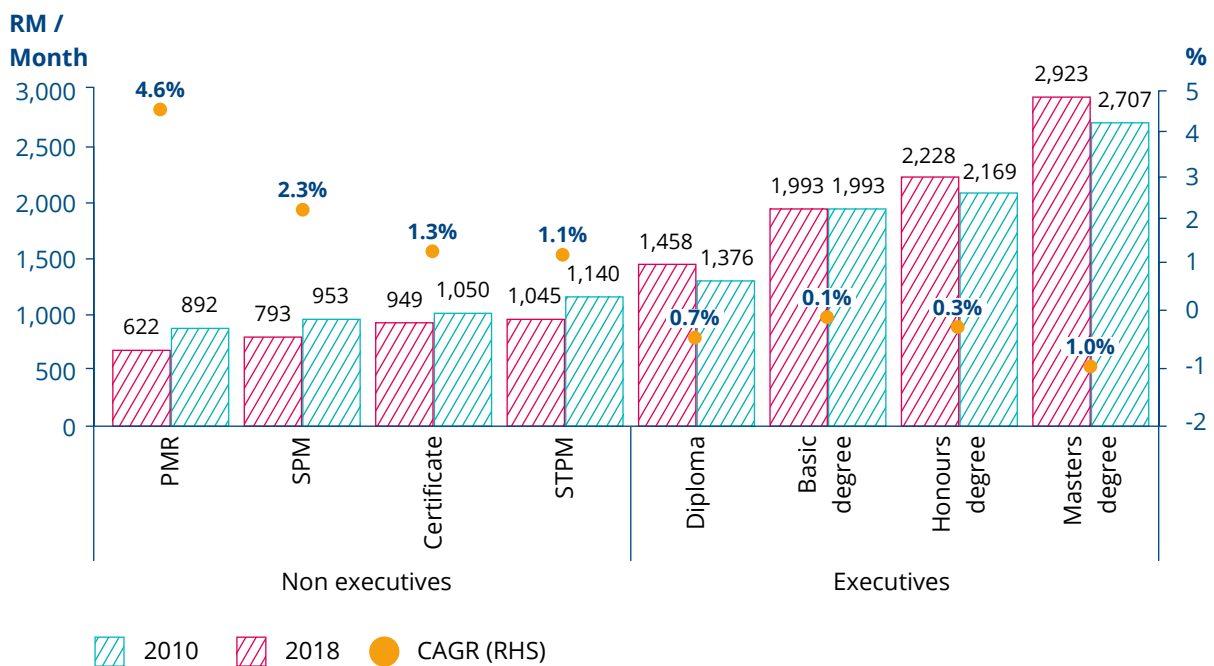


Figure 18: Real Minimum Monthly Basic Salary for Employees Recruited Without Prior Working Experience (2010 and 2018)

Source: Bank Negara Malaysia estimates using data from MEF Salary Survey for Non Executives and Executives 2010 and 2018 published by Malaysian Employers Federation

Underemployment could be categorised into two segments: time-related underemployment and skill-related underemployment. According to the Labour Market Review Malaysia, Third Quarter 2020 by DOSM, time-related underemployment averaged at 1.4% of the total employed persons between Q1 of 2017 and Q4 of 2019. Unfortunately, it was increased during this pandemic, up to 2.8% during Q2 of 2020 when the Movement Control Order (MCO) was enforced which restricted economic activity. The good news is, the time-related underemployment has decreased to 2% during Q4 of 2020, signaling that the economic activity has picked up and business operating hours were extended, which ultimately provides more working hours

³³ Bank Negara Malaysia (2019). Economic Developments in 2018.

³⁴ M Najmie Noordin (2020), The economic reality for Malaysia's youth. Retrieved 18 March 2021, from <https://themalaysianreserve.com/2020/02/18/the-economic-reality-for-malysias-youth/>

and activities for fairer pay.³⁵ However, DOSM indicated several structural issues in the labour market, even prior to the Covid-19 pandemic for skill-related underemployment - which is measured from the perspective of those with tertiary education and working in semi-skilled or low-skilled occupations. Between 2017 and 2019, an average of 32.7% of the total employed persons were recorded to experience skill-related underemployment. Yet, the pandemic has worsened this issue with the skill-related underemployment increased to 36.8% during Q3 of 2020. This possibly means that during this pandemic, the availability of jobs still exists in the market, yet the skill sets required by these positions do not match those of the underemployed.³⁶

35 Department of Statistics Malaysia (2020). Labour Market Review Malaysia, Third Quarter 2020.

36 Lee. E (2020). Cover Story: High skill-related underemployment reveals structural issues in labour market. Retrieved 18 March 2021, from <https://www.theedgemarkets.com/article/cover-story-high-skillrelated-underemployment-reveals-structural-issues-labour-market>



5

Policy Recommendations



5. Policy Recommendations

A consolidated effort among stakeholders such as the state governments, federal government, government linked companies (GLCs) and private sectors is crucial.

Enforcing social protection for gig and self-employed workers

The gig economy's growth during the pandemic emphasized its importance within the economic structure of Malaysia. Its relevance for the economic and social development of Malaysians will only grow further in the post-pandemic era, as mentioned by the executive director of Malaysian Employers Federation (MEF), Datuk Shamsuddin Bardan.³⁷ Social protection among the self-employed is needed as they make up 2.3 million individuals among the 14 million labour force, where the majority do not have employee protection and forced savings. While the Malaysian government introduced schemes such as the Self-Employed Employment Injury Scheme (SEEIS) and i-Saraan, they are not sufficient to address the financial and social insecurity faced by the informal workers. i-Saraan is a voluntary retirement savings scheme, while SEEIS is an employment or workplace injury insurance scheme similar to the full-time employees insurance scheme under SOCSO. While SEEIS is made mandatory under the Self-Employment Social Security Act 2017, only 18% registered as it requires active registration and payment each month, creating several barriers for the workers to commit to it.³⁸ Hence, an effective measure to address this issue is the enforcement of an automatic enrollment and deduction mechanism for social protection among the informal workers, similar to the mechanism used for the full-time employees. This will ensure that workers are adequately insured during work, as well as have a systematic and mandatory retirement saving.

Providing hiring and upskilling incentives for companies to battle against brain drain, unemployment and underemployment among youths

One of the ways to tackle employment issues and retain great talents within Malaysia's workforce is by creating more high-skilled jobs, thus providing a better career prospect within the country. This could be achieved by providing financial and technical incentives for companies to enhance their businesses to be progressive and digitally equipped, hence enabling more high-skilled jobs. The Malaysian government has been actively involved in providing such support through initiatives such as the SME Business Digitalisation Grant and Digital Transformation Acceleration Programme. Still, with the lack of insights on the impact of these initiatives, consistent evaluations are needed to assess the initiatives' effectiveness in transforming the local businesses before providing the support to more companies. Companies must also actively advocate for their businesses to be digitally equipped as the digitalisation of their businesses will lead to better performance, culture and skills, thus enabling further growth. In addition, providing hiring and upskilling incentives for companies to empower the youths to be able to compete at a global scale is essential to prevent brain drain while offering better employment opportunities. This acts as an extra value proposition for young talents to continue to develop their careers locally, without needing to assume that such quality opportunities only exist overseas. Through upskilling, youths can also take up higher impact and higher paid jobs within the market.

Among the initiatives that have a direct impact on youth are the RM1.5 billion Hiring Incentive Programme, and reskilling and upskilling programmes for youth and unemployed workers, involving an additional RM2

³⁷ Adilla F. (2021). Gig economy is here to stay: MEF. Retrieved 30 March 2021, from <https://www.nst.com.my/business/2021/03/677809/gig-economy-here-stay-mef>

³⁸ Edwin G. & Nelleita O. (2020). Ensuring Social Protection Coverage for Malaysia's Gig Workers. Retrieved 18 March 2020 from <https://www.centre.my/post/voluntary-versus-automatic-figuring-out-the-right-approach-on-social-protection-for-informal-workers>

billion. The Malaysian government has implemented multiple initiatives and resources to tackle the talent issues in the market, such as the SkillsMalaysia 2.0 program and has allocated RM1 billion in reskilling and upskilling programs in the 2021 Budget. Yet, mismatches of skills between the workforce and job market are still occurring. The Institute for Democracy and Economic Affairs (2020) has highlighted the implementation gaps and the need to widen the scope of upskilling grants and the inclusion of soft skills upskilling efforts rather than just technical skills.³⁹ Therefore, it is recommended for the government agencies to have a thorough re-evaluation of the training initiatives across multiple agencies and organisations on their effectiveness, as well as the need to expand their scopes to include soft skills instead of only upskilling of technical skills.

Lastly, a bigger allocation from the Malaysian government to create jobs for youths is essential to ensure employment during and after the pandemic. Unfortunately, the government budget allocated to create jobs for youths is only 0.4%, which is severely insufficient and shows the lack of comprehension of the issue's severity. Therefore, the current budget must be re-evaluated and more provision needs to be allocated accordingly. Other than government interventions, companies must also realise that the dependence towards low-skilled and semi-skilled workforce will limit the growth of their businesses. They must strategically position themselves to be able to upskill talents and utilise the workforce to fill up high-skilled jobs.

Enabling digital access for remote education and education reform for remote work

With the lockdown of schools and institutions due to the pandemic, Malaysia's education scene has transitioned into virtual and remote means. Citrix (2021) has also indicated that remote education is here to stay even in the post-pandemic era.⁴⁰ Yet, there is a lack of digital and internet access among the underserved communities, potentially producing a lost generation due to the digital divide. Therefore, a combination of high-tech, mid-tech and low-tech solutions are needed to provide effective education. Although RM150 million was allocated by the government to address the digital divide through GLCs, such allocation is insufficient. Therefore, a more effective allocation of budget and distribution of digital devices and Internet infrastructure is needed. While the Malaysian government has explored effective means to provide access to digital education via television, the initiative still requires improvements on ensuring the quality of the content, effectiveness of delivery and the awareness of such access among the students, especially from the rural communities. More financial allocation is also needed to improve the execution of the DidikTV KPM initiative. Additional manpower is needed to ensure the on-the-ground engagement with the underserved communities. Better coordination between the local government agencies and local communities is also required.

Remote work is here to stay. In the post-pandemic era, it is estimated that remote work will be widely adopted by 67% of companies in Malaysia.⁴¹ Remote work will also change the scope of jobs. To respond to these trends, Malaysia's education system must ensure that the education and skills match the jobs that will arise with these changes. This could be achieved by honing digital and soft skills catered to remote work, as well as normalising the culture of remote work within Malaysia's education system. Companies should also incentivise and advocate for a shift towards hybrid remote-office work models with flexible arrangements, especially for women workers who are more affected due to the pandemic. This shift must also be empowered and catalysed by government intervention, through financial subsidisation or tax incentives to reward companies that equip and enable their employees to embrace remote work.

³⁹ Wan Y. S. & Kan G. (2020). Social Protection for the Poor and Vulnerable Malaysians during COVID-19.

⁴⁰ Citrix (2021). What remote education can teach us about the future of work. Retrieved 30 March 2021, from <https://www.citrix.com/en-my/fieldwork/employee-experience/remote-education.html>

⁴¹ Jobstreet (2021). 67% of Malaysian Companies Required Staff to Work from Home. Retrieved 30 March, from <https://www.jobstreet.com.my/en/cms/employer/laws-of-attraction/inspirations/67-of-malaysian-companies-required-staff-to-work-from-home/>

Cash assistance for companies and individuals to survive through the pandemic

With many individuals and companies in Malaysia losing major income due to the pandemic and lockdown, cash assistance and fiscal injection by the government are needed to enable them to survive the pandemic. While the government has provided cash assistance to both companies and individuals through initiatives such as the Prihatin Rakyat Economic Stimulus Package at a nationwide scale, more targeted allocation and provision towards the badly affected communities and companies at risk of closure are needed. In addition, a large number of young Malaysians are forced to take a significant amount of pay cut due to the pandemic. Yet, the current policy, of preventing the employees from withdrawing their EPF savings unless proof that they have taken a 30% pay cut is shown, is bureaucratic. Hence, more temporary cash assistance is needed to be provided for targeted groups of underserved youths or graduates, who are facing a huge financial constraint or loss of income due to the pandemic.

