



Institute of Strategic & International
Studies (ISIS) Malaysia

Economics, Trade and Regional Integration (ETRI)

Merdeka Centre Webinar Series

June 2021

Policies for the future of Malaysia's youth

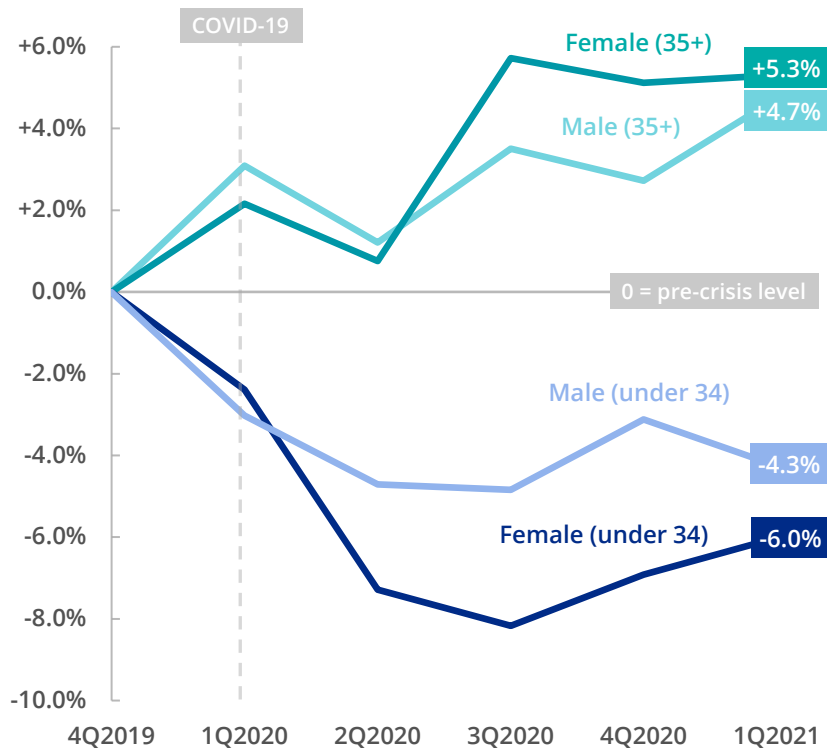
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● Young workers, and younger women specifically, have faced large employment losses...

Change in employment by age and gender (% change from 4Q2019)

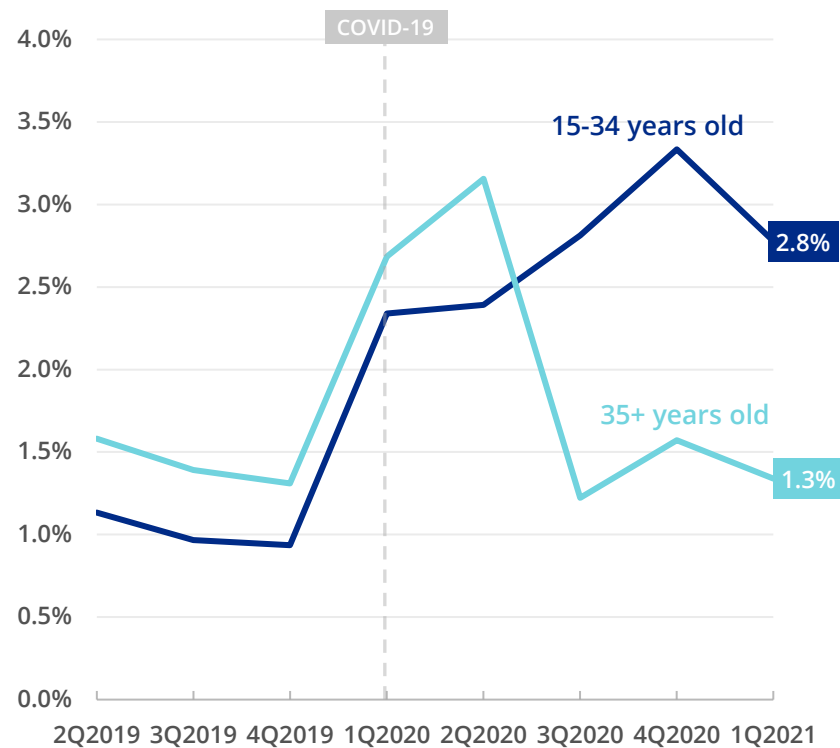


Source: DOSM LFS, Author's estimates
 Note: Change in employment is calculated as the percentage change between each corresponding quarter versus 4Q2019, taken as a pre-crisis baseline level



● ...and younger workers who kept their jobs face far higher rates of underemployment

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

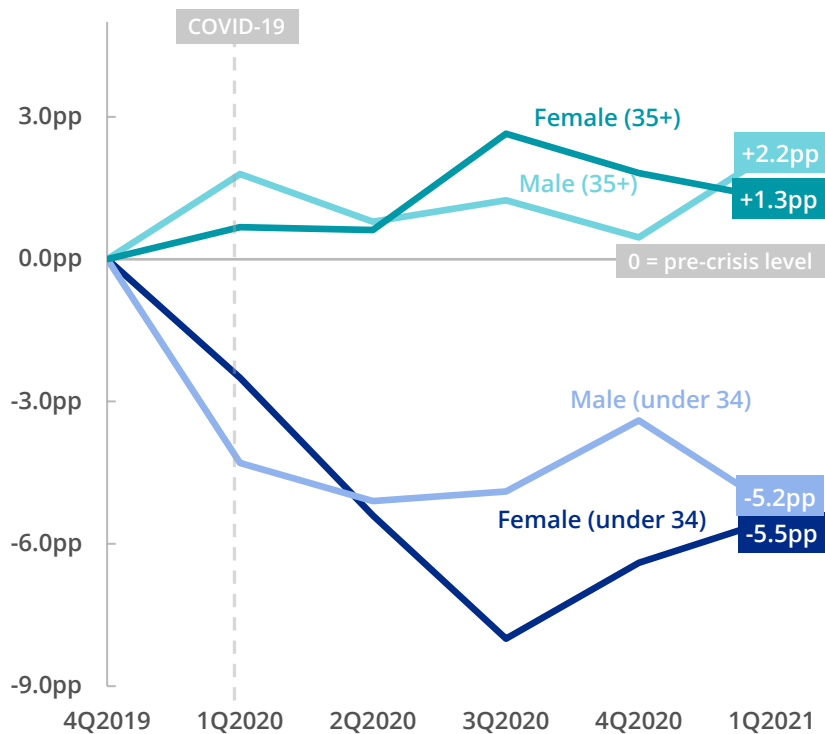


Source: DOSM LFS, Author's estimates
 Note: time-related underemployment is defined as those who worked <30 hours a week and were able and willing to accept additional hours of work if available



● Younger workers are dropping out of the labour force entirely...

Change in LFPR by age and gender (pp change from 4Q2019)

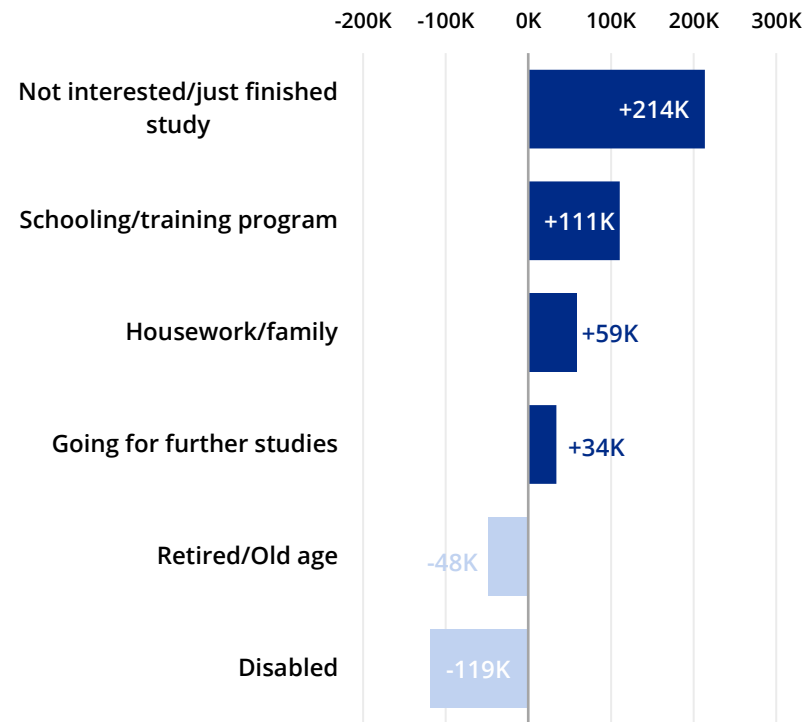


Source: DOSM LFS, Author's estimates
 Note: LFPR = labour force participation rate; change in LFPR is calculated as the percentage point difference between each corresponding quarter versus 4Q2019



● ...as they become discouraged or drop out to take on housework/family care work

Reasons for not seeking work change from 1Q2021 vs 2019 average

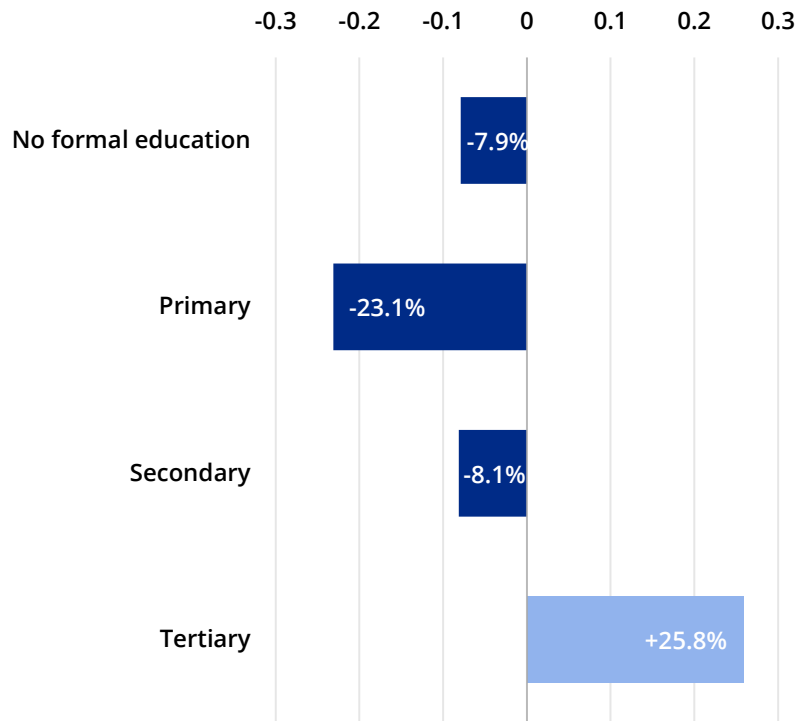


Source: DOSM LFS, Author's estimates



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

Employed persons, by education (% change 1Q2021/4Q2020)



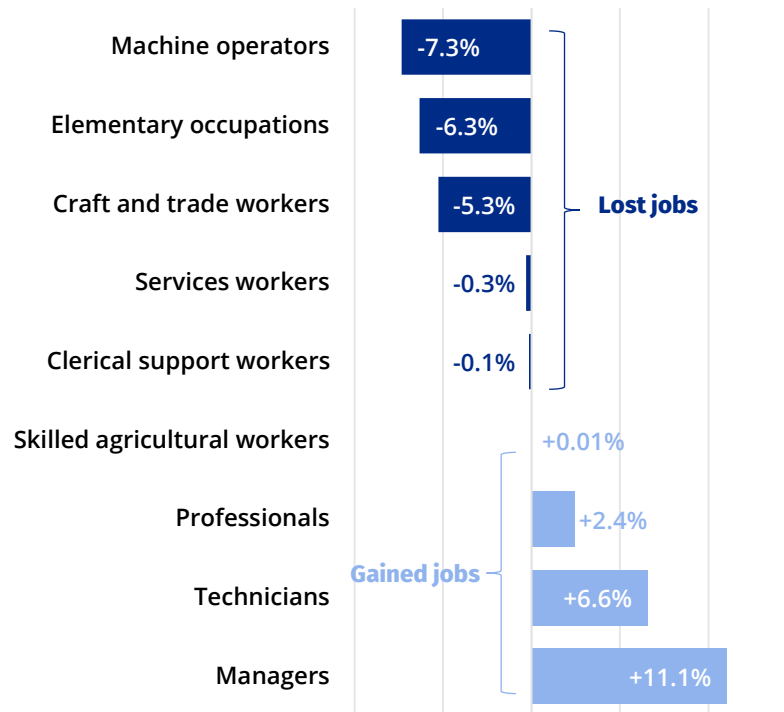
Source: DOSM LFS, Author's estimates

Note: LFPR = labour force participation rate; change in LFPR is calculated as the percentage point difference between each corresponding quarter versus 4Q2019



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

Employed persons, by occupation (% change 1Q2021/4Q2020)



Source: DOSM LFS, Author's estimates

Note: time-related underemployment is defined as those who worked <30 hours a week and were able and willing to accept additional hours of work if available



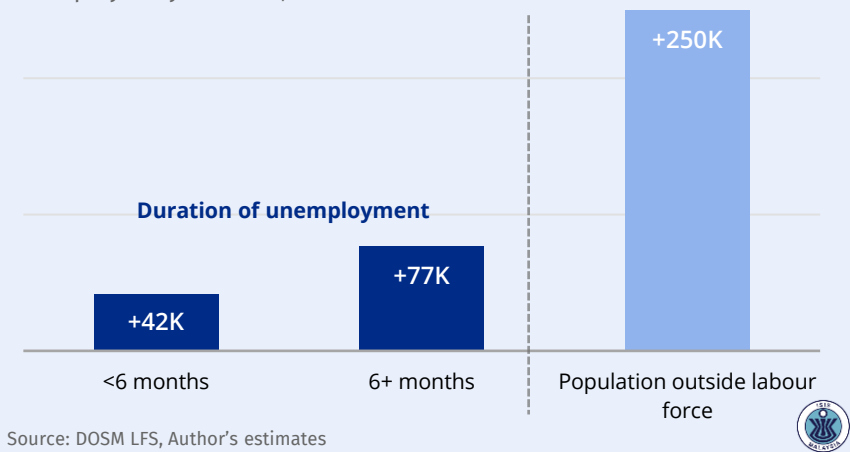
1 Investing in expanding existing social safety net programs

- **Increasing and extending amount and duration of the EIS' Job Search Allowance (JSA)** benefits will benefit hundreds of thousands of jobseekers¹
- **Expanding full coverage of EIS benefits** to more workers and extend partial JSA benefits to workers who do not meet qualifying criteria (incl. first-time jobseekers)
- **Expanding active labour market components** of EIS

¹Cheng, 2020

More Malaysians are now out of work for longer

Unemployed by duration, 1Q2021/4Q2019



2 Expanding government spending on infrastructure

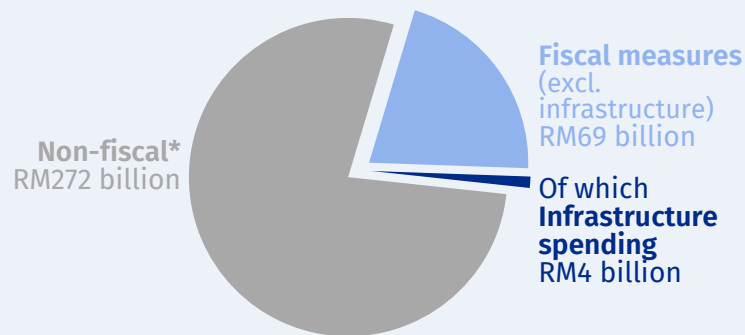
- **Increasing infrastructure spending** will raise long-term productivity and economic growth, especially if financed by higher government deficits and focused on lesser-developed regions¹
- **Expanding government spending to boost growth** can benefit young and female workers whose employment is more cyclically-sensitive²
- **Cover both digital and logistics infrastructure** and focus on improving quality as well as quantity

¹Bivens, 2014; Stupak, 2018;

²Gould & Kassa, 2020; Aaronson et al. 2019

Fiscal measures only make up a small portion of the stimulus packages over the past year

Stimulus packages since 2020, by component



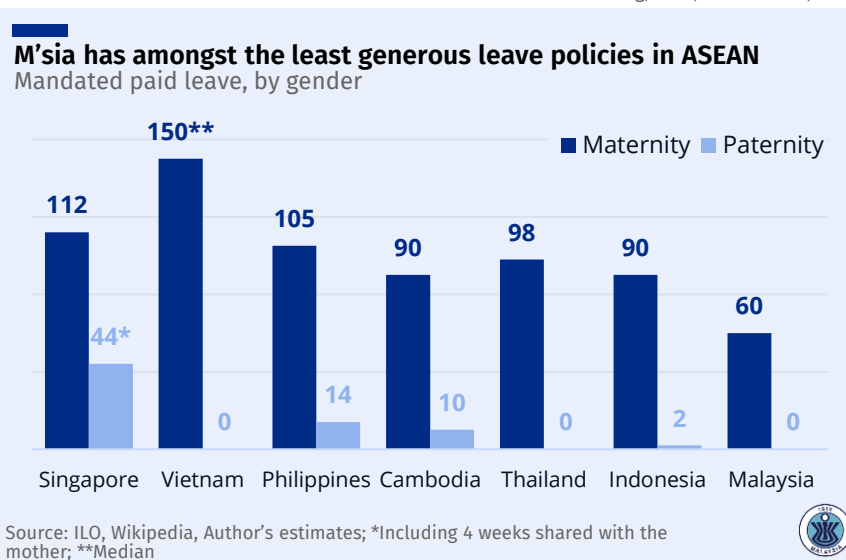
Source: MOF, PMO, Author's estimates

*including quasi-fiscal measures

3 Gender-sensitive fiscal policy

- **Distributing the burden of care work more equitably** by subsidising childcare and expanding public investment in accessible state-funded childcare¹
- **Investing in publicly-funded universal paid family leave policies** that encourage equitable sharing of parental responsibilities
- **Granting legal protection to women** against systemic labour market discrimination²

¹Cheng, 2020; ²World Bank, 2019



4 Strengthening the bargaining power of young workers

- **Strengthening and enforcing labour standards** would have large benefits for marginalised workers (younger, female) in particular, since they often severely lack bargaining power relative to their employers and face systemic barriers¹
- **Improving minimum wages** improving enforcement of minimum wages (and selectively raising it in high-cost regions) would be particularly helpful for young workers, who are the most likely to be earning low wages and would see meaningful wage growth²
- **Strengthening collective bargaining mechanisms** and union coverage for younger workers, by making it easier for young workers to organise and make it harder for employers to penalise union activity. Expanding collective bargaining rights benefits workers and helps improve labour standards³

¹Gould & Kassa, 2020

²Zipperer & Schmitt, 2020

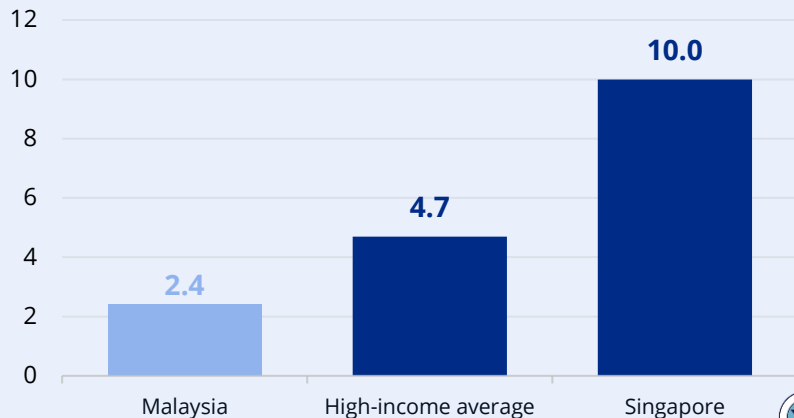
³Shierholz, 2019; Kochan, 2015; Lambert, 2014

5 Creating more and better jobs

- **Expanding government spending** and stimulating economic activity to create jobs (*see Policy 2*)
- **Focus on enabling infrastructure** and stimulating foreign and domestic investment (*Policy 2*) through investment promotion abroad, focusing on policy certainty, improving workforce skills (*Policy 6*)
- **Stimulating entrepreneurship and business formation** via stronger safety nets to encourage risk-taking (*Policy 1*) and encouraging small business innovation

Business formation in Malaysia lags higher-income countries

New businesses registered per 1000 people, 2018



Source: World Bank



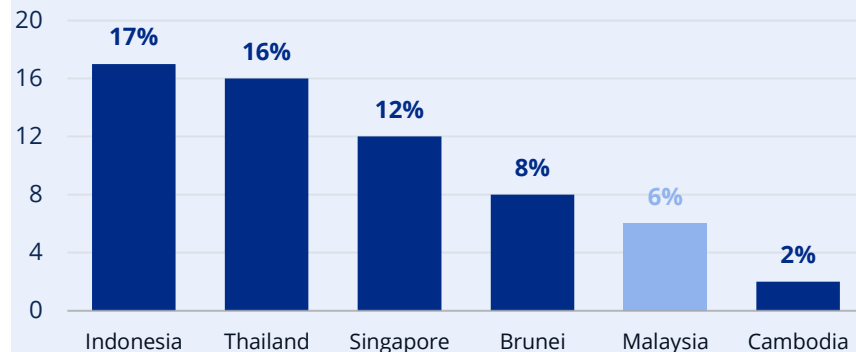
6 Upgrading human capital and workforce skills

- **Improve accessibility of re-skilling and lifelong learning initiatives** so every Malaysian worker at any stage of their career has access to quality education and training
- **Improve non-degree pathways to decent work**, including improving TVET quality and enrolment for youths. Increasing the quality and access to vocational training is linked to lower rates of youth unemployment¹
- **Encouraging "high-road" employment models** via tax credits/grants, sectoral partnerships, better labour standards (*Policy 4*)²

¹Biavaschi et al, 2012; Abdul-Aziz et al, 2020. ²Holzer, 2015

Malaysia's TVET enrolment is low compared to its regional peers

TVET enrolment rates, by country



Source: ILO, UNESCO Institute for Statistics, Cheng and Mohamad, 2020





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Policies for the future of Malaysia's youth

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Read my past work on this topic

This presentation is based on the following:

Pushed to the margins

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

Policy Brief, November 2020 [Read here](#)

Presentation slides, April 2021 [Read here](#)

Youth in peril

The impacts of the COVID-19 crisis on
young Malaysians

Article, May 2021 [Read here](#)

Presentation slides, June 2021 [Read here](#)