

# **Unemployment Challenges among Malaysian University Graduates:**

## **A Comprehensive Analysis**

### **Introduction**

According to the Centre for Future Labour Market Studies (EU-ERA) statistics in 2023, approximately 90,000 graduates in Malaysia are facing unemployment. Unemployment refers to a situation where individuals who are willing to work and actively seeking employment fail to secure a job. In 2022, there were 224,000 fresh graduates in Malaysia, typically ranging from 23 to 26 years old. The unemployment of university graduates in Malaysia is primarily attributed to structural unemployment and frictional unemployment. Structural unemployment arises from industrial reorganisation, often driven by technological advancements, while frictional unemployment occurs as individuals transition between jobs. A survey conducted by Malaysia's Ministry of Education (MOE) indicates that one of the key reasons for graduate unemployment is the lack of skills, knowledge, and attitudes sought by employers.

### **Structural Unemployment**

One of the main reasons Malaysian university graduates face the unemployment problem is the courses provided by domestic universities are different from the labour market needs. As we are a developing country, Malaysia is in great need of workforce talent in manufacturing and engineering. Malaysia's manufacturing industry includes electrical products and electronics, mechanical equipment, chemicals and petrochemicals, etc. The manufacturing industry not only makes a good contribution to GDP, but also drives import and export revenue. Malaysia is going towards urbanisation, in order to build more houses and equipment, the demand for construction talents in our country is very high. Housing construction requires a lot of labour and technical personnel. Therefore, the government

and universities need to understand the needs of the labour market to avoid greater job competition for university graduates when they are looking for jobs.

**Table 1: Market Structure in Malaysia in 2022**

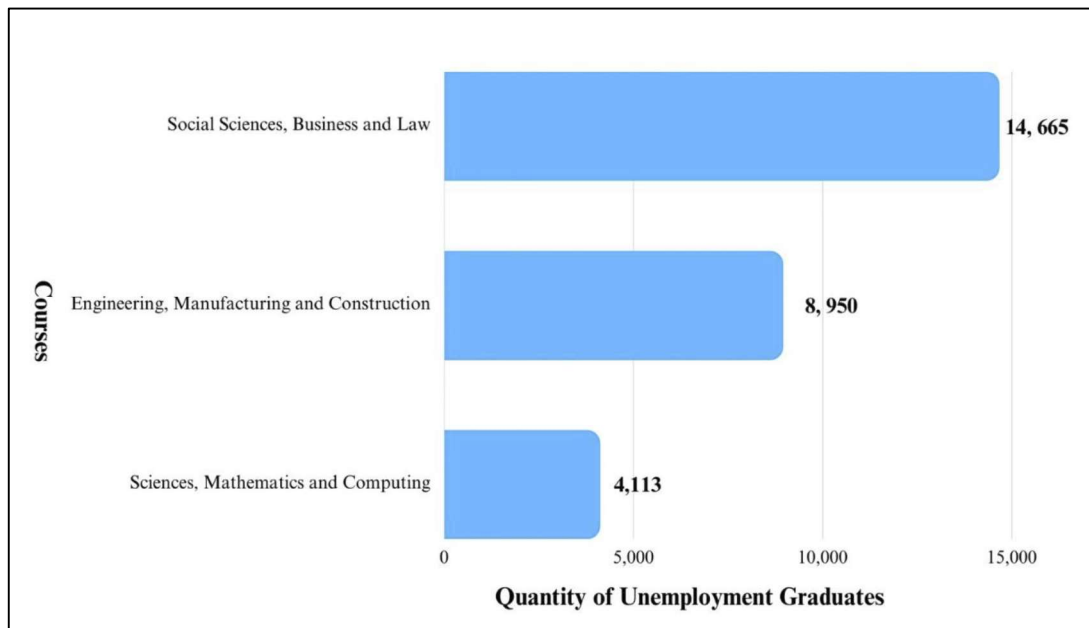
|                        | Contribution Percentage to GDP (%) | Total Hiring ('000) |
|------------------------|------------------------------------|---------------------|
| Agriculture            | 6.4                                | 469                 |
| Mining industry        | 6.4                                | 78                  |
| Manufacturing industry | 24.3                               | 2,358               |
| Building industry      | 3.5                                | 1,238               |
| Service industry       | 58.1                               | 4,476               |

Source: Prime Minister's Department of Statistics Malaysia

According to statistics, it is evident that the majors chosen by teenagers do not align with the needs of the labor market. The statistics indicate that the top three courses with the highest number of unemployed graduates in Malaysia are social sciences, business and law, and engineering, manufacturing and construction, as well as sciences, mathematics, and computing. These happen to be the top three courses with high student enrollments. While there is a strong demand in Malaysia for the engineering, manufacturing, and construction industry, the competition to enter these fields is excessive, resulting in an oversupply of human resources. Simultaneously, the traditional belief among Eastern individuals that pursuing a career in law is always a prudent choice has greatly influenced students and their parents when selecting their courses. Consequently, there is an abundance of lawyers in the nation, whereas the demand in the law industry does not match the supply of law graduates. Many people hold positive expectations for the development of the computing industry in Malaysia, causing a rush of individuals enrolling in computing courses and leading to a high number of graduates after 3 to 4 years. Thus, a conclusion can be drawn that the

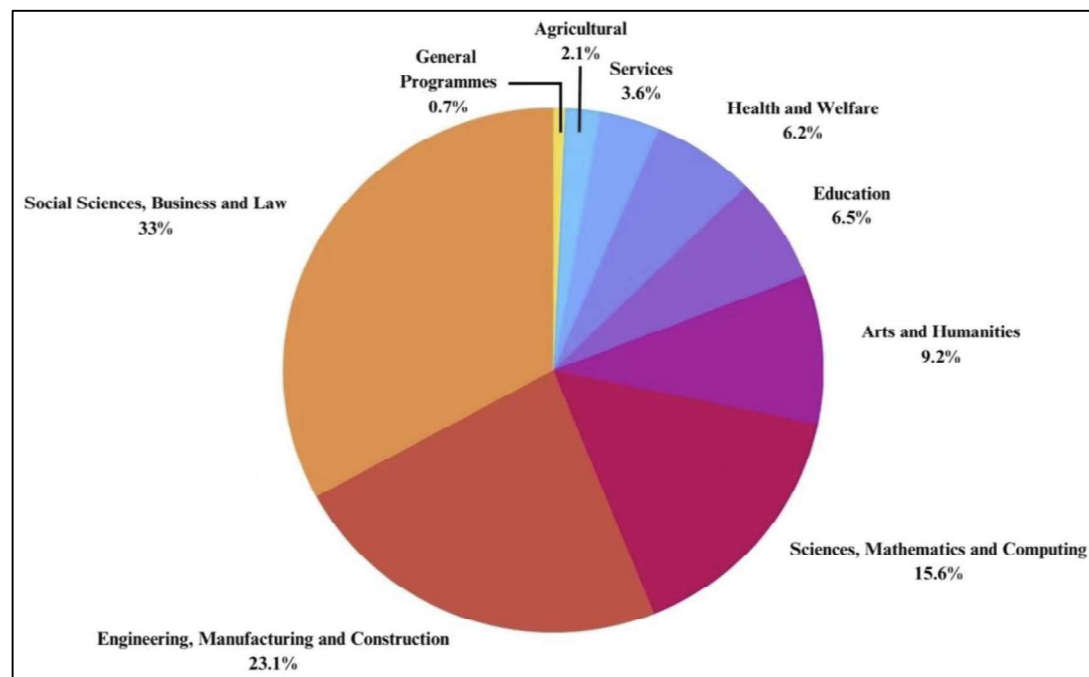
unemployment of graduates is due to the excessive enrollment of individuals in several industries.

**Graph 1: Top Three Courses with the Highest Number of Unemployed Graduate in Malaysia in 2022**



Source: UM & UUM Portal

**Graph 2: Students Enrollment by Course in 2019**



Source: Malaysia Educational Statistics

Furthermore, the unpreparedness of university graduates to enter the job market contributes to the increasing unemployment rate among fresh university graduates in Malaysia. Malaysian universities tend to prioritize academic results, often neglecting the importance of practical skill training. The focus is often on theoretical knowledge, disregarding the evolving demands of the job market. Outdated syllabus that do not align with current market needs are prevalent in several universities. Additionally, essential soft skills such as communication, organization, and other relevant skills are overlooked in university curricula.

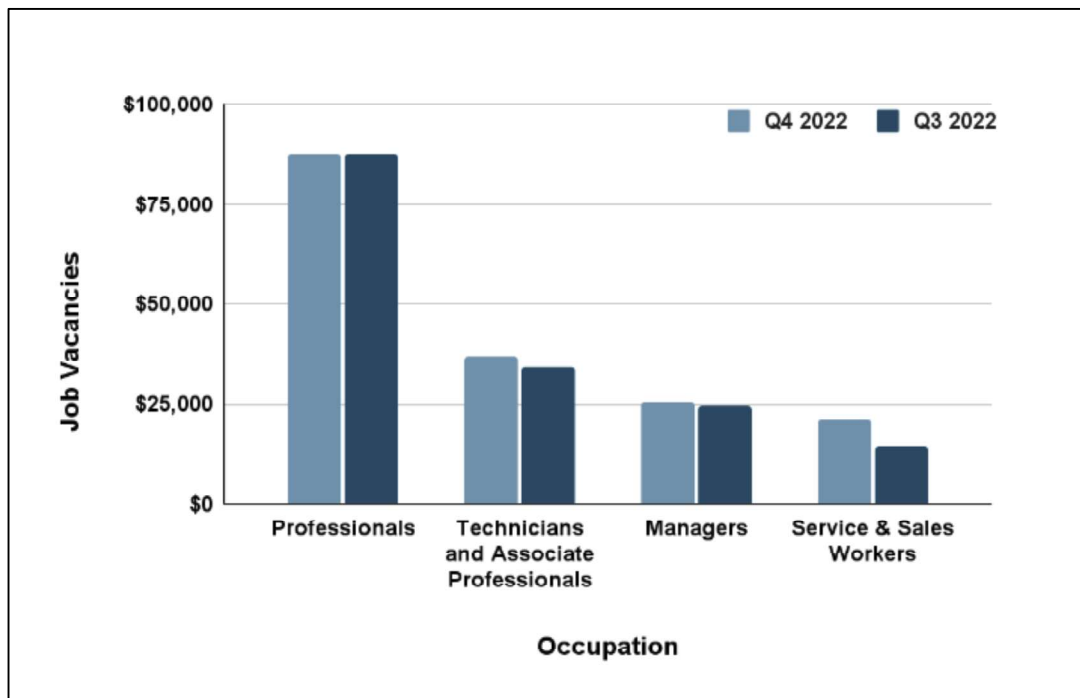
This disconnect between university education and the skills required in the job market contributes to the unemployment challenges faced by fresh graduates in Malaysia. Efforts should be made to bridge this gap by revising university curricula, incorporating practical skill training, and nurturing essential soft skills that align with industry demands.

### **Frictional Unemployment**

In addition, university graduates face unemployment problems because they cannot gain a sense of satisfaction and accomplishment in their jobs. University graduates will choose jobs that match their majors, but due to the intense competition in the labour market, most university students face unemployment. Today's society is different from the past. In the past, in order to live a better life, most young people were anxious to find a livelihood. They did not care too much about job satisfaction, and only hoped to have a stable income. In contrast to today's society, the families of most university graduates are not under financial pressure. University graduates have the right and ability to choose their favourite careers. If university graduates cannot get satisfactory jobs, the frictional unemployment will gradually increase. Combining the above situation, university graduates are faced with

a mismatch between the job market and their majors, so they are forced to work in jobs that do not match their majors, and it is difficult to find satisfaction in their jobs, so they leave their jobs frequently.

**Graph 3: Job Vavancies in Malaysia in 2022**



Source: Prime Minister's Department of Statistics Malaysia

According to survey data from the Department of Statistics Malaysia, veterinarians, surveyors and research professionals are the main job vacancies in Malaysia. For technicians and associate professionals, aerospace, construction and manufacturing (food processing) are the main focus. Job opportunities were up in skilled jobs such as clerical support workers, service and sales workers, skilled agricultural workers, craft and related trades workers, plant and machine operators, and assemblers.

## **Solution**

To address the issue of graduates being unable to find jobs that align with their education, the government must take a leading role in reshaping the market structure in Malaysia. As a developing country, Malaysia's market is currently dominated by light industries such as the service industry, manufacturing industry, and mining industry.

Simultaneously, the number of graduates in Malaysia is increasing due to the growing emphasis on higher education within Malaysian society. However, many of these graduates find a mismatch between their skills and the available job opportunities in light industries. To address this issue and prevent brain drain, the government should focus on transforming these light industries into heavy industries, providing opportunities for educated graduates to contribute to economic growth. Currently, Malaysia has a brain drain rate of 5.5% of the population, significantly higher than the global average of 3.3%, as stated by the Human Resources Minister V Sivakumar in the interview of New Straits Times in March 2023. The government should attract investors in key sectors and encourage them to invest in Malaysia through various policies, thus creating more employment opportunities for university graduates and reducing the likelihood of them leaving the country.

One approach is for the government to allocate more resources towards the development of heavy industries and high-tech sectors such as information technology, while offering tax incentives to attract investors in these areas. Additionally, the government should provide subsidies to local companies to support their growth in high-tech industries. These initiatives would increase job prospects for unemployed fresh graduates and alleviate the issue of unemployment in the country.

By implementing these measures, the government can foster a conducive environment for graduate employment, attract investors, and promote the growth of heavy industries and high-tech sectors. This approach would provide more opportunities for graduates to enter the job market and alleviate the unemployment problem faced by the nation.

The government can improve the low employment rate of graduates by changing education policy. Popular degree courses to study in Malaysia recently are business management, engineering, medicine, mass communication, accounting and finance, hospitality and tourism, art and design. The courses offered by domestic universities should be changed according to the job market. For example, universities should refer to the situation in the job market every year, to reduce the number of students who can enrol in majors with low employment rates. If there is a major that is already rarely in demand in the labour market, the university can even stop taking in students for the majors temporarily. This will not only increase the employment rate of graduates, but also increase more talents needed by the domestic market and accelerate economic development. This solution can resolve part of the problem of structural unemployment and frictional unemployment as these universities graduates will find a job matched with their courses after graduation.

Besides, universities should also make appropriate revisions to course content. In current universities, college students have a better grasp of academics than technical. However, for employment issues, college graduates are very important for technical mastery and substantive experience. The Ministry of Higher Education can increase the duration of internships for college students, so that college students can accumulate enough experience and skills during the internship period.

In addition, the government should implement policies to resolve conflicts between employers and interns. Many interns feel that their salaries do not match their efforts, while employers argue that they are providing interns with valuable learning opportunities. To address this issue, the government is advised to provide subsidies to both interns and companies. One possible approach is to collaborate with universities and offer discounted tuition fees for interns who are actively engaged in internships and have minimal class attendance. Furthermore, companies that accept interns should be eligible for training allowances. It is crucial to enhance training courses for university graduates to better equip them for the workforce. Singapore has seen significant improvements by implementing training programs for its employees.

In summary, the suggested actions include providing tuition fee discounts to interns during their internships, offering training allowances to companies hosting interns, and increasing training courses for university graduates. These measures can contribute to resolving conflicts between employers and interns and improving the overall internship experience.

## **Conclusion**

In conclusion, addressing unemployment, including structural and frictional unemployment, is not only crucial for the well-being of the unemployed individuals but also a significant challenge for Malaysia's economic growth. If the unemployment rate among fresh graduates remains high, it can potentially lead to a brain drain, resulting in a loss of skilled labour and hindering the country's development. In order to improve the quality of life for Malaysians, it is essential for both the people and the government to work together to solve the unemployment problem. The government plays a pivotal role in restructuring



Malaysia's industries, while university graduates also have a responsibility to contribute to the transformation of these industries. These university students and graduates have to do more research before choosing a major and take part in short term training courses actively to enhance their own skills and competitiveness. By fostering cooperation and collaboration between various stakeholders, Malaysia can make progress in reducing unemployment and creating a more prosperous future for its citizens.

(1807 words)

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