

Malaysian youth unemployment rate has been more than ten percent, more than three times higher than the national average. What reforms should the Malaysian government pursue to ensure the labour market in this digital era is vibrant and resilient when you graduate from college

Introduction

Without doubt, youth unemployment is the worst form of unemployment. Beyond the usual drawbacks associated with unemployment like adversely affecting disposable income, and reducing an economy's output ¹, the deleterious consequences of youth unemployment are more long lasting.

Those who begin their careers unemployed are more likely to have lower wages and suffer joblessness again in the future. Additionally, they are more likely to suffer some economic loss too, and not just in the form of higher welfare payments. Part of these losses may be due to missing out on training and experience accumulation that typically occurs with young workers, which results in lack of proficiency and experience in the field of work compared to acquaintances of similar age. Hence, youth unemployment is a serious issue that ought to be tackled by the government.

Moving forwards, in this modern era which can largely be described by the word “dynamic”, it is crucial for all solutions by the government to resolve youth unemployment to not only be potent but also firm, resilient and far-sighted. A prominent example that shows the importance of such solutions would be the Covid-19 pandemic which exposed the fragility of our international supply chains, which we long thought to be stable, through disruptions and delays that is costing Malaysia RM8.7 billion a year. Evidently, solutions need to be sustainable and far-sighted in face of the unpredictability of the future.

Causes

The main factors for youth unemployment are as followed:

Firstly, Malaysia youth unemployment is high due to the mismatch between skills graduates have and skills desired by employers. For example, while the number of graduates in education disciplines grew by more than 20% in 2021 compared to 2018, the hiring demand among educational institutions weakened materially over the same period². Even when fresh graduates

¹ Picardo, Elvis. “How the Unemployment Rate Affects Everybody.” Investopedia, July 8, 2022. <https://www.investopedia.com/articles/economics/10/unemployment-rate-get-real.asp#:~:text=Unemployment%20adversely%20affects%20the%20disposable,and%20reduces%20an%20economy's%20output.>

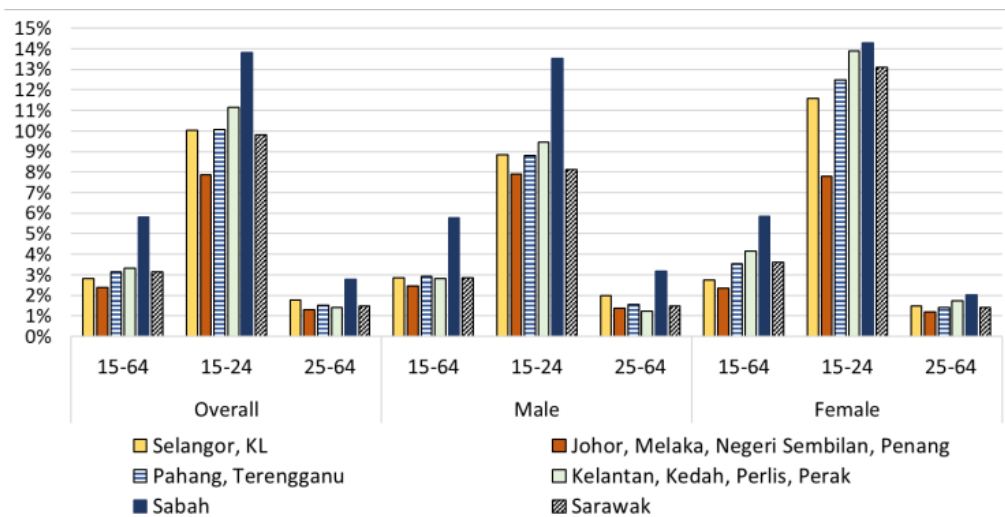
² “Why Has Youth Unemployment Risen so Much in China?” Goldman Sachs. Accessed July 15, 2023. <https://www.goldmansachs.com/intelligence/pages/why-has-youth-unemployment-risen-so-much-in-china.html>.

graduate with the degree employers seek, they might not have the necessary skills that employers are looking for.

A reason why there is a mismatch in skillset employees have and what employers want can be boiled down to the lack of communication and cooperation between corporations and universities. Without knowing what firms want, universities are unable to produce graduates with the skills a firm may need for its employees. This results in unemployment as firms choose to not hire graduates that do not fit their criteria. In this digital age where innovation is expeditious and dynamic, skills that employees need to possess can change rapidly. The challenges of unemployment for not having the right skillset is hence exacerbated as the paradigm of jobs shifts to a more skill-based market rapidly. With the curriculum offered at many educational institutions outdated, youths are not well prepared to enter the job market. Consequently, this skill mismatch causes unemployment.

Secondly, there is a lack of opportunities for youth due to geographical restrictions. Colloquially, fresh graduates in certain states might find it harder to get employed. This can be due to the lack of opportunities available in rural areas.

Figure 1: Youth Unemployment in Malaysia



Source: Lee, Hwok Aun. Unemployment among Malaysia's youth

From figure 1, it is evident that less economically developed states like Sabah record the highest graduate unemployment rates, but the levels are also notably high for women in Terengganu, Perlis and Kelantan, especially when compared to more economically developed states like Selangor. While youths may choose to venture to cities like Kuala Lumpur for employment, this would lead to greater competition for jobs in cities which indirectly causes youth unemployment. Additionally, the low fresh graduate salary offered by many corporations may make it financially unfeasible for youths to move to large cities to work due to the higher

cost of living³. Hence, many fresh graduates face the dilemma of being unemployed or moving to the city for a wage that may not be enough to survive.

Lastly, youth unemployment is so high due to the current economic situation. Traditionally, fresh graduates are at a disadvantage during economic downturns due to their lack of experience. Unfortunately, this has been amplified by the pandemic, which has disproportionately affected sectors that traditionally hire more young people, such as the tourism and the service sector.⁴ Many industries are steadily recovering from the aftermath of the pandemic, but have yet to return to pre-pandemic levels. For instance, in the tourism sector, Tourism Malaysia is targeting 16.1 million international arrivals for 2023, which is still approximately 40% below the pre-pandemic level of 26.1 million international arrivals in 2019⁵. Naturally, with less visitors, there will be less tourist receipts and hence less jobs for youths.

Current Measures

In the Budget 2023, the government announced a slew of measures to curb youth unemployment. Significant ones include investment in youth education and youth unemployment. Funds have been allocated for upgrading buildings and infrastructure, to provide resources such as visualisers required for high quality teaching. Additionally, an additional 40 million has been allocated to finance micro-credentials upskilling programs for gig workers, preparing them for jobs with higher skill prerequisites⁶.

Solution

Solutions to address youth unemployment can be categorised into two different categories: long term and short term. These solutions should either aim to ensure vibrancy and resilience of the job market, or both. Vibrant in a sense that unemployment is low and employees are well-remunerated; Resilient in a sense that unemployment remains contained even during events of economic downturns such as recessions or pandemic. To create a resilient labour market, the intuitive way to ensure that the quality of jobseekers are high such that employers would want them even in bad economies. While current measures have alleviated the issue, there are still many areas in which improvements can be made.

³ Ayamany, Keertan. "Experts: Fresh Grads' Pay as Low as RM1,000 a Systemic Problem, Can't Just Blame Covid-19 Pandemic." Malay Mail, April 15, 2021. <https://www.malaymail.com/news/malaysia/2021/04/15/experts-fresh-grads-pay-as-low-as-rm1000-a-systemic-problem-cant-just-blame/1966545>.

⁴ Poly, Hong Kong. "People Older than 50 Make up Less than a Fifth of All Hotel Employees - Where Does This Apparent Aversion to Employing Older People Come From?" Hospitality Net, May 23, 2022. <https://www.hospitalitynet.org/news/4110627.html>.

⁵ Biswas, Rajiv. "Apac Tourism Surges in First Half of 2023." IHS Markit, June 25, 2023. <https://www.spglobal.com/marketintelligence/en/mi/research-analysis/apac-tourism-surges-in-first-half-of-2023-Jun23.html#:~:text=Tourism%20Malaysia%20is%20targeting%2016.1,international%20visitor%20arrivals%20in%202019>.

⁶ Wong, Yong Xuan. "Budget 2023 from a Youth's Perspective." Malaysiakini, March 20, 2023. <https://www.malaysiakini.com/announcement/659317>.

In the short run, the government should aim to provide more internships for youths when they are still in university. Such internship opportunities can be from the government's own agencies, or by encouraging private corporations to accept more interns. Students get to improve their soft skills which is essential for workplace synergy and get to learn more about the industry. For employers, providing internships would give them a source of extra labour as well as fresh insights and perspectives from youths.

In the long run, the government should revamp the syllabus in public educational institutions. In school, students are taught subjects that may be irrelevant to what is useful or important in the future. To quote what former education minister Syed Saddiq said: "an engineering student in [Universiti Teknologi MARA] would have to study TITAS, Hubungan Etnik (Ethnic Relations), co-curriculum, cooking, and marching for two semesters."⁷ Such a curriculum which includes redundant courses will only deter students during their short 4 year stint in college. Instead, the curriculum should be based on what is relevant in this digital era. In an era where technological breakthroughs have upended the way we work, graduates need to be able to harness such technologies to be competitive on the global stage. A good place to start would be teaching students how to use AI applications to improve their work rather than simply using it to complete their homework. In essence, a good education should enable our graduates to be on par with other elites in the world. They should not shun from, but rather utilise the power of technology to complement their productivity, therefore creating a skilled and highly-coveted labour force.

While revamping the syllabus, the government should encourage collaboration between public tertiary institutions and private firms. Tertiary institutions should consult with prominent players of various industries to understand what kind of employees they need and what type of employees are lacking in the industry. This is because private firms would be able to offer insights on what kind of skill set, experience and mentality that are crucial, allowing educational institutions to better comprehend and hence be able to better prepare their students with what is required to succeed in finding jobs. For example, Toyota, a Japanese car manufacturer, created a list of 170 skills it believes any employees in an auto manufacturing context should know and possess, which was shared to competitors and suppliers so that the entire sector could agree on what was the type of talent they needed. Then, they partnered with educational institutions to deliver these curriculum, in which half was delivered through apprenticeship while the other half was delivered in the universities⁸. As a result, these collaborations create graduates that are capable and indispensable to employers. Hence, the labour market would be resilient as employees have integral skills that are key to every company. This also makes the job market more vibrant as employers would be willing to give better pay and incentives for high quality Malaysian graduates. In order to encourage such collaboration, the government can host open

⁷ "Stop Making Undergraduates Study Irrelevant Subjects, Says Ex-Youth Minister." Yahoo! News. Accessed July 16, 2023.

<https://malaysia.news.yahoo.com/stop-making-undergraduates-study-irrelevant-054534033.html>.

⁸ *Solving global youth unemployment: Mona Mourshed at TEDxUNPlaza*. YouTube. YouTube, 2013. <https://www.youtube.com/watch?v=wDjD8iAgnR4&t=454s>.

forums to gather representatives of corporations and public tertiary institutions to meet up and discuss possibilities of collaboration.

However, it is important that during the course of collaboration, public institutions do not turn their syllabus into simply reaching students what the private institutions want. After all, universities are a place of learning, not a tailor of employees. Beyond skills that are desired by employers, public institutions should also focus on skills that can positively impact youth unemployment, such as entrepreneurship. Entrepreneurship has the potential of further stimulating the economy through greater volume of economic activity and reducing unemployment. It can also provide employment in less developed states as many states have untapped potential for incumbent entrepreneurs to make the most out of it. The government can achieve this by instructing public educational institutions to equip students with the necessary skill to start up a business. Furthermore, the government can also offer micro-loans to startups to encourage the startup culture in Malaysia. This can help bolster the Malaysian job market by introducing a myriad of new job opportunities which can help increase the competitiveness for talent in job markets, which is especially important for lesser developed states who would have lesser opportunities.

Furthermore, the government can improve the vibrancy and resilience of the labour market by encouraging investments in the local economy through investments by local corporations or Foreign Direct Investments (FDI). By investing in the local economy, demand for labour in the local market increases. This causes labour markets to be more beneficial for workers. Moreover, investment in lesser developed states increase employment opportunities for youths in lesser developed states, alleviating the problem of youth unemployment. The government can achieve this by offering financial incentives such as tax breaks to encourage local spending. This does not only increase local investments but also stimulate consumer spending due to the increase of disposable income. Besides that, the government can encourage investing in the local economy by initiating infrastructure projects. Such projects provide employment to local workers, giving workers income to spend and further stimulate the economy, creating a multiplier effect. Additionally, according to research by Universiti Utara Malaysia, a good physical infrastructure can serve to attract FDI into the country⁹, which increases the demand for labour even further. Lastly, the government can increase investments by providing a stable political and legal environment. This is because a stable, transparent governance allows foreigners to be able to invest with a peace of mind. In a nutshell, through encouraging investments, demand for jobs will increase. This creates better job opportunities for fresh graduates and ensures that the demand side of the labour market is always high even during economic downturns.

However, the government must strike a balance between encouraging investments and preserving local communities and environment. If the former is emphasised over the latter, corporations may ravage and cause irreversible harm to the delicate environment to chase after

⁹ Harun, Mukaramah. "The Impact of Infrastructure on Foreign Direct Investment: The Case Of ..."
<https://repo.uum.edu.my/id/eprint/16679/1/1-s2.0-S.pdf>, 2012.
<https://repo.uum.edu.my/id/eprint/16679/1/1-s2.0-S.pdf>.

profits, which can cause economic loss and unemployment in long run due to reduction in profitability of sectors like tourism and agriculture.

Conclusion

A vibrant and stable labour market is created by changing the quality of graduates and stimulating the economy to create greater demand for labour. Nonetheless, given the economy is more volatile and will not always grow, the government should focus on improving the education of graduates, especially through revamping the curriculum as it would allow Malaysia to generate desirable graduates for years to come.

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