
Trends in Malaysia's Future of Work

Network of ASEAN-China Think Tanks (NACT) working group discussion on "Future of Labour in ASEAN and China: Challenges and Responses". 30 September 2020.



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Key socio-demographic shifts in Malaysia's workforce for the coming decades

Shifts in age and participation

Workforce ageing

Shifts in gender mix

Feminisation of the workforce

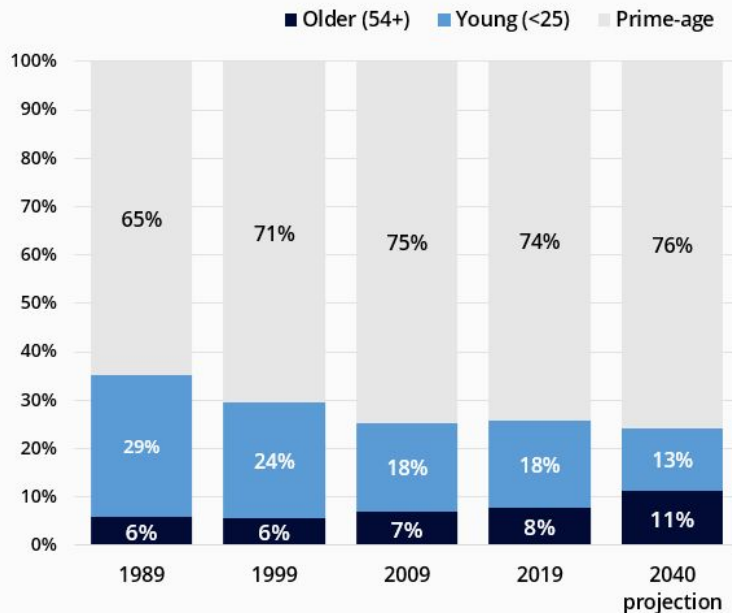
Shifts in educational attainment

Increasingly educated workforce

- Existing trends in labour force statistics indicate that Malaysia's workforce is changing
- In the next two decades to 2040, our projections suggest that on average, the future of the Malaysian workforce is one that will be older, more educated, and increasingly female

Malaysia's workforce is growing older and older

Labour force by age group (% of total, 2019)



Source: DOSM, Authors' estimates

Note: 2040 figures are rough estimates based on historical data

Trend: Workforce ageing

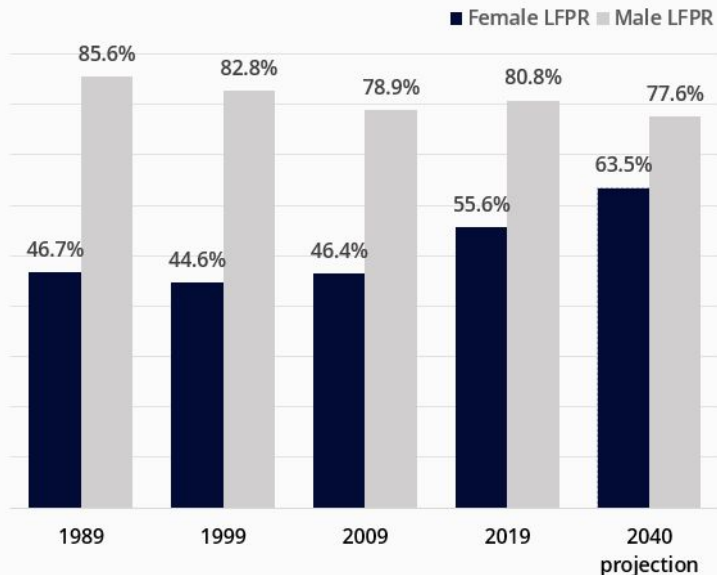
- Malaysia is expected to become an aged nation sometime between 2025 and 2030. In line with this demographic shift, Malaysia's workforce is also becoming increasingly older.
- Proportion of older workers >54 years old will continue to rise, while the proportion of younger workers will continue to fall, driven by demographic and socio-economic factors.

Issues and implications for the future:

- Progressively shrinks the supply of Malaysian workers as a larger proportion of the nation's population ages past retirement
- Workforce ageing can have negative impacts on labour productivity.
- Puts immense pressure on existing contributory pension and social protection systems.
- Exacerbates duality in older-age casual/informal workers who are forced to continue work in old age due to poverty and older-age workers who are voluntarily employed in professional sectors.

Malaysia's workforce is expected to become increasingly female

Labour force participation rate (% of total working age population, by gender)



Source: DOSM, Authors' estimates

Note: 2040 figures are rough estimates based on historical data; LFPR = labour force participation rate

Trend: Feminisation of the workforce

- For decades, less than half of all the working-age Malaysian women joined the formal labour force, but female LFPR started to steadily increase in 2010. Male LFPR has been edging downwards.
- These gender trends in labour force participation will continue in the future, with female LFPR continuing to edge higher while male participation rates continuing to decline.

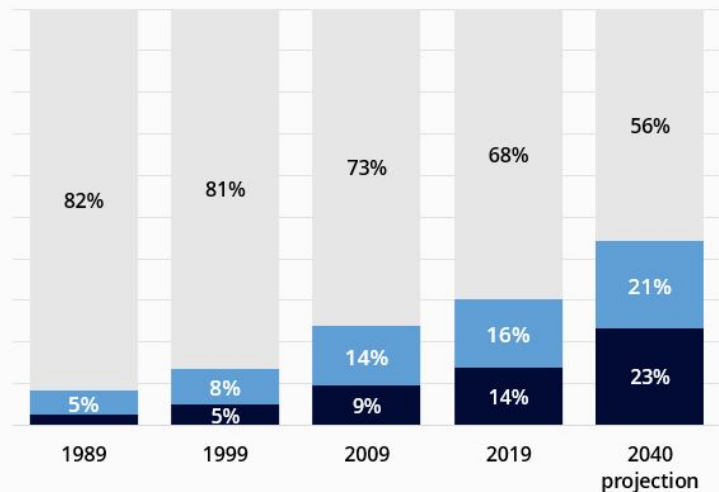
Issues and implications for the future:

- As more and more women join the workforce, greater imperative to dismantle patriarchal structures and ensure equitable work
- For example, despite improvements, there is still a gap between LFPR of men and women.
- Women are still far more likely to drop out of the labour force at earlier ages to assume family care duties, and more likely to prepare to exit the labour market by accepting lower-quality “bridge” jobs.
- Similarly, older women who remain in the workforce were more likely to work in elementary occupations, whereas older men tend to remain in high-skilled occupations or service workers.

Malaysia's workforce is projected to be increasingly better educated

Labour force by educational attainment (% of total)

■ Degree or higher ■ Post-secondary (non-degree) ■ Highschool or less



Source: DOSM, Authors' estimates

Note: 2040 figures are rough estimates based on historical data; percentages may not sum to 100 due to N/A fields; Post-secondary non-degree includes technical and vocational certificates

Trend: Increasingly educated workforce

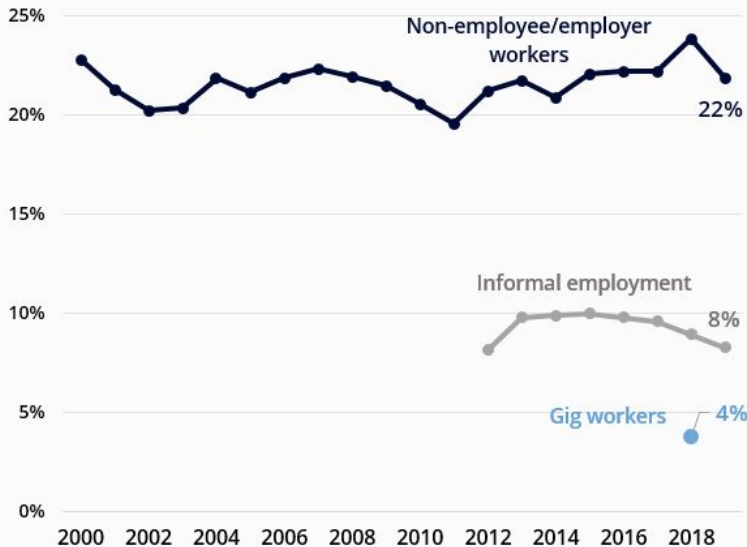
- As average household incomes rise and the Malaysian economy continues to mature, Malaysian workers are spending more years in education.
- The number of workers with non-tertiary education will continue to decline, with half of the Malaysian workforce having some kind of tertiary education by 2040.

Issues and implications for the future:

- Intensifies issues of an oversupply in university graduates relative to the number of skilled jobs available. As educational attainment rises, it becomes more imperative to address these issues of graduate unemployment.
- Already, unemployment rates for Malaysian degree holders have increased over the past decade. Regionally, graduate unemployment is persistently higher than non-graduates in Korea and Japan.
- Potential concerns include gaps in “soft” skills, the persistence of labour market search frictions, the pace of job creation, and the unwillingness of firms to re-train employees

Non-standard forms of employment will continue to rise in the future

Alternative forms of employment (as % of total labour force)



Source: DOSM, Harun et al. (2020), Authors' estimates

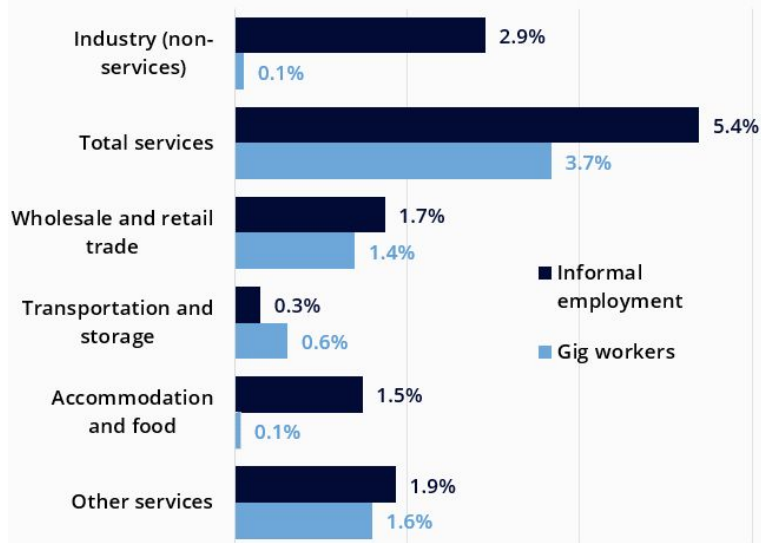
Note: Gig worker figures for 2018 are based on Harun et al. (2018); non-employee/employer workers consist of own-account workers and unpaid family workers from annual labour force surveys

Trend: Rise in non-standard employment (NSE)

- Another emerging trend in the region is the rise of non-standard employment (NSE). Our projections suggest that in the coming decades, non-standard work will make up a significant share of employment in the Malaysian labour market.
- While official data on the aggregate level of NSE in Malaysia is lacking, other data on specific forms of NSE suggests that non-standard work in Malaysia is pervasive.
- 1.26 million workers (about 8 percent of the labour force) are employed in the informal sector in 2019—while the proportion of non-employee/employer workers have risen over the decade to about 22 percent of the labour force. Meanwhile, recent estimates suggest that around 4 percent of the Malaysian workforce are employed in the gig economy.
- By sector, informal and gig work are overwhelmingly concentrated in the services sector (as percent of labour force), and are overrepresented in the retail trade, accommodation and food, and transportation services sub-sectors.

Non-standard employment is concentrated in the services sub-sectors

Gig and informal workers (as % of total labour force)



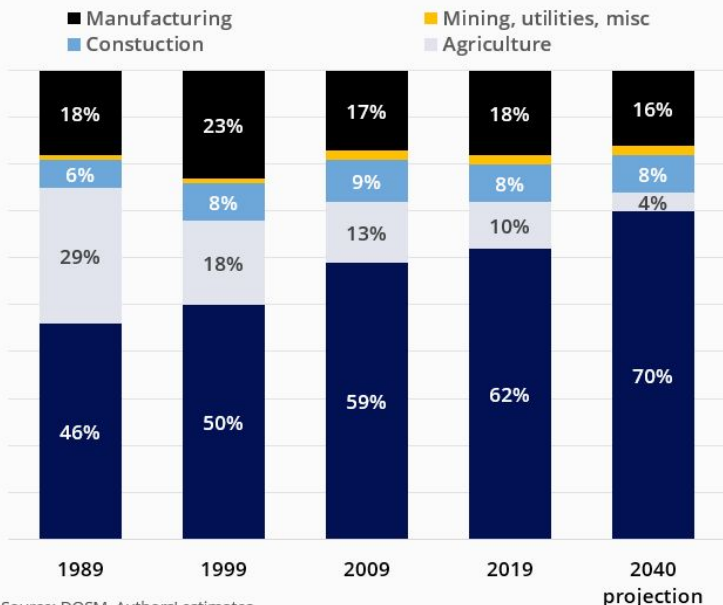
Source: DOSM, Harun et al. (2020), Authors' estimates

Note: Gig worker estimates based on Harun et al. (2020); gig workers estimates are based on LFS 2018 while informal worker estimates are based on 2019 figures

Issues and implications for the future

- This increase in proportion of NSE will have implications on productive employment and decent work. As such, as non-standard work arrangements become more widespread in the future, there is an imperative to safeguard the welfare of workers.
- While NSE arrangements like part-time or temporary contract work may be entirely voluntary and offer benefits for some skilled freelancers, in many cases, temporary employment and part-time work are largely involuntary.
- Non-standard workers work longer hours for lower pay compared to standard workers on average, while receiving lower levels of training, with low transition rates into full-time standard employment.
- NSE typically not covered by labour regulations and social protection initiatives like the EIS unemployment insurance and national pension programs.
- This has adverse implications for the sustainability of the EPF pension system as well as for the adequacy of social protection of lower-income and/or older Malaysians.

Malaysia's workforce is getting increasingly services-based



Source: DOSM, Authors' estimates

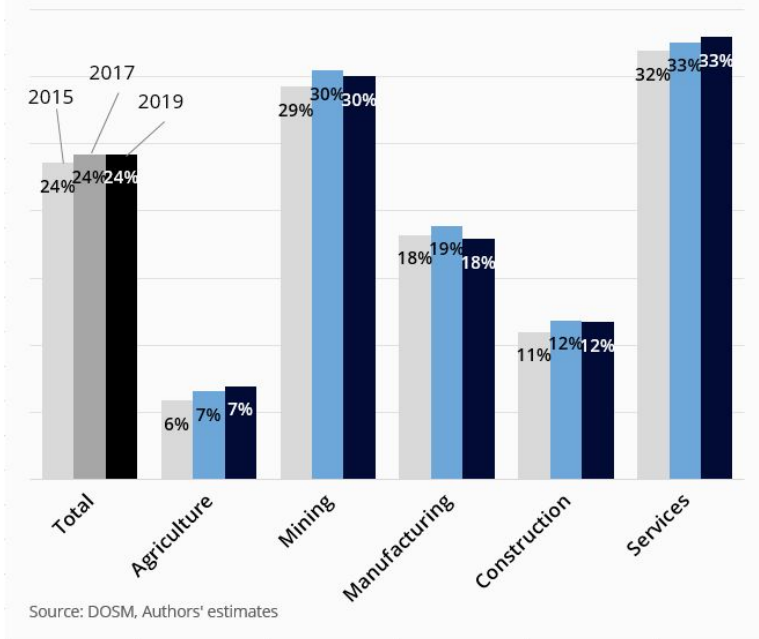
Note: 2040 figures are rough estimates based on historical data; estimates are based on historical labour force data from separate classifications in 1989-2000, 2001-2009, 2010-2019; 'Utilities' before 2009 excludes sewerage and sanitation activities

Trend: Sectoral shifts, servicification & technology

- Worldwide, technological advancements and socio-political change has accelerated the growth of employment in services-related sectors.
- By 2040, our projections indicate that this trend will continue, albeit at a slower pace. We anticipate that the Malaysian services sector will employ closer to 70 percent of total workers in 2040.
- In Malaysia, the fastest growing sectors in the future of jobs remain predominantly in data/digitally-intensive services roles, while the most susceptible positions are related to low-and-middle-skilled services roles like back-office clerks and food preparation.
- Reports suggest that job losses from automation will occur in jobs that are likely to have a higher mix of routine, predictable, lower-skilled tasks, with about 50 percent of cumulative work hours in Malaysia are susceptible to automation in the near future, displacing up to 4.5 million workers by 2030.

The share of high-skilled jobs in the economy is slowly inching upwards

High skilled jobs (% of total jobs in sector)



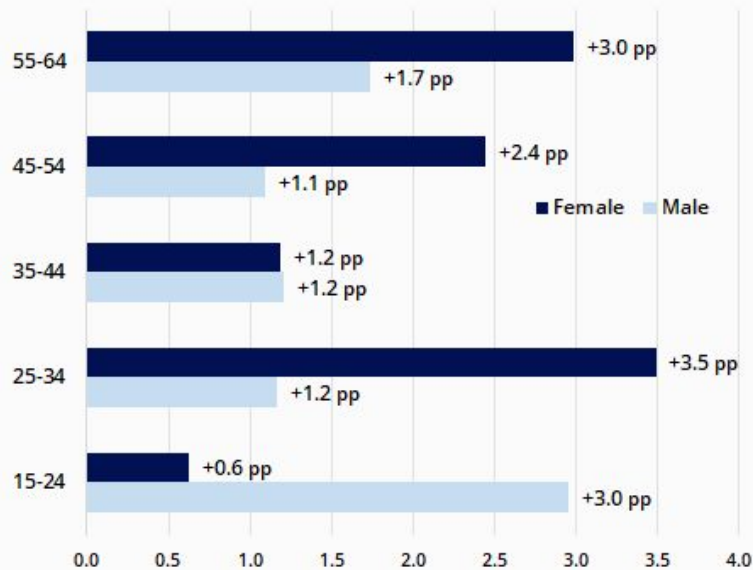
Issues and implications for the future:

- The different impacts of automation and technological advancement on different jobs will mean that lower-skilled, older, and more routine-tasked workers working in smaller firms will bear the largest costs from technology-induced shifts in future jobs, while benefiting little from the digitally-intensive jobs created predominantly in high-technology industries.
- This one-two blow to lower-skilled, more routine-tasked workers may be even further exacerbated by the potential of job creation being concentrated in specific regions.
- Absent any policy measures, these uneven effects in the future of work will continue to accelerate economic and regional disparities and provide mounting challenges to fair and decent work in Malaysia.

Unemployment impacts by age and gender

Unemployment rates have risen faster for female workers, while the young have been particularly affected

Change in unemployment rates in 2Q2020 vs one year ago, by age and gender (pp)

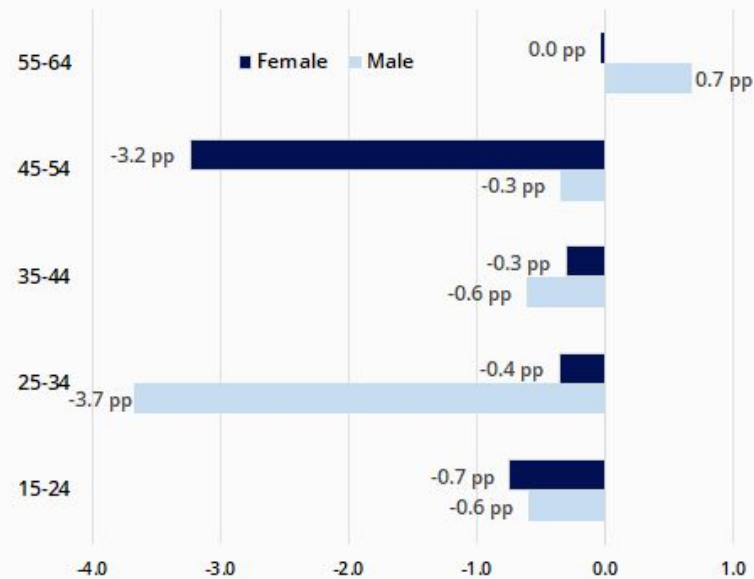


Source: DOSM, Authors' estimates

Exit from labour force

Participation rates for young males and older females have fallen significantly in 2Q2020

Change in LF participation rates in 2Q2020 vs one year ago, by age and gender (pp)

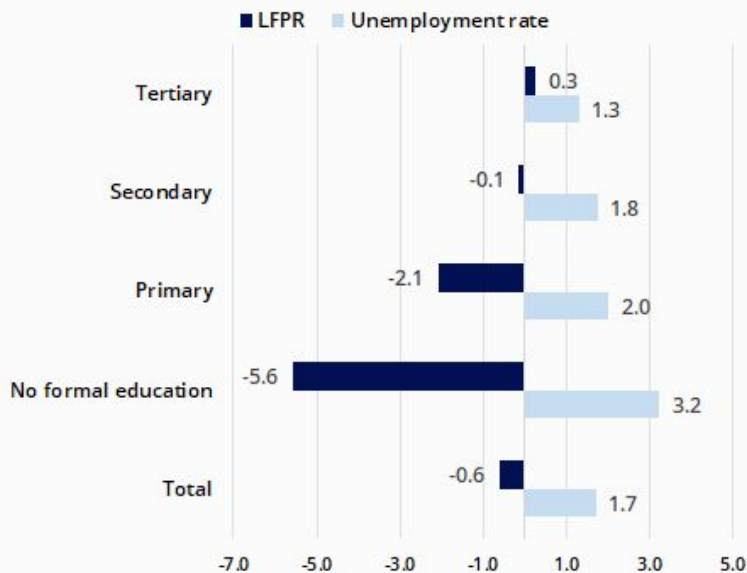


Source: DOSM, Authors' estimates

Impacts by educational attainment and age

Lower educated workers experienced worse labour market outcomes in 2Q2020 than higher educated workers

Change in labour market indicators in 2Q2020 vs one year ago, by educational attainment (pp)

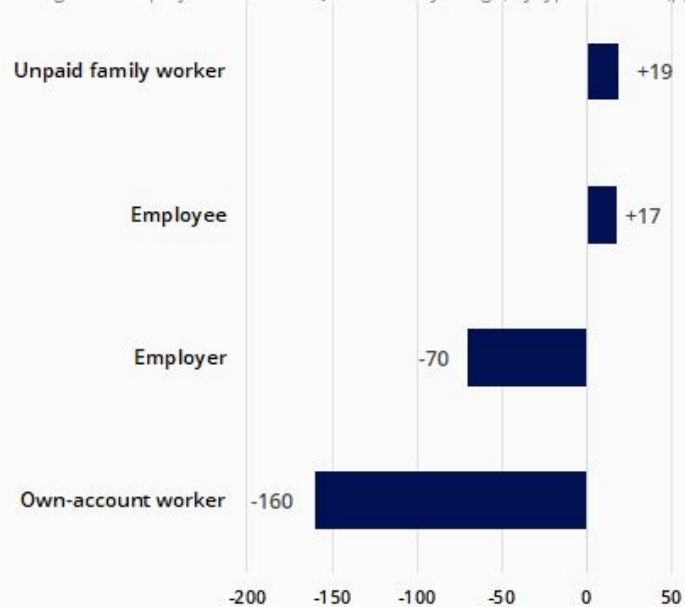


Source: DOSM, Authors' estimates

Impacts by type of worker

Self-employed workers and small SMEs were badly affected in 2Q2020

Change in unemployment rates in 2Q2020 vs one year ago, by type of worker (pp)



Source: DOSM, Authors' estimates

- Promoting labour participation of older workers
- Promoting labour participation of women
- Extending labour rights and protections to non-standard workers
- Accelerating the post-COVID economic recovery for workers and households
- Digital infrastructure
- Education reforms at primary-, secondary-, and tertiary-levels
- Constant learning and active labour market policy



Institute of Strategic & International
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NACT WG Online Meeting on "Future of Labor in ASEAN
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Thank you

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