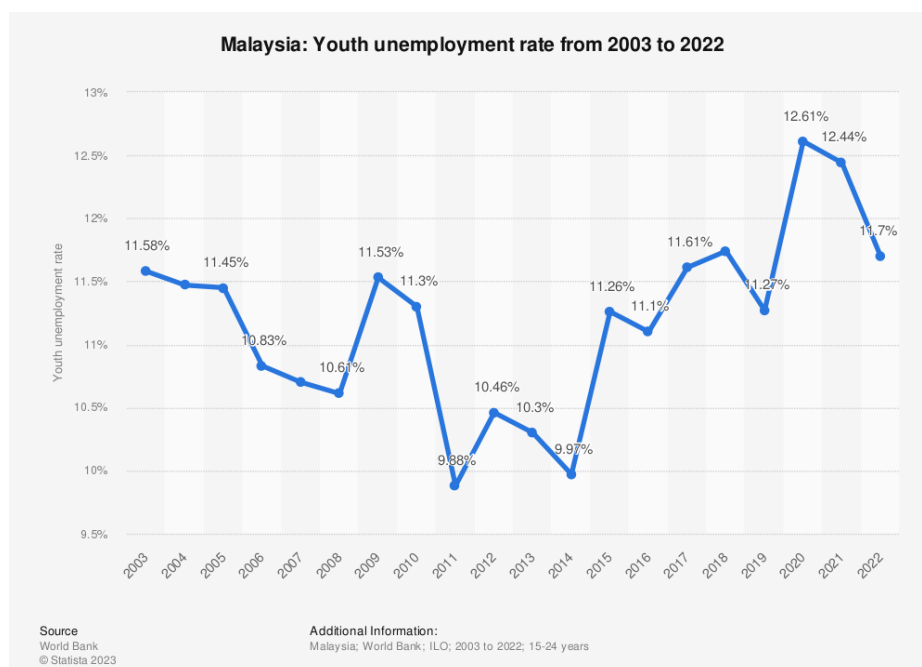


Malaysian youth unemployment rate has been more than ten percent, more than three times higher than the national average. What reforms should the Malaysian government pursue to ensure the labor market in this digital era is vibrant and resilient when you graduate from college?

Introduction

Unemployment is defined as “a situation where a person actively searches for employment but is unable to find work” (Hayes). As indicated by the United Nations, youth unemployment specifically refers to the 15-24 years old population who are unsuccessfully looking for jobs (United Nations). In 2022, the youth unemployment rate, or the percentage of 15-24 youths in the labor force without work, was 11.7% in Malaysia (World Bank 1). This is more than 3 times the national unemployment rate of 3.7% in 2022 (World Bank 2). Youth unemployment rate has consistently remained higher than the national unemployment rate, which led to many socioeconomic problems in Malaysia. To minimize youth unemployment, a mitigation effort is to create a resilient labor market that can recover quickly from economic shocks, which can be accomplished through labor market policies (OECD). This essay will discuss the causes and effect youth unemployment on the Malaysian economy, current and recommended policies that could alleviate this issue.



(Figure 1, Source: Statista, World Bank)

Impact of Youth Unemployment on the Malaysian Economy

Firstly, unemployed youths are unable to contribute to national economic development. Their propensity to consume, which refers to the proportion of income spent on goods and services, at their age is the highest (ILMIA). Theoretically, youths are to spend the most on goods and services, adding to the country's GDP. However, unemployment prevents youths from spending, which heavily influences Malaysia's economy. With that said, GDP contracted by 17.1% in the second quarter of 2020. In that period, youth employment resulted in a diminishing amount of youth employees, lowering the productivity of businesses, which severely impacted the health of the economy.

Moreover, the country would face higher government spending. The Malaysian government has been allocating billions of ringgit each year to initiate projects targeting youth unemployment (Amrie). However, the continuously high unemployment rate indicates that the government may have to continue subsidizing these programs, which could deeply burden the nation's budget, given that Malaysia already has a debt of RM1.5 trillion (Teoh et al).

There are also many social problems that could arise from youth unemployment. Unemployed youths are more likely to develop mental health issues. They may have less confidence for the future and lose hope of getting a job. This can lead to social unrest and even cases of violence or crime, which negatively affects the economy (ILMIA).

Causes of Youth Unemployment

To fix this issue, it is crucial to understand its causes. A main driver of youth unemployment in recent years is the COVID-19 pandemic. The pandemic forced many businesses to dismiss employees, especially youths who are considered less experienced (ILMIA). Many graduates at the time also lost the opportunity to find jobs as most businesses faced closures. Furthermore, low levels of confidence in the economy meant harder access to financial resources, particularly for youth entrepreneurs with a lack of credit history. As a result, a large number of youths stayed unemployed. These reasons contributed to a rise in cyclical unemployment, causing an increase in unemployed graduates of around 22.5%, from 165,200 in 2019 to 202,400 in 2020 (DOSM).

A lack of practical experience can also lead to youth unemployment in Malaysia. According to World Bank, 90% of employers stated that youths need more training (Sander). Many youths are fresh graduates from universities who do not have working experience and have yet to develop their social networks (Wiki Impact Team). Thus, most firms believe adults are comparatively more skilled and reliable, tending to prioritize hiring adults, while dismissing youths first. On top of that, 80% of firms commented that the university curriculum is unrelated to the required jobs (Sander). Without relevant or useful skills upon graduating from university, youths will struggle to smoothly transition into the workforce, potentially falling into unemployment.

Youth unemployment could also be driven by mismatches between skills and jobs. Structural changes in the labor market, as observed by the digitization of business processes, intensify this issue. Lower-skilled jobs become increasingly redundant with the advancement of technology (Raman). Youths who previously worked in lower-skilled sectors would potentially lose their jobs. In another instance, many overqualified youths work in lower-skilled jobs as higher-skilled jobs do not tend to hire youths, creating a mismatch. This means those with less educational qualifications would not be able to secure those jobs, further contributing to youth unemployment (Wiki Impact Team).

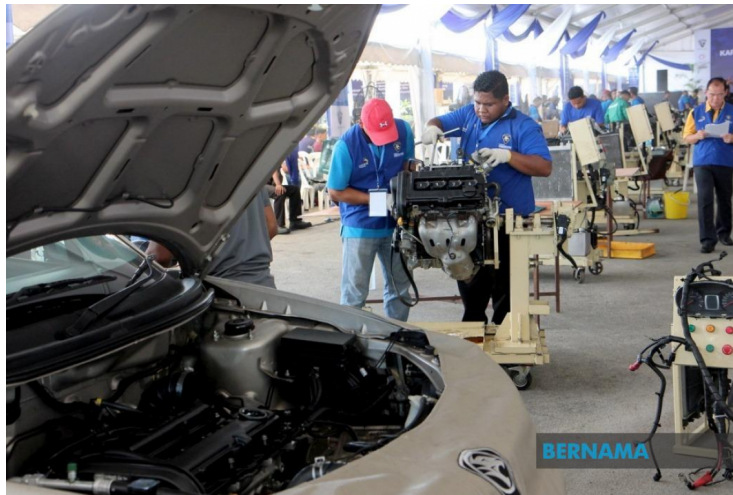
Current Policies in Malaysia

As youth unemployment negatively impacts the Malaysian economy, the government has made continuous attempts to mitigate this issue. Most of the initiatives address problems discussed above, such as skill mismatch and a lack of practical experience, which are the typical causes of youth unemployment in Malaysia.

The COVID-19 pandemic exacerbated the unemployment problem, leaving countless workers, especially youths, without a job. Youth unemployment rate went up from 11.3% in 2019 to 12.6% in 2020 (World Bank 1). Consequently, in 2021, the government announced a job placement target of 600,000 Malaysians under the JaminKerja project (Natrah). RM4.8 billion was allocated to stimulate job creation and recruitment, aiming to secure a job for all 600,000 individuals (Bernama). The initiative entails wage subsidies offered to employers for hiring unemployed workers from target groups, including youths (New Strait Times). Additionally, jobs have been created through collaboration with the Investment, Trade, and Industry Ministry and Economy Ministry. These initiatives enabled greater job opportunities and encouraged the hiring of youths, which works towards reducing youth unemployment.

The JaminKerja initiative was successful, as around 144,376 jobs were created, and about 600,984 individuals landed a job (Zalani).

The pandemic also impacted business operations. Microbusinesses and youth entrepreneurs, in particular, took a larger hit, unable to survive through business closures, causing many to become unemployed. Thus, about RM300 million was allocated by Bank Negara Malaysia, BSN, and TEKUN to assist micro businesses run by women and youth entrepreneurs without requiring collaterals (Noris). Moreover, TEKUN distributed another RM10 million to underprivileged youths to work in the delivery service sector (The Star Online). The government's financial provision could allow youths to find jobs more easily and run their businesses more resiliently, in an effort to prevent unemployment.



(Figure 2, Source: Natrah, Ministry of Finance)

To enhance the skills and competencies of youths, the government allocated RM6.7 billion towards a training program for Technical and Vocational Education and Training (TVET) graduates as well as additional wage subsidy provision (Noris). The government collaborated via a public-private partnership with many companies, catering the TVET programs to the companies' needs (Noris). Graduates will be equipped with industry-related skills, increasing their employability (The Star Online). Similar to the first initiative, the government subsidized employee salaries (Salim). This policy gave many TVET graduates jobs and has potential to bring more benefits in the remaining year.

Recommended Policies

Currently, public-private partnerships exist via TVET program which trains already-graduated youths to become industry-ready. However, the TVET program does not solve the root of the problem – university graduates are still lacking the skills desired by the industry. Rather than coaching graduates after they leave school, it is more important to teach relevant skills along with their studies, which can ensure a smoother and faster transition into the industrial world. Therefore, collaborations between educational institutions and firms should be fostered to ensure greater employment opportunities for graduates.

Firstly, the university curriculum should be relevant to the modern industrial context and contribute to both personal and professional skills development. Industry-oriented courses should be provided for students to gain skills and knowledge relevant to the work setting (Raman). Additionally, collaborative projects between industries and universities should be encouraged. Students should be able to conduct joint research projects in the professional industrial environment to gain real-world experiences (Ahmed et al). Meanwhile, government authorities should monitor the quality of education offered by higher education institutions in Malaysia. Closer industry-academia partnerships could give rise to immense benefits, potentially increasing their employability and effectively reducing youth unemployment. With the implementation of this policy, Malaysian graduates could leave the school environment possessing the competencies to thrive in the real world. The industry-academia partnerships could promote greater labor market resiliency, and bring vibrant prospects for the future of the Malaysian economy.

Another reform could be creating an all-in-one employment service platform, bridging the communication between employers and jobseekers. With a growing prevalence of electronics in society, technology should become integrated into the labor market. Though job searching portals already exist on the internet, they remain relatively unfamiliar to Malaysian youths, and lack updated features to provide constructive assistance. Under this initiative, government intervention could gather an increased interest in the job placement services, connecting firms and jobseekers to drive employment.

The government should set up a user-friendly digital platform that can be accessed through an app or a website, allowing employers to advertise and jobseekers to search for job openings conveniently. The platform could utilize a job-matching algorithm in the job-searching process. Factors such as educational qualifications, work experience, skills, and personal background are carefully evaluated when identifying suitable job opportunities for jobseekers (Indeed Editorial Team). This algorithmic process ensures that qualifications of jobseekers correspond to skills demanded by employers in order to minimize mismatches in

the labor market. In addition to that, incorporating live chat agents could be helpful in assisting youths through the process of securing employment. The chat support feature could offer a personalized and human approach to resolving questions raised by the jobseeker. Career advice, resume writing assistance, interview coaching, as well as other resources would be available through the live chat service. This could be extremely beneficial to youths who are inexperienced in the job application process, increasing their chances of employment and preparing job seekers for the workplace. This platform could allow job seekers to easily find job openings, especially during periods like economic downturns. With this, the economy could recover quickly after economic shocks given the increased job opportunities. Through this all-in-one platform, the job searching procedure would be made much easier for jobseekers, as Malaysian graduates would be able to navigate through a more vibrant labor market with vast job opportunities.

Limitations of Recommended Policies

If successful, industry-academia partnerships would produce workforce-ready graduates. However, there are limitations that should be addressed to ensure greater effectiveness. Due to the dynamic nature of industries, the skills and knowledge required at work are ever-evolving. There is a need for monitoring and review such that the courses taught at universities are relevant and updated, catered to the current industrial needs. Besides that, an industry-academia collaboration might have a disproportionate advantage for students from larger and more prominent universities, while others might lack the opportunity for greater job prospects. To avoid such inequalities, the government should ensure that smaller academic institutions, too, are able to connect with the industry by providing the network and funds.

Without government intervention, the job placement platform might not be able to maximize its functionality due to limited adoption by jobseekers and employers. If firms do not engage with the employment services, job openings will not be communicated to jobseekers. Likewise, if jobseekers have a lack of awareness regarding the platform, employment would not be boosted. Therefore, it is crucial for the government to appropriately advertise this platform for its potential users, encouraging firms and jobseekers to utilize the platform.

Conclusion

Transitioning into an endemic, the effect of COVID-19 on youth unemployment is slowly decelerating. Though the policies implemented by the government have successfully decreased the youth employment rate, a number of youths are still struggling to become employed due to structural issues within the labor market. Hence, further action is needed to solve the root cause of youth unemployment, such as skill mismatches and a lack of experience. It is recommended for the government to initiate projects including industry-academia partnerships and an employment service platform. Such reforms could contribute to a more vibrant and resilient labor market with increased job opportunities and brighter job prospects for youths in the digital era.

(1987 words)

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