



Institute of Strategic & International  
Studies (ISIS) Malaysia

**SRDC Speak Up!** May 2021

# Youth in peril

The unequal impacts of the COVID-19 crisis on Malaysian workers

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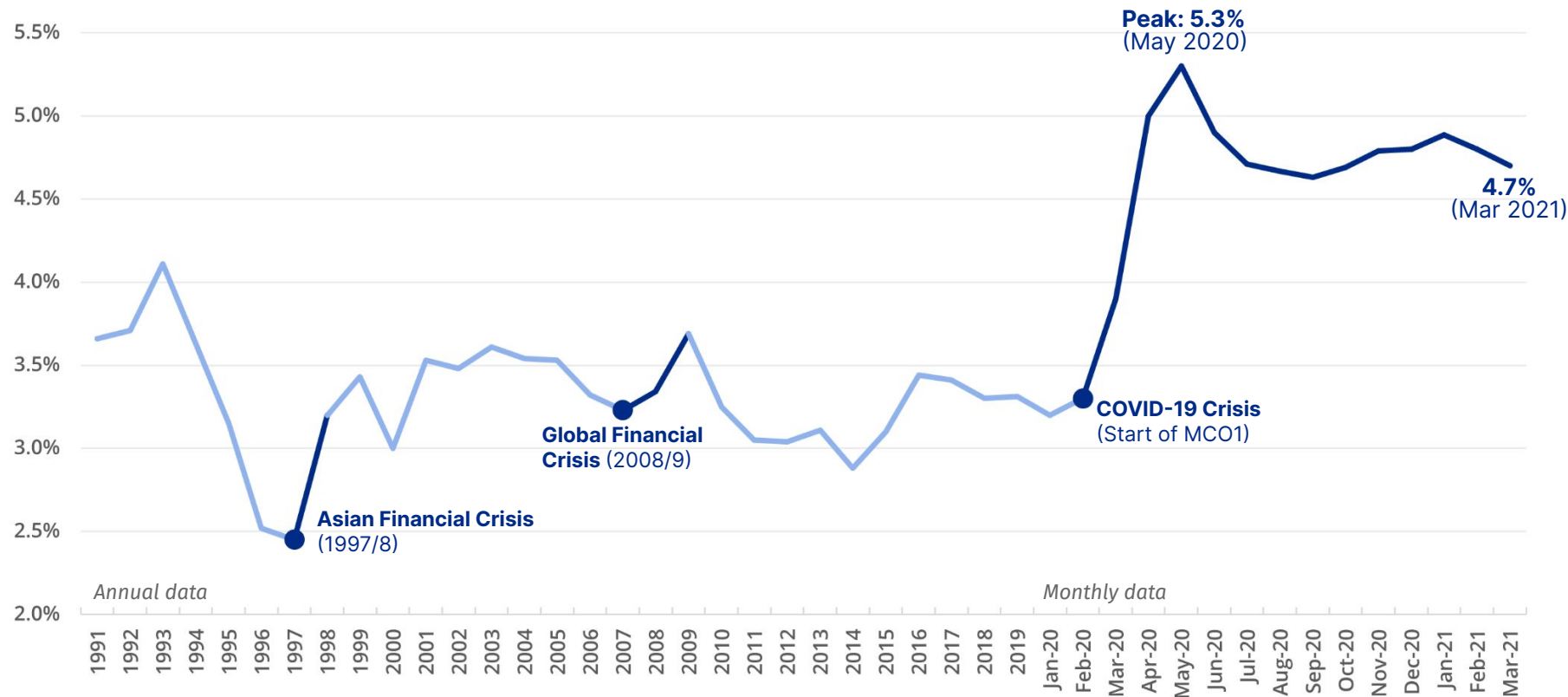
**Calvin Cheng**

[calvin.ckw@isis.org.my](mailto:calvin.ckw@isis.org.my)

Twitter: [@calvinchengkw](https://twitter.com/calvinchengkw)

## ● Malaysia's unemployment rate remains close to multi-decade highs

Headline unemployment rate (%): annual (from 1991-2019); monthly (2020 onwards)



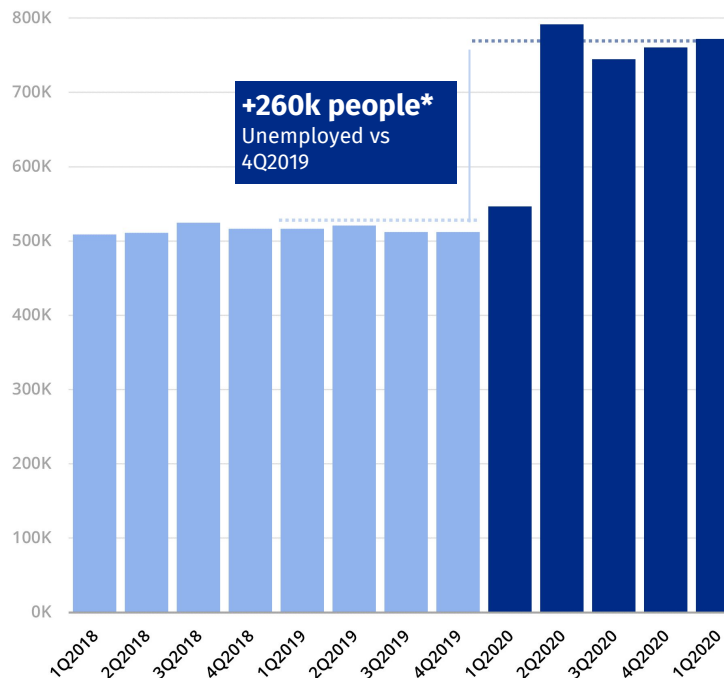
Source: DOSM LFS, World Bank, International Labour Organization

Note: Annual data before 2020, monthly data 2020 onwards; MCO = movement control order



## ● Hundreds of thousands of Malaysian workers remain unemployed...

Unemployed persons ('000s of people)



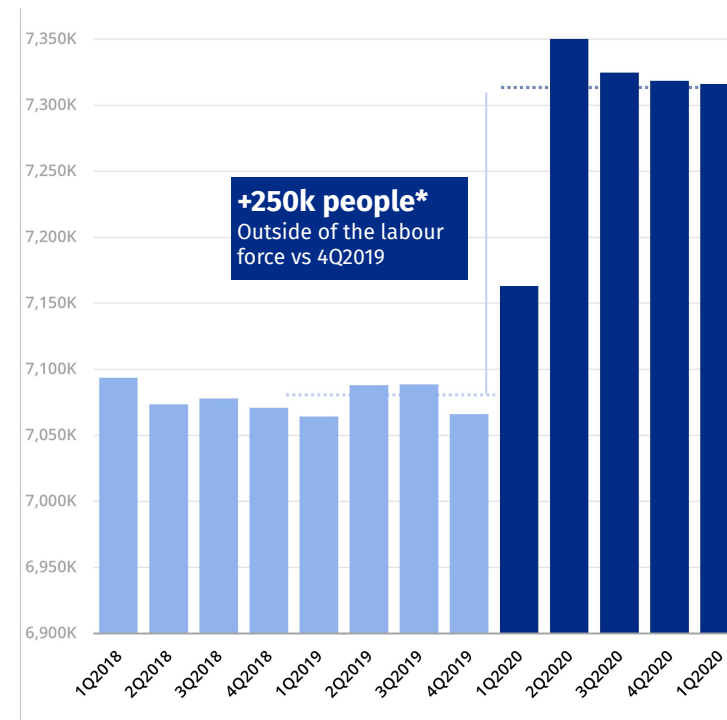
Source: DOSM LFS, Author's estimates

Note: \*calculated as the quarterly change in unemployed persons from 1Q2021 vs 4Q2019; darker blue marks the beginning of the COVID-19 crisis



## ● ...and even more have been pushed out of the labour force entirely

Population outside labour force ('000s of people)



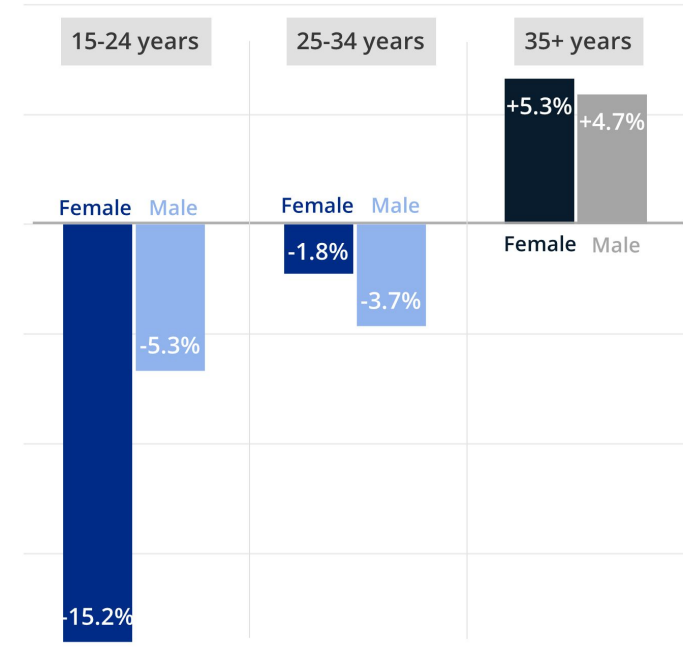
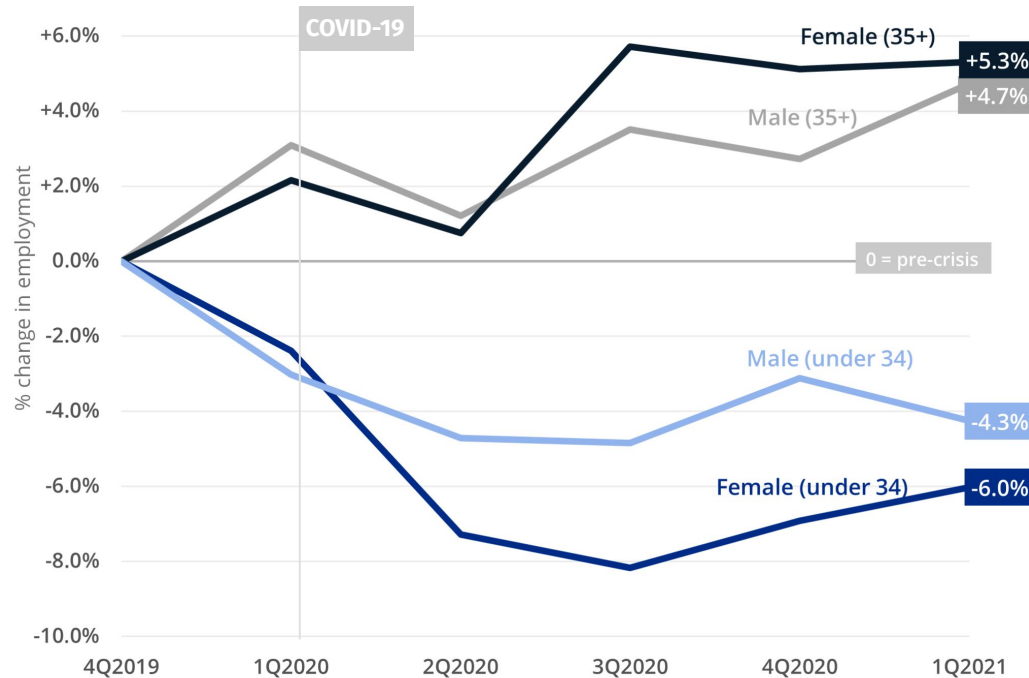
Source: DOSM LFS, Author's estimates

Note: \*calculated as the quarterly change in persons outside the labour force from 1Q2021 vs 4Q2019; darker blue marks the beginning of the COVID-19 crisis



## ● Young workers, and younger women specifically, have faced large employment losses

Percent change in employment by age group and gender (corresponding quarter vs 4Q2019)



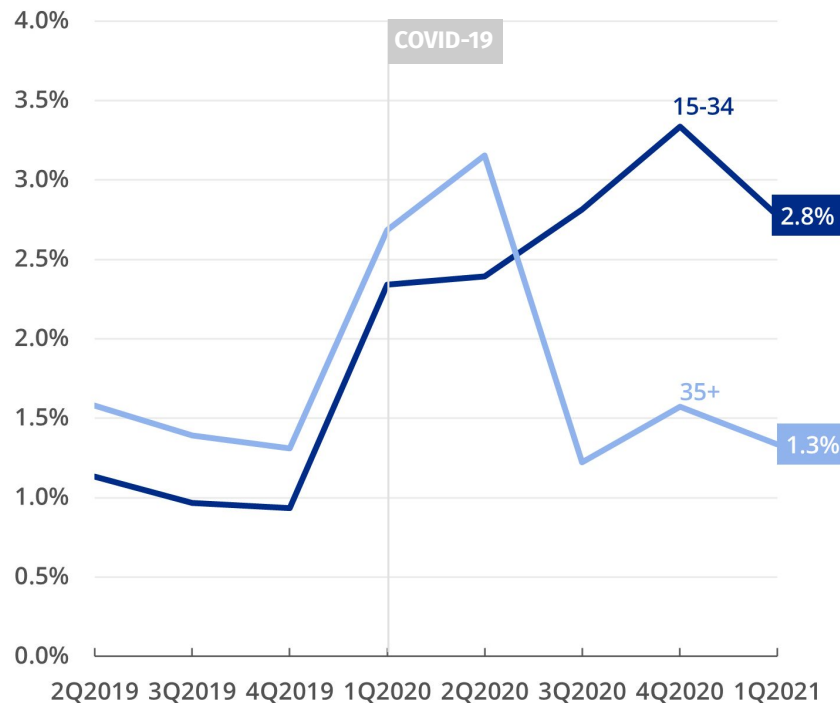
Source: DOSM LFS, Author's estimates

Note: Change in employment is calculated as the percentage change between each corresponding quarter versus 4Q2019, taken as a pre-crisis baseline level



## ● Younger workers who managed to keep their jobs face reduced work hours...

Time-related underemployment, by age (% of employed cohort)

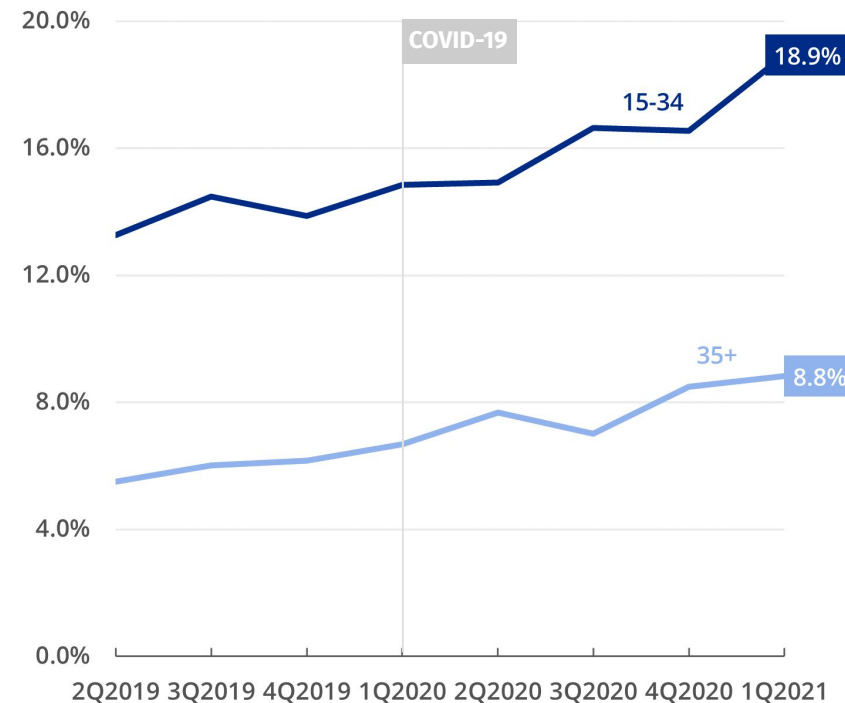


Source: DOSM LFS, Author's estimates



## ● ...and are increasingly working in jobs that they are "overqualified" for

Skill-related underemployment, by age (% of employed cohort)

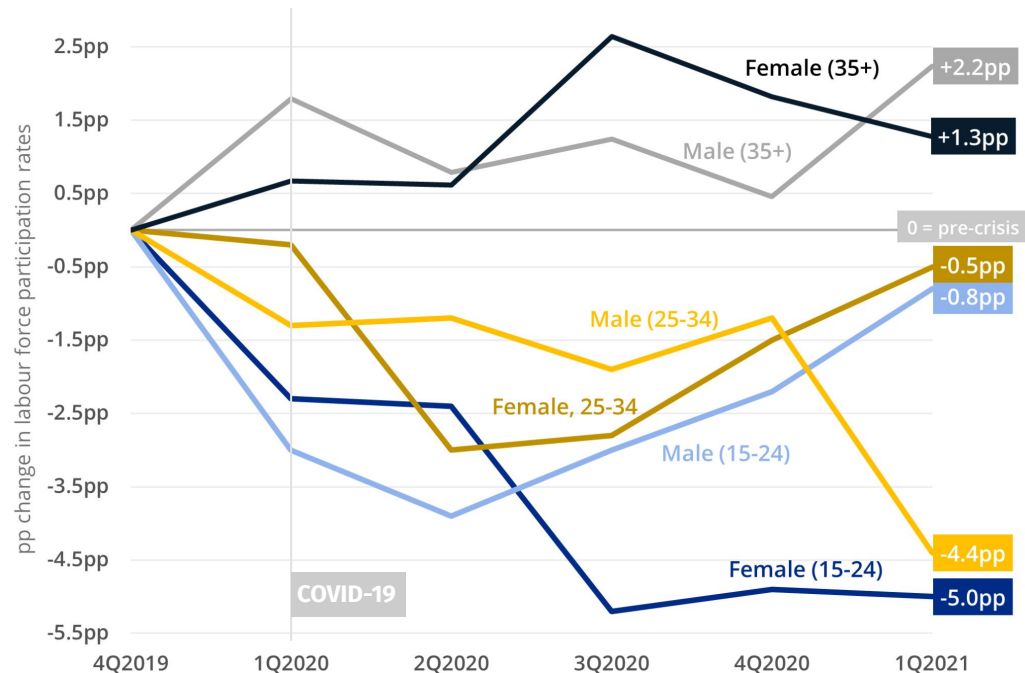


Source: DOSM LFS, Author's estimates

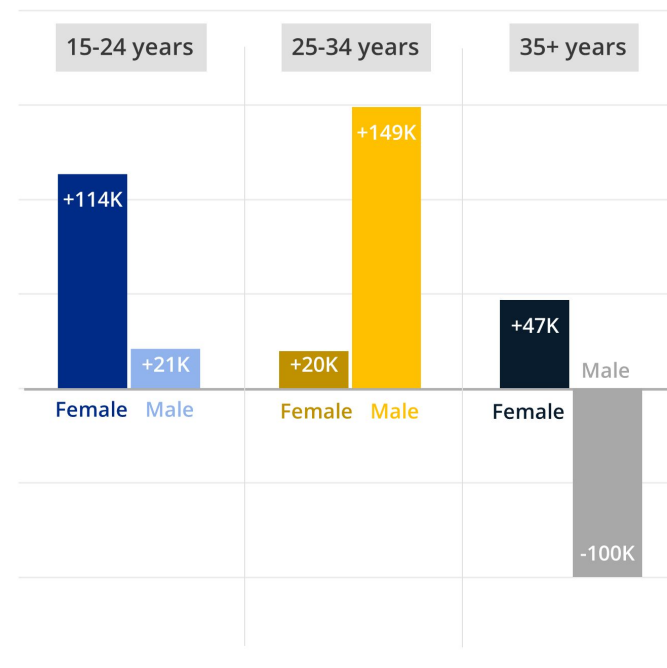


## ● Younger workers are being pushed out of the workforce entirely

**Percent change in labour force participation rates**  
by age and gender (corresponding quarter vs 4Q2019)



**Change in persons outside of the labour force**  
by age and gender (corresponding quarter vs 4Q2019)

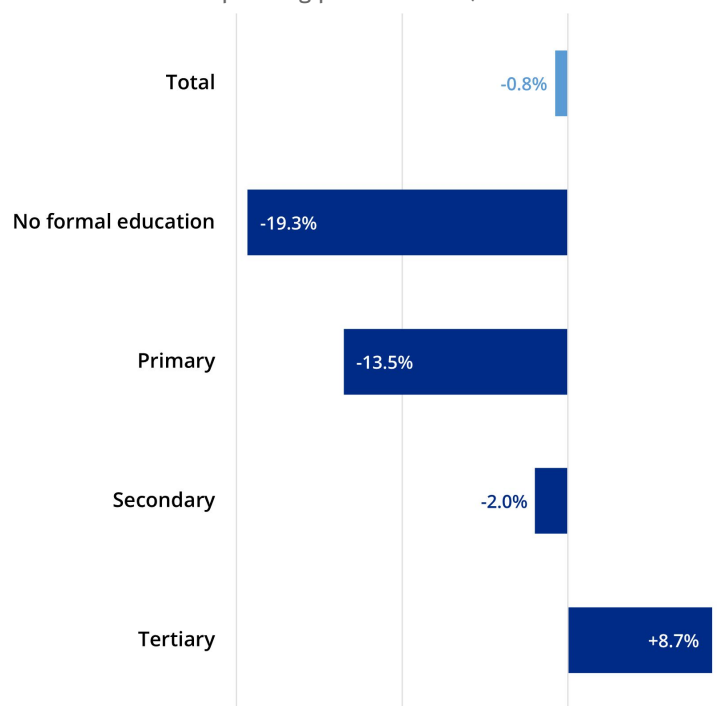


Source: DOSM, LFS, Author's estimates

Note: change in labour force participation rates are calculated as the level change of the corresponding quarter compared to 4Q2019, taken to be the pre-crisis level

## ● Employment losses are concentrated amongst lesser-educated workers...

Employed persons, by education (% y-o-y change, last 3 quarters of 2020 vs corresponding period in 2019)

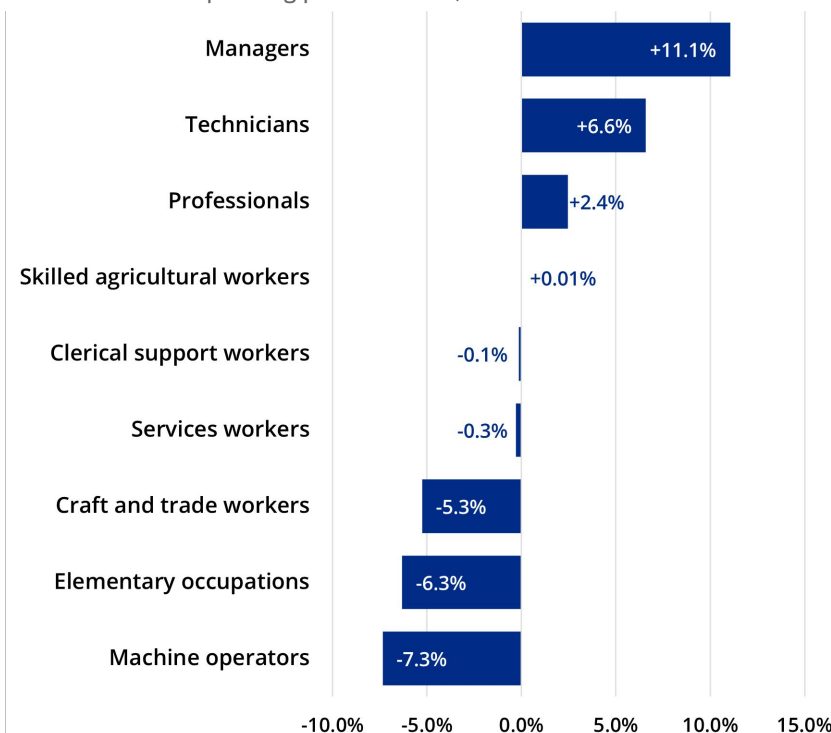


Source: DOSM LFS, Author's estimates



## ● ...corresponding to large declines in elementary occupations vs. gains in "higher-skilled" ones

Employed persons, by occupation (% y-o-y change, last 3 quarters of 2020 vs corresponding period in 2019)



Source: DOSM LFS, Author's estimates



## ● Overall, younger workers face far worse employment and labour force impacts

Change in number of persons in labour force and employment, by age and gender (1Q2021 vs 4Q2019)



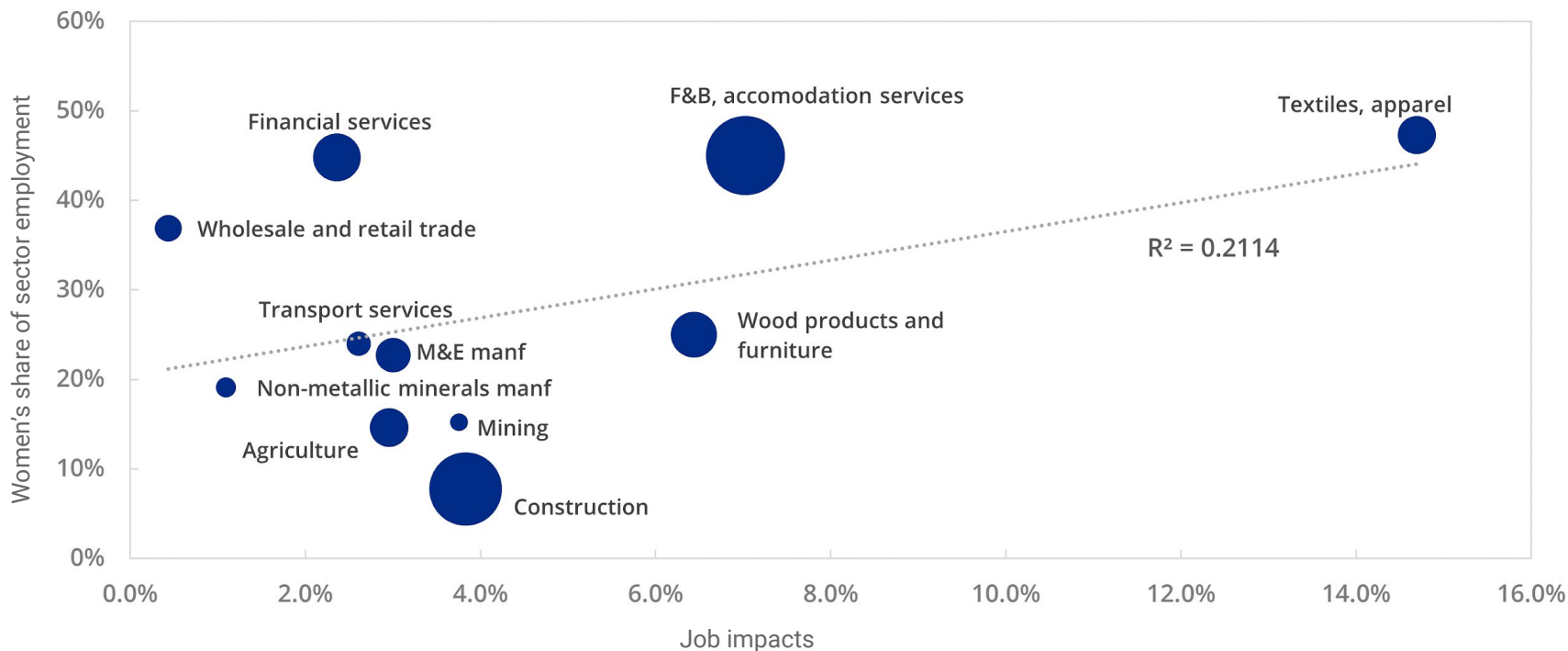
Source: DOSM LFS, World Bank, International Labour Organization

Note: Annual data before 2020, monthly data 2020 onwards; MCO = movement control order



## ● Women tend to be concentrated in some of the industries hardest hit by the COVID-19 crisis

Women's share of employment vs. 2020 job impacts, by industry



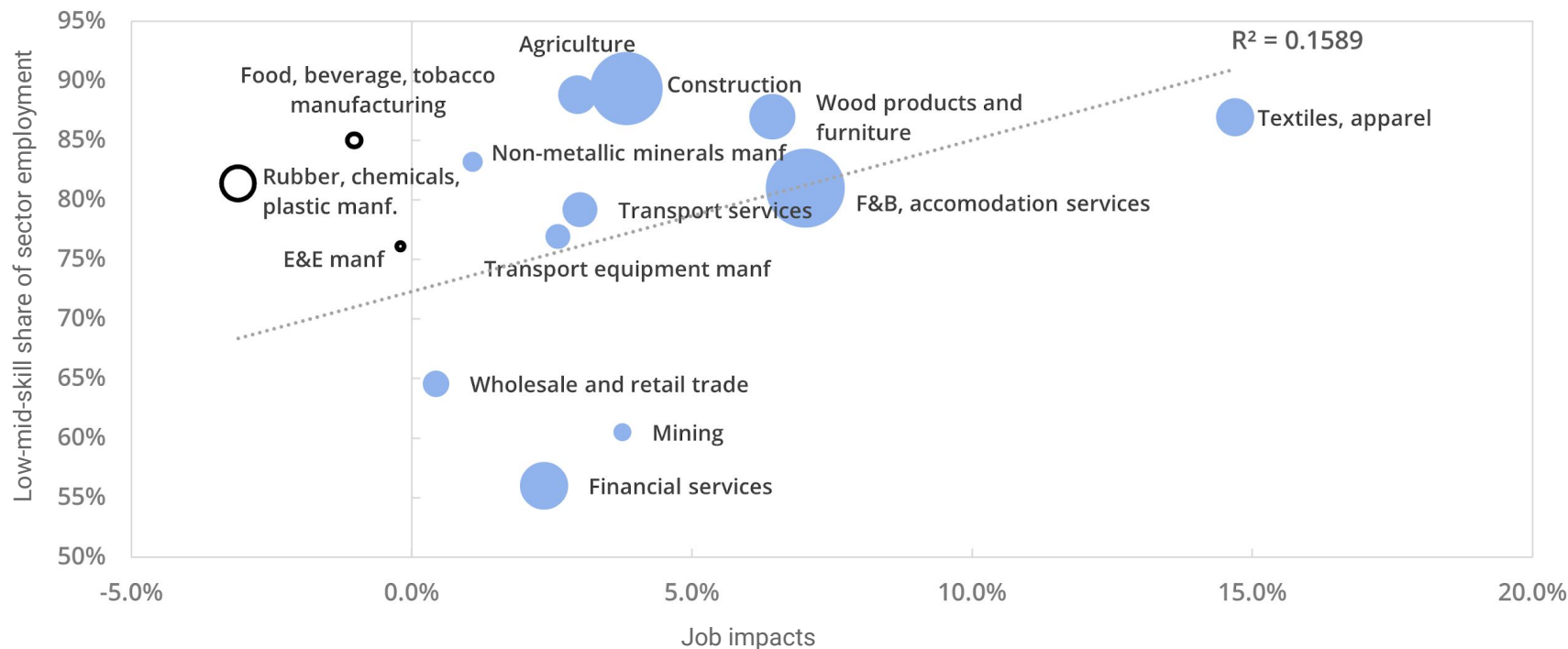
Source: DOSM LFS, Employment Statistics, Annual Economic Statistics, Authors' estimates

Note: Size of the bubbles denote the actual number of jobs los in persons; women's share of sector employment estimated using 2017 data



## Industries with a higher share of low-and-mid-skilled workers are somewhat more likely to have experienced higher job impacts

Low-and-mid-skill share of employment vs. 2020 job impacts, by industry

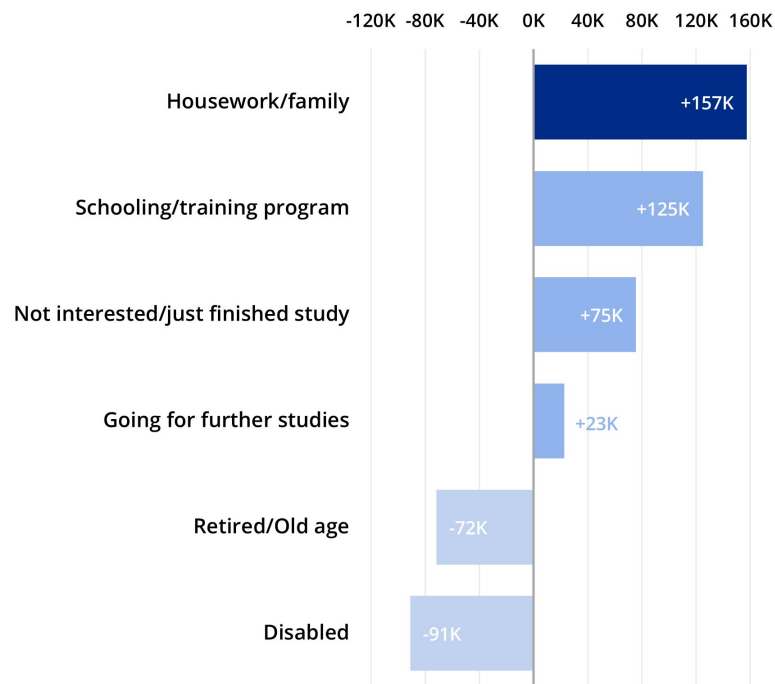


Source: DOSM LFS, Employment Statistics, Annual Economic Statistics, Authors' estimates

Note: Size of the bubbles denote the actual number of jobs los in persons; skill share of sector employment estimated using 2017 data

## ● Rise in “housework/family” and “just finished study” as reasons for not seeking employment...

Reasons for not seeking work (average quarterly change\* 2020 vs 2019)



Source: DOSM LFS, Author's estimates  
Note: \*for the last 3 quarters of each corresponding year



## ● ...hinting at the role of pre-existing inequities and structural factors in Malaysia's society and economy

### Younger workers

- Youth employment more cyclically-sensitive and precarious (first out)
- Social-economic system that marginalises youth in favour of age, experience and patronage

### Women

- **Unequal gender norms in society** (burden of care work)
- **Systemic discrimination in labour markets** (gender pay gap and workplace discrimination)

### Lesser-educated/“lower”-skilled workers

- Less likely able to work remotely
- Non-standard work/left out of social safety nets

Author's illustration; Madghavar et al.( 2020), Cheng & Mohamad (2020),



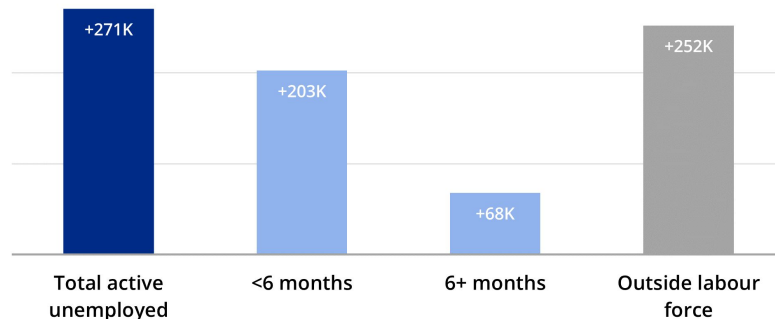
# Policies for the future of Malaysian workers

## 1 Investing in expanding EIS unemployment benefits and active labour market programs

- **Increasing** the EIS Job Search Allowance (JSA) benefits
- **Extending** maximum duration for JSA receipt
- **Expanding** full coverage of EIS benefits to more workers
- **Shifting** funding to government to fund temporary expansion
- **Expanding** active labour market components of EIS (Training Allowance, & Fee + job-matching initiatives)

### More Malaysians are now out of work for longer

Unemployed, 4Q2020 vs 4Q2019



Source: DOSM LFS, Author's estimates

## 2 Improve existing cash transfer programs and increase cash support for childcare

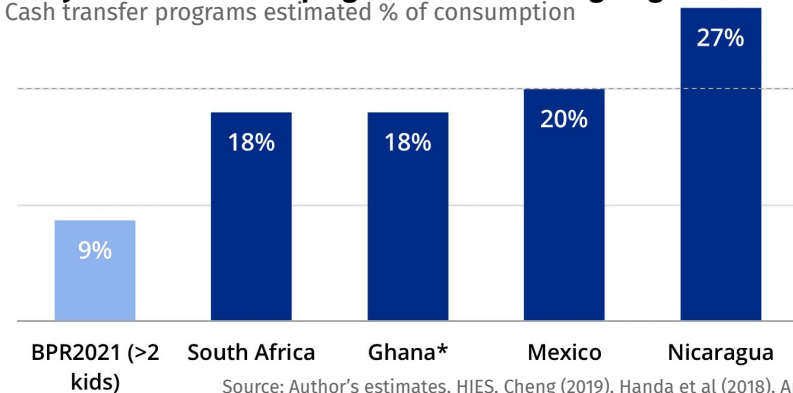
**Improve** pre-existing weaknesses in Malaysia's BSH/BPR cash transfer programs

- **Increasing** benefit size (currently max RM1,800/year)
- **Reducing** targeting exclusion errors and program undercoverage
- **Make** emergency supplementary cash top-ups (BPN3.0) automatic and formalised

For more on cash transfers, see my 2019 presentation: "[Bantuan Sara Hidup: Design Considerations for Cash Transfer Programming \(2019\)](#)" [LINK](#)

### Malaysia's cash transfer programs have room to go higher

Cash transfer programs estimated % of consumption



Source: Author's estimates, HIES, Cheng (2019), Handa et al (2018), Armand et al.(2016)...

## 3 Gender-sensitive fiscal policy

- **Distributing the burden of care work more equitably** by subsidising childcare and expanding public investment in accessible state-funded childcare facilities nationwide
- **Investing in publicly-funded universal paid family leave policies** that encourage the uptake of paternity leave and equitable sharing of parental responsibilities
- **Granting legal protection to women** against systemic labour market discrimination
- **Strengthening collective bargaining mechanisms** and union coverage for women workers

## 4 Expand infrastructure spending and fiscal stimulus efforts

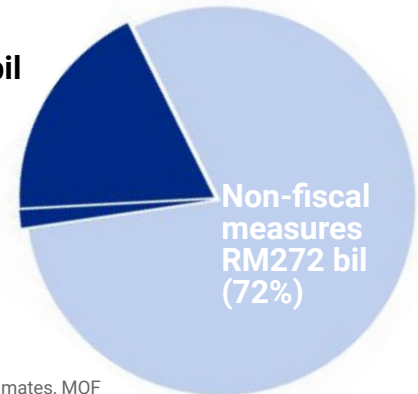
- **Expanding government spending to boost growth and tighten labour markets** can benefit marginalised worker groups whose employment is more cyclically-sensitive
- **Increase infrastructure spending** can raise long-term productivity and economic growth, especially if financed by higher government deficits and if focused on lesser-developed regions
- **Implement a new round of emergency cash stimulus (BPN3.0) to households**

### Malaysian government economic stimulus packages since 2020

Total size: RM380 bil

**Fiscal measures**  
RM68 bil (18%)  
Of which:  
**infrastructure**  
RM5 bil (1%)

**Non-fiscal measures**  
RM272 bil  
(72%)



Source: Author's estimates, MOF



- **The COVID-19 crisis is a uniquely unequal crisis.**

Younger, female and lesser-educated workers were disproportionately affected--while older, male, higher-educated, white-collar professionals have been mostly unscathed.

- **Young workers have been the worst hit**

Young workers, especially if female or lesser-educated, were far more likely to have lost employment, faced underemployment or have exited the labour market completely.

**Younger workers have not shared in the partial recovery in labour markets since May 2020.**

- Older workers have tended to benefit from the partial recovery since 2020 while the employment and labour forces of younger workers have mostly continued to deteriorate.

**Young Malaysians have also faced larger psycho-social and political impacts.**

- Longstanding inequities in Malaysia's labour market and society have played a large role in causing these unequal impacts.

**These impacts will be long-lasting.** Even when Malaysia's GDP growth recovers to pre-crisis levels, a

- full recovery for many affected workers will take years. Longer-term consequences, especially for young workers will be felt for decades



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on Malaysian workers

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## Calvin Cheng

Analyst, Economics, Trade & Regional Integration (ETRI)

Email: [calvin.ckw@isis.org.my](mailto:calvin.ckw@isis.org.my) / [calvinchengkw@hotmail.com](mailto:calvinchengkw@hotmail.com)

Twitter: [@calvinchengkw](https://twitter.com/calvinchengkw)

Author page: [www.isis.org/author/calvin](http://www.isis.org/author/calvin)

## Read more on this topic:

This presentation is based on updated research of  
the following:

1. “Pushed to the Margins (Issue 1)” November 2020:

[bit.ly/3lvqfwd](https://bit.ly/3lvqfwd)

2. “Pushed to the Margins (presentation)” April 2021

<https://bit.ly/3fj4CZM>

3. “Youth in Peril” May 2021

<https://bit.ly/3vtOr80>