

*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?*

Youths are the future and hope of a country. Referring to the wisdom of our ancestors, "The prosperity of the youth leads to the prosperity of the country, and the strength of the youth makes the country strong". Statistics have shown the youth unemployment rate in Malaysia for the first quarter of 2023 to be 10.1%, which was lowered compared to 11.1% for the same period last year. This improvement is a welcoming sight, nevertheless, we should not be celebrating too early as this percentage is still considered unideal compared to a record low of 9.88% in 2011. Figure 1 shows the trend of the youth unemployment rate for the past years.

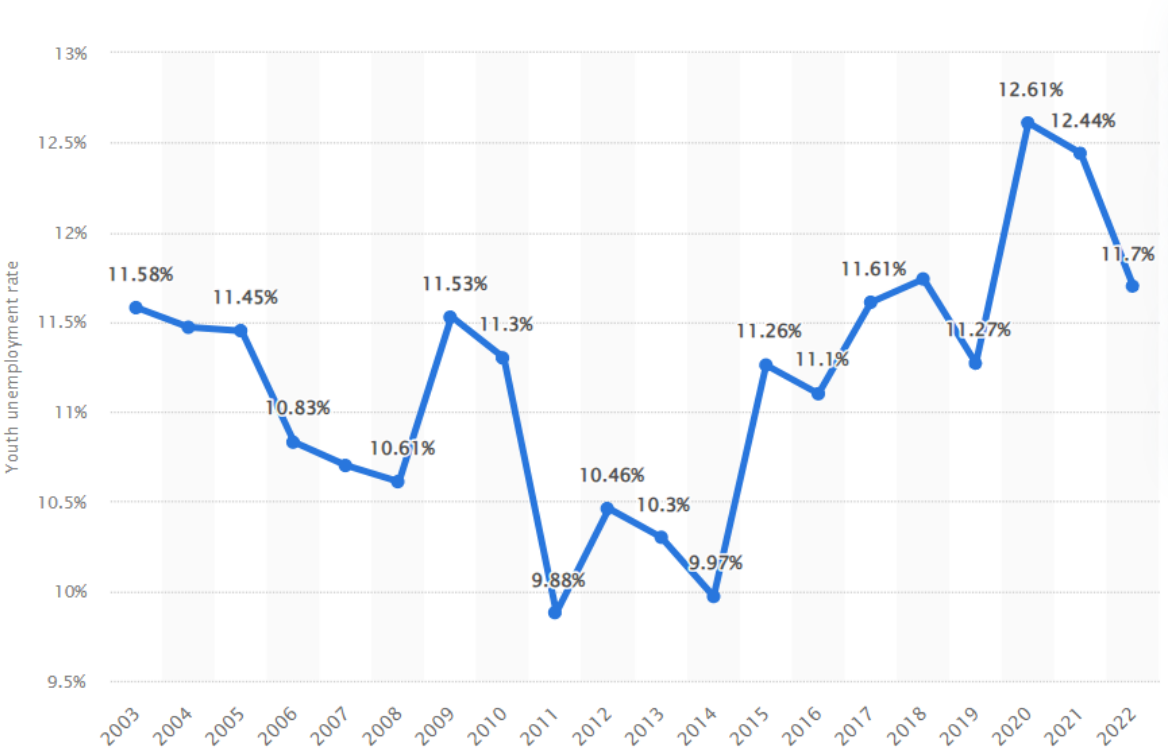


Figure 1: Youth Unemployment Trend

What is youth unemployment? Youth unemployment refers to the share of the labour force ages 15 to 24 (including graduates) without work but available for and

seeking employment. What is the cause of youth unemployment? Many blamed the advancement of technology where AI can replace job positions claimed by humans in the past, decreasing the selection pool of jobs for youth. But automation is only expected to change the nature of 50% of jobs and eliminate not more than 5% of them. Clear to be seen, technology development is not the problem here. Here comes the real question. What is the real cause of it? What can our government do to remedy this situation?

Firstly, youth nowadays emphasize work-life balance and pick flexible jobs. According to Microsoft's 2022 Work Trend Index, Generation Z's likelihood to engage with a company posting on LinkedIn if it mentions "flexibility" is significantly higher (77%) than Millennials' likelihood (30%) and that of others on the platform. The government could provide working flexibility by fostering teleworking or working from home. Not only would youths be attracted to it, but job opportunities provided to youths would also increase as geographical factors no longer limit them. They could work for companies in other states or even other countries while staying in their own house in this era of technology. Youths with disabilities would also be presented with higher chances of finding jobs as their disadvantages due to mobility difficulties are significantly reduced. All in all, this would create a working environment that is more inclusive and collaborative. However, a hard fact is that full-time teleworking is hard to achieve as certain jobs still require face-to-face interaction between employers and employees.

Hence, a great alternative would be to implement hybrid work models. Although our government has been highly encouraging this working method, most local companies still remain skeptical towards it as they are concerned regarding the quality of work produced and the attitude of employees. A Cisco study that shows the benefits of hybrid working on the performance and overall well-being of employees in Malaysia would prove them wrong (Figure 2). In addition to that, with the combination of working at home and the office, employers could be reassured that they would not lose navigation towards their employees.

## Hybrid work is making employees wealthier, fitter, and happier

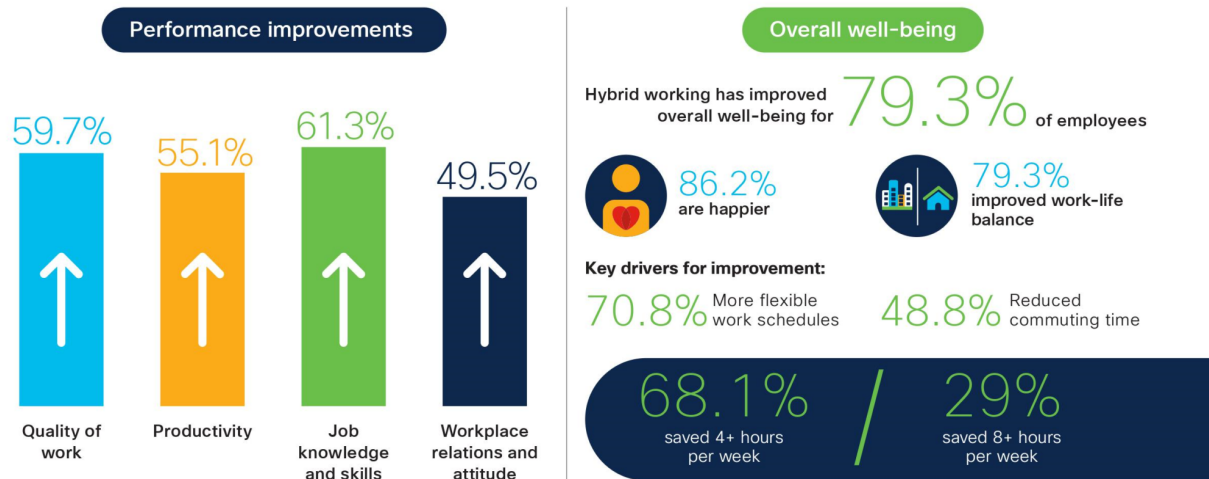


Figure 2: Positive Effect of Hybrid Working

To enforce their current effort, the government should amend the employment law to make it compulsory to give employees the right to choose their form of work, whether hybrid working or full-time working in the office subject to the consent of the employers. The hybrid work policy of HubSpot, an American software company could be made as a reference. To achieve optimum efficiency in teleworking, our government should focus on developing digital infrastructures such as high-speed internet access, with the deployment of 5G and 6G networks, along with digital connectivity and technological hubs to ensure a smooth transition from working offline to working online.

Another method would be to introduce the four-day workweek concept into our community. This idea has been widely experimented with in western countries and is now gradually adopted by Asian countries such as Japan and Singapore. Ms. Jas Chua, a Singaporean who has implemented this working concept into her own company, gained positive results. The four-day workweek motivated staff to complete their workload, increasing productivity and satisfaction. The number of job seekers had also doubled, expanding the pool of high-caliber candidates that applied because of the flexible work arrangement.

Our government should adopt this fresh and new method to attract youth workers, especially graduates. Workers would be required to work for a shorter period but with the same amount of workload, pay, and benefits. While this sounds like a challenge, we should not underestimate Malaysian youth's responsibility, grit, perseverance, and

maturity to complete the task on time. Surveys have shown the increasing willingness of youth to choose a compressed four-day workweek rather than simply five days of working in this digital era with the advancement in the internet and technology. Companies would not be burdened as well due to the same quantity of work accomplished and the number of benefits given. Hence, the government should look into amending the employment law to promote the four-day workweek or hybrid working concept in the public and private sectors in light of achieving a better work and life balance.

Secondly, young people show a high level of interest in entrepreneurship. According to OECD's "The Missing Entrepreneurs 2021" report, about 45% of young people say they would prefer to work as an entrepreneur rather than an employee as the laws and regulations of others would not restrict them, and 41% think it would be feasible. Thus, another reform the government should do is encourage digital entrepreneurship in youths such as fresh graduates. This is because digital entrepreneurship not only drives economic growth and creates new jobs, but is also an area where youth have a competitive advantage, being born in a digital environment. Youths' self-employment in digital entrepreneurship can also reduce unemployment among them.

To achieve this, the government needs to enhance youths' digital skills by providing them with digital skills training programs. These programs can equip individuals with the necessary digital skills ranging, for example, from the ability to find and assess important content online to advanced user know-how like online marketing and trading. The government can also organize mentoring programs to enable digital startups to seek help from experienced entrepreneurs and professionals. This mentorship can facilitate knowledge transfer by providing guidance on business strategy, marketing, industry insights, and valuable networks to help entrepreneurs take their first step into entrepreneurship and accelerate their growth in the industry. For instance, MentorCruise is an online mentoring platform to find the best industry professionals and experts. It is the best platform to get guidance toward your career goals.

In addition, the government can simplify regulatory processes for digital entrepreneurs and beef up internet connectivity. It is crucial to create an enabling environment that promotes innovation, reduces barriers to entry, and supports the growth of digital businesses. The government could use its executive power to streamline bureaucratic procedures, simplify licensing and registration procedures, and reduce compliance requirements to provide a less complex pathway for digital entrepreneurs to

start and operate their businesses. For instance, our country has established the MYXpats Centre, a digital platform that streamlines the work permits applications for foreign expatriates by local companies. The platform provides a one-stop documentation submission and faster processing times, making it easier for foreign expatriates to work in Malaysia. Likewise, the government could emulate and set up a similar digital platform for regulatory processes for local entrepreneurs to venture into digital businesses at ease as well as to encourage youth entrepreneurship in the digital economy. Furthermore, the government should also implement clear and straightforward regulations on digital businesses, intellectual property, data protection, and online transactions to protect the integrity and reliability of the digital economy. Eventually, with the government's help, youth can easily become digital entrepreneurs in this digital era, thus reducing the unemployment rate among them.

Lastly, early research in the United States confirms that most college graduates overestimate their potential earnings (Betts 1996). Failure of wage bargaining then happens between youth and the employers, with youth having overly high expectations and employers containing doubts about the youth's ability. People say the self-esteem held by youth blocks them from accepting a position that is beneath their expectations, thus leaving them unemployed. But is this true? The living cost nowadays is increasing, hence, to cope with their basic needs and monthly expenses, can the youth's desire for a higher monthly income really be blamed? With low-salary jobs being unattractive and the evolution of AI robots constantly changing the skills required for each job, youth unemployment will worsen if no steps are taken.

What our government should do is increase the income level for jobs. To achieve this, our government should increase the minimum monthly wage of employees according to geographical areas. For example, the minimum wage for employees working in big and vibrant cities like Kuala Lumpur, Petaling Jaya, and Johor Bahru should receive higher pay like RM2,500 per month compared to smaller cities such as Alor Setar and Kota Bharu where the minimum pay is RM1,500 per month based on the cost of living in those areas. However, this means that businesses would suddenly need to give raises to everyone making less than the minimum wage. Not all businesses can afford that, especially those small-sized companies. Ultimately, businesses will adjust prices to accommodate higher labour costs, causing living costs to increase. Some might even close down. Thus, for the "minimum wage project" to succeed, the government should help businesses to increase profits by decreasing the cost of operations and professional services, such as corporate tax and regulatory compliance costs. The government should

simplify the compliances needed for accounting and auditing requirements by creating user-friendly standard templates for the business industry.

Regarding the corporate tax, the government should divide the chargeable income of companies into more taxable brackets according to profit threshold, so that small-sized companies making low profits would pay lesser tax, thus reducing their burden and having more income to pay the employees. In addition, the government should consider providing tax exemptions for companies that have hired a minimum number of youth employees as incentives. At the same time, our government should reduce the personal tax on employees to reduce the burden on working youth. The government should decrease the tax bracket for the chargeable income of employees. Not only that, the government should allow working youth to repay their student loans over an extended period by making lower monthly payments. After all, youths who have just started working have low salaries.

Type of company	Chargeable income (MYR)	CIT rate for year of assessment (%)	
		2022	2023
Resident company (other than company described below)		24	24
Resident company:	On the first 150,000	17	15
<ul style="list-style-type: none"> <li>with paid-up capital of 2.5 million Malaysian ringgit (MYR) or less, and gross income from business of not more than MYR50 million.</li> </ul>			
<ul style="list-style-type: none"> <li>that does not control, directly or indirectly, another company that has paid-up capital of more than MYR 2.5 million, and</li> <li>is not controlled, directly or indirectly, by another company that has paid-up capital of more than MYR 2.5 million.</li> </ul>	On the next 450,000	17	17
<ul style="list-style-type: none"> <li>with no more than 20% of its paid up capital being owned directly or indirectly by a foreign company or non-Malaysian citizen (w.e.f YA 2024).</li> </ul>	In excess of 600,000	24	24
Non-resident company		24	24

Figure 3: Corporate Income Tax (CIT)

Besides those mentioned above, the government should also consider including worker pay as a criterion for selecting contractors and granting awards to them. Employee pay levels will be considered when awarding government contracts, as well as in the selection of recipients of government awards and subsidies. This will create competition and encourage companies to increase employee salaries. Now, companies can pay the minimum wage and youth have lesser taxes to pay, youths will feel less burdened by the living cost, especially those living in cities. As a result, the youth unemployment rate will decrease as they are satisfied with their commensurate salary, and the economy is vibrant as a result of the initiatives implemented by the government.

Rather than being chased by technology, we run towards it. In this digital era, government efforts in unlocking youth potential by catering to their needs and helping them develop the necessary skills to navigate a fluctuating job market environment are crucial. At the same time, youth should also learn to adapt to the ever-changing world. By embracing the digital era, youth can acquire the skills and opportunities necessary to stay competitive in the job market and explore entrepreneurial ventures. With the active participation of youths in the labour market, they will bring a range of skills, perspectives, and qualities that contribute to their vibrancy and shape the digital future. After all, the well-being of the younger generation paves the way for the nation's well-being, and the youth's vigour fortifies the nation's strength.

(1997 words)

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