



Growth and Youth Job Creation

Enhancing Malaysian young workers'
employability and future skills

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Preamble

Recent labour market developments indicate the vulnerability of our youth (15-24 years) in securing and retaining good quality jobs in the economy. Although youth represent only 19 percent of our population, they make up almost 56.4 percent of all unemployed persons in Malaysia. This will have larger social and economic ramifications as investment in a younger workforce will translate to stronger economic fundamentals that will drive medium to long-term growth of the Malaysian economy.

Responding to the urgency of the issue, on 6th November 2019, Research for Social Advancement (REFSA) and Jeffrey Cheah Institute on Southeast Asia, Sunway University (JCI) brought together policymakers, academics, legislators, youth representatives and other key stakeholders in order to discuss the issues related to youth employment in the Malaysian economy. The event highlighted the role of the state in creating secure employment, improve job security and social protection for youth, as well as restructuring our industries towards more productive, knowledge-intensive sectors.

This roundtable brief is a collection of opinions, key arguments and policy ideas raised during the roundtable. It has benefited from the kind comments of YB Liew Chin Tong, REFSA's chairman and Professor Shandre Thangavelu, deputy director of JCI. Moreover, we are grateful for the participation of both the Minister of Human Resources, YB Kulasegaran and Minister of Youth and Sports, YB Syed Saddiq, both key stakeholders in the issue of youth employment. Our hope is that the ideas raised here will reach key decision-makers in government, in order to effect a better future for young Malaysian workers.

Group photo



The roundtable brought together diverse stakeholders from both public and private sectors, including ministers, labour unions, policymakers, legislators and government state agencies. For a full list of participants, please refer to appendix 1.

Source: Ho Yi Jian

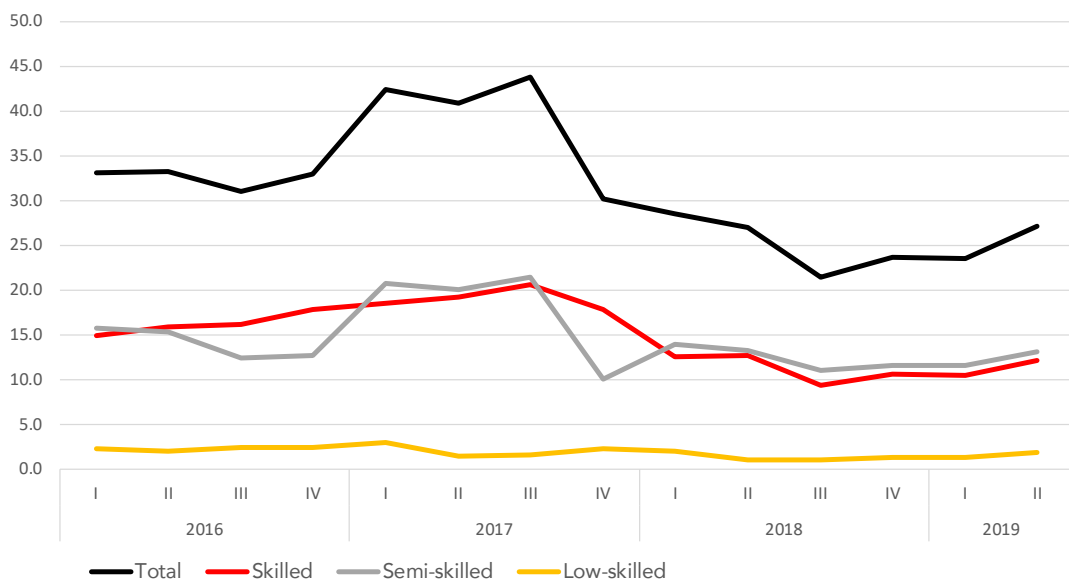
1 The Reality

1. An economic narrative centered around the human capital development of youth and in particular the jobs-creation for the youth is critically needed in the Malaysian economy to improve the competitiveness of the Malaysian economy. The investment in human capital also has an important social dimension and is part of an inclusive growth strategy. Jobs, in other words, are not mere economic instruments—they are also tools to enhance the social fabric of the nation by ensuring that the economic pie is distributed equitably.

2. The panel pointed out that in recent years, the pace of skilled job creation (in red) has remained stagnant.

Figure 1

Quarterly Job creation by skill level



Source: DOSM Quarterly Employment Statistics

3. At the same time, the growth of the labour force with tertiary education has outpaced skilled-job creation, resulting in a mismatch of the labour market.

Figure 2

Excess supply of labour force with tertiary education



Source: Labour Force Survey, cited in Ong Wooi Leng's (Penang Institute) slides

2 Correcting Mismatches in the Labour Market

4. One concern shared by several roundtable participants is the mismatch between state policies, youth aspirations, youth education credentials, and labour market demands. Policies that aim to better coordinate the three stakeholders (state, employer and young workers) are needed in the Malaysian labour market.

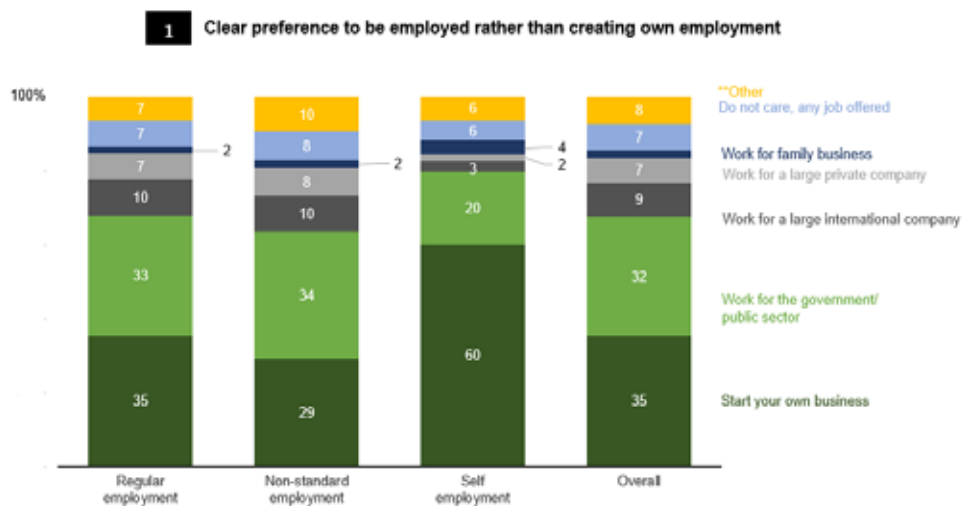
5. For example, a better gauge of youth sentiments is needed in order to enhance jobs policies targeted at the youth cohort. One participant highlighted that although policy focus has been geared towards entrepreneurship, surveys on youth indicate that young workers exhibit clear preference to be employed rather than creating own employment.

Figure 3

Mismatch between youth aspirations and jobs policy for youths

+ SWTS Key findings

What are their important goals in life? – Changing patterns in youth’s aspirations about jobs.



2 Youth aspire of working in public sector, particularly as professionals in education, health and social work

A screenshot from “The School-to-Work Transition of Young Malaysians (SWTS)” presentation showing that youths are interested in being employed than to create their own employment through entrepreneurship.

Source: Junaidi Mansor’s (Khazanah Research Institute) slides

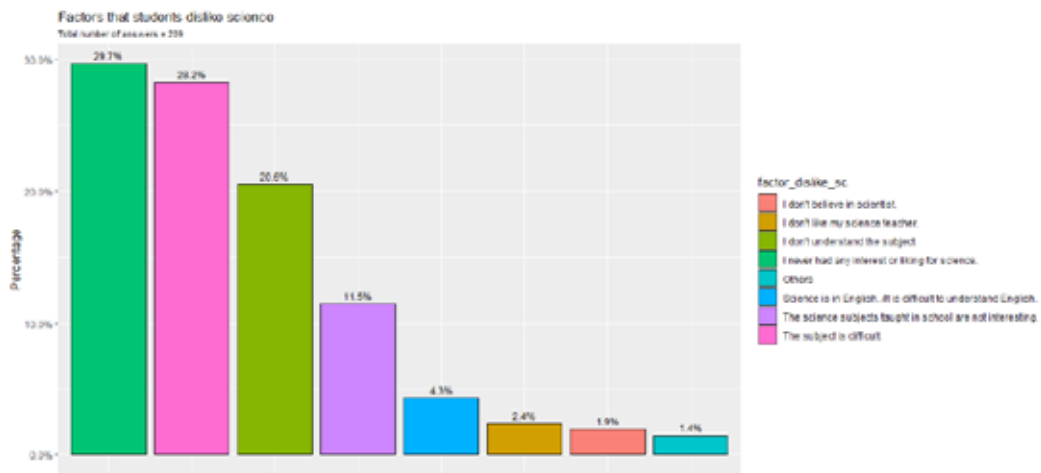
6. Participants also point out that there is a mismatch between skills demand and supply. While soft skills such as critical thinking and creativity are prized in today’s industry, employers find that youth graduates lack these skills.

7. In some instances, this mismatch stems from an endemic problem of our education systems. For example, for the labour market in Penang, despite the overall high vacancy rates of STEM job positions, students lack interest in pursuing STEM education and subjects. State governments, in accordance with the unique economic needs of the region have to develop a coherent skill strategy to close the information gap between education institutions and industries. This is to encourage the training of young Malaysians in accordance with industrial demands.

Figure 4

Malaysian youth lack interest in STEM subjects

Preliminary results: Why do students lack interest in science subjects?



“Never like science” and “the subject is difficult” are the main reasons.

9



A screenshot from Ong Wooi Leng’s presentation showing the reasons young Malaysians are not interested to pursuing STEM subjects.

Source: Ong Wooi Leng’s (Penang Institute) slides

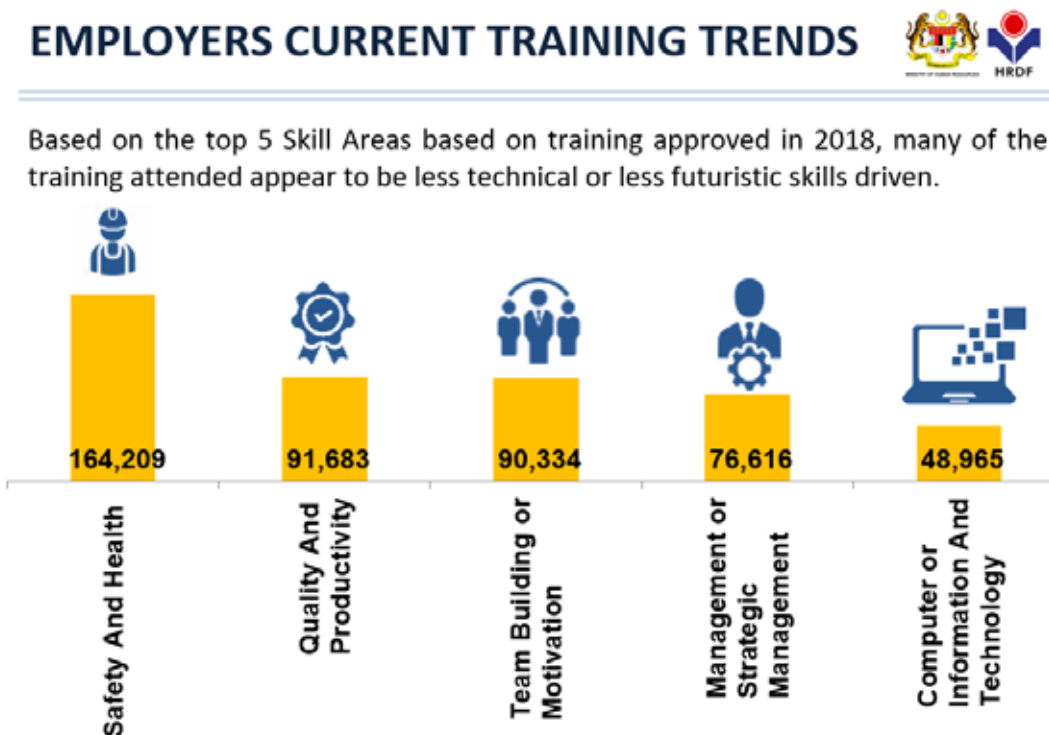
8. However, in other cases, the problem can be attributed to the employers. Despite the importance accorded to workers having specific skills, most firms (especially medium, small and micro enterprises) generally do not have the capacity to train workers. They also lack interaction with education and training institutions, exacerbating the problem of mismatch between labour supply and demand.

9. For example, the panel highlighted that in the case of training funds allocated by the government, most of such funds are “squandered” by employers in courses that have little bearing on the key competitiveness sectors such as the knowledge-

intensive sectors of the economy, which is the industrial strategy of the Malaysian government. There is an increasing trend that the employer-based training programs are more compliance related but are less technical/futuristic skills-driven.

Figure 5

Mismatch between employers' preferences for skills training and future industrial trends



Screenshot from the "Strategic Initiatives to Create Skills for the Future" presentation by HRDF showing that employers' preference for training has been less oriented towards future-skills.

Source: Elanjelian Venugopal's (HRDF) slides

10. The panel highlighted that such problems stem from the lack of coordination and also the mismatch between government's economic planning and industries' demands. The panel suggested better communication of a clear economic plan and a national skills strategy that have wide consensus amongst employers and workers are needed to ensure better coordination between public and private sector.

11. Overall, all of the mismatches raised above can be attributed to the critical informational gaps between the government, private sector and youth themselves. Only better data-sharing, better communication, and better institutional designs that facilitate a coordinated policy framework between the three stakeholders of the youth labour market, can improve our labour market competitiveness.

3 Adjusting to the Future of Work

12. Young workers increasingly find themselves in precarious employment, such as temporary fixed-term contracts, freelancing, gig work or are informally employed. Such forms of employment are only minimally covered by existing social protection mechanisms (i.e. contributory pensions, health insurance, unemployment benefits).

13. Statistics shared during the roundtable show that self-employed annual pension contribution (KWSP *i-saraan* scheme) has reached a peak in 2012 at RM84 million since its introduction in 2010 but has declined to RM58 million in 2017. The number of transactions has also declined, indicating that less self-employed individuals are opting-in on the *i-saraan* scheme. Stronger ‘behavioral’ and ‘monetary’ incentives can help nudge young workers towards long-term financial planning. For instance, behavioral incentives include initiatives such as ‘automatic voluntary’ enrolment in pension schemes, coupled with education and financial literacy initiatives at a young age. Monetary incentives such as a tax-financed social pension that matches self-employed/informal workers’ contribution could go a long way to encourage workers to opt-in on public pension schemes.

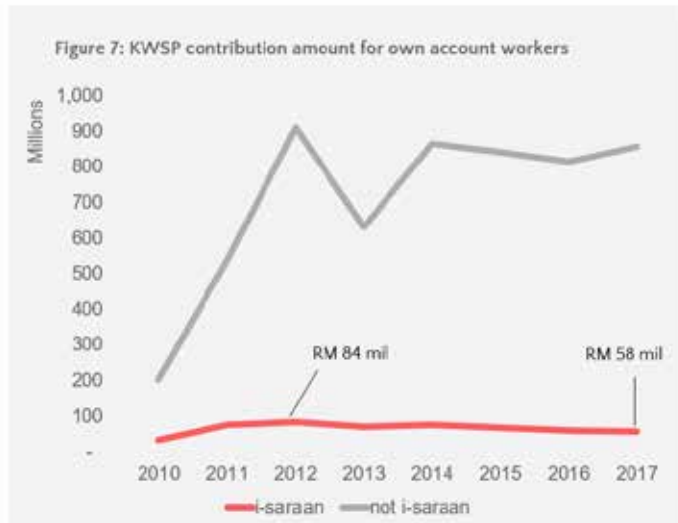
Figure 6

Self-employed workers are less likely to be covered by existing pension systems

Initiative III: Improving social protection for self-employed workers

i-saraan contribution rates

	Number of transactions	Contribution amount (RM)
2010	62,230	34,620,317
2011	116,032	76,145,247
2012	129,225	84,270,000
2013	122,669	70,661,339
2014	118,530	75,697,243
2015	108,402	67,097,091
2016	97,781	59,910,702
2017	88,522	57,520,745



Source: KWSP, retrieved from data.gov.my

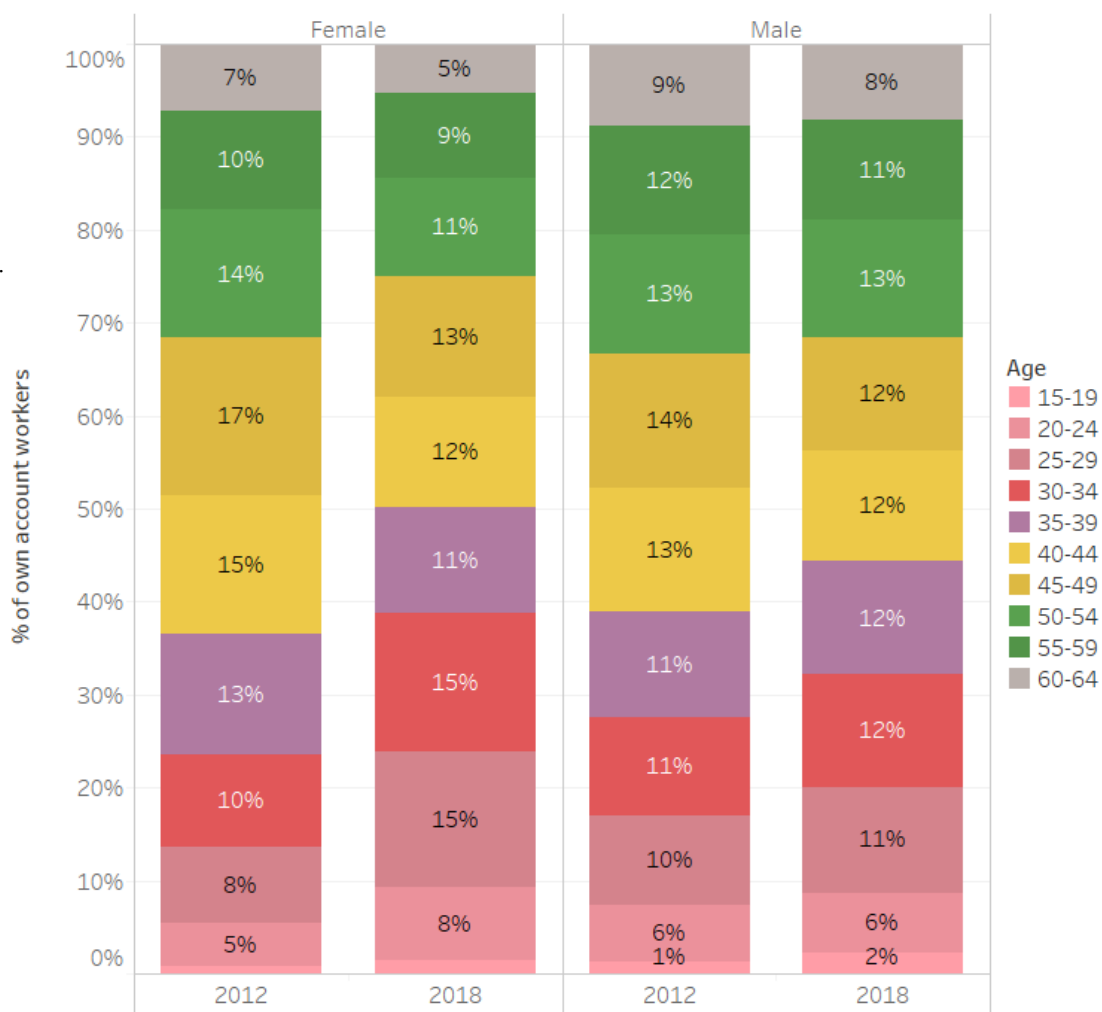
Annual contribution rates to EPF’s ‘I-Saraan’ scheme for self-employed workers have dwindled.

Source: Yap Lay Sheng’s (REFSA) slides

14. In many cases, young workers, especially young women, are entering self-employment in droves due to the perceived flexibility of platform work (refer to fig 7). However, there is another overlooked segment of the youth population whose entry into self-employment is involuntary, spurred by the lack of good jobs on the labour markets. This segment of the involuntarily self-employed workforce requires urgent policy intervention.

Figure 7

In recent years, the self-employed workforce is younger and more feminised.



Source: DOSM statistics cited in Yap Lay Sheng’s (REFSA) slides

15. To address the rise of the platform economy, the distinction between genuine self-employment and ‘dependent’ self-employment was raised during the roundtable. Dependent self-employment are situations where purchases of labour’s services have monopsony power—there is only one buyer—or where platforms exert undue managerial power on independent contractors over how work is carved out and done. In these cases, stronger labour legislations are needed to curb the growth of dependent self-employment, ensuring that employers are not reaping cost-savings by transferring the provision of social protection to the state, or to other working family members these independent contractors ultimately depend upon.

16. Participants also highlight that the rise of independent contracts, decline of stable wage employment, and a more mobile labour force will make training and upskilling tied to employers more difficult. To address this problem, state-administered skills training programme needs to be decoupled from stable wage employment in order to cater to a more independent, mobile and itinerant workforce.

4 Strengthening tripartite social dialogue

16. Participants reaffirmed the importance of tripartite social dialogue as an important means to formulating a good, broadly-supported, industrial policy for the economy. All stakeholders must work together to strengthen the jobs market for youth.

17. Malaysia's low wage situation is, in part, contributed by the lack of bargaining power conferred to labour unions. Malaysian workers are being paid a third less for the same level of productivity than in other comparable economies. Frequent union-busting and legislation that does not enshrine the right to unionise have weakened the power of labour unions in Malaysia. Moreover, enterprise bargaining—bargaining with individual firms—is more prevalent than sectoral bargaining in Malaysia, which makes it hard to translate firm-level productivity gains into the broader economic sector.

5 Data for better labour market policies

18. The roundtable agreed that in order to enhance policy-making, better collection of data on the labour markets and labour force is needed. Participants identified that truly accessible and timely data released by the government is lacking. Open data is especially important for policy interventions that address the needs of the labour market, in order for a successful transition of Malaysia into a knowledge-intensive economy. They also encourage participation of the public in governance processes. The roundtable agreed that more research is needed into which mechanisms, method and means are available to enhance better data-collection, data-sharing and open data initiatives.

19. In reality, national statistical offices, including the Department of Statistics Malaysia (DOSM), is governed by legislation (i.e. Statistics Act 1965) that constrains their ability to share information. Privacy concerns prevent statistical offices from releasing data or release them in an aggregated format that disallows fine-grained analysis by researchers. To address these privacy concerns, roundtable participants mooted the idea of a public commission representing wide panel of stakeholders to decide on how data sharing should be handled by relevant parties to prevent misuse of information, and to encourage the release of privately- and publicly-held data.

Policy Summary

- i. Malaysia has to embark on an ambitious economic reform programme to restructure our predominantly labour-intensive industries towards knowledge-intensive ones, to increase more high-skilled jobs creation that will absorb our skilled young workforce.
- ii. Government can better coordinate labour supply (through education policies) and labour demand (through industrial policies) to correct the persistent mismatches in the youth labour markets. This includes initiatives to encourage more uptake of STEM subjects by students, nudge industries to be more actively involved in education, as well as government incentives to help the private sector upskill its workforce.
- iii. Stronger tripartite social dialogue between government, employers and employees needs to be instituted. This is in order to strengthen labour's bargaining power and achieve consensus between employers and employees in the common pursuit of economic and wage growth.
- iv. Better publication of statistics in the form of more granular and more frequently-released data can improve labour market policies. Moreover, data-sharing across government agencies, and between the public and private sector can improve the efficiency of decision-making, ensuring that policies are responsive to the most updated realities of the labour market.
- v. More government policies should be devoted to young workers who are pushed into self-employment due to the lack of good jobs creation. This includes measures to inculcate good financial planning habits, and initiatives such as automatic enrolment in self-employed pension schemes and skills retraining to reintegrate workers into wage employment.

Appendix 1: Participants List

REFSA and JCI would like to thank all participants for making invaluable comments throughout the roundtable. We do not claim that the roundtable brief is exhaustive, nor does it come close to capturing the depth of the conversation. However, we hope that this roundtable brief will be the start of a roundtable series to spur deeper conversations on enhancing the competitiveness of our labour market.

The report does not represent a consensus, nor an endorsement, by the participants on any issues raised. In no particular order, we would like to acknowledge the contributions of the following roundtable participants:

YB Kulasegaran
YB Syed Saddiq
YB Liew Chin Tong
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Tan E Hun
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Firdaus Rizal

About REFSA

Research for Social Advancement (REFSA) is a progressive, non-profit think tank that promotes social advancement in Malaysia. Since its inception, REFSA has been at the forefront of policy discussions and debates in the important political and socio-economic issues of the nation. Today, our aspiration hasn't changed – we want to power the movement for a just, inclusive and multi-ethnic society.

What is our vision for social advancement? To put it simply, it is to improve citizen's well-being through better economic, social, democratic, and information access. We believe in a Malaysia where the strong help the weak, where the rich and the poor are treated fairly, and where all citizens - regardless of race, religion or cultural background - are free to pursue their aspirations.

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