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The COVID-19 Recession: Rough Times for Young Malaysians

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Pedestrians cross a road in front of Malaysia’s landmark Petronas Twin Towers in Kuala Lumpur on 12 January 2021, as Malaysian authorities were set to impose tighter restrictions to try to halt the spread of the Covid-19 coronavirus. Photo: Mohd RASFAN, AFP.

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EXECUTIVE SUMMARY

- The COVID-19 recession has exacerbated the already challenging labour market conditions for Malaysia’s youth (aged 15-24).

- Unemployment rose across all age groups in 2020. However, Malaysian youths have continually registered higher levels of unemployment, and also withdrew from the labour force at a rate substantially higher than for other age groups.

- Job losses also rose in 2020 compared to 2019, especially in the middle- and low-skilled jobs. In this same period, the number of youth employees contracted, with many compelled to undertake self-employment or start businesses. However, this pivot was limited to a few sectors, particularly retail trade. Employee salaries have also declined across the board, but again, more steeply among young workers.

- Malaysia’s stimulus packages have prioritized the more experienced workers, understandably given the massive need to protect existing jobs and assist those who have households to sustain.

- A few measures have specifically targeted young workers and fresh graduates, whose vulnerability has become increasingly evident. The freshly appointed government will face severe pressure to address the plight of the unemployed youths and young workers.
INTRODUCTION

Like most of the world, Malaysia grapples with the challenges of educating and employing its youth. Following convention, this study classifies youth or young workers as 15-24 years old. In Malaysia, this age category numbered 2.6 million, or 16.7% of the labour force, in 2020.

The COVID-19 recession of 2020 and the continuing travails of 2021 have compounded the already difficult conditions for young workers and fresh graduates. Prior to 2020, the unemployment rate of Malaysia’s youth in Malaysia was under the global average of 13%, but exceeded the unemployment rate of the adult working population (aged 25-64) by a relatively high factor of six (compared to the global average of three). The ratio of youth unemployment to the national average has been rising over the past decade, and graduate unemployment has persisted as a national concern, including problems of disparity in access and quality of higher education perpetuating class stratification (Lee 2020a, 2020b).

Young workers bore the brunt of the 2020 recession caused by a shocking and unprecedented economic shutdown. Youth unemployment reached 12.5% in 2020, up from 10.5% in 2019 and 10.7-10.9% in 2015-2018. Beyond this headline figure, however, other data shed important light on the tribulations of Malaysia’s youth. Employment declined most markedly for young workers and disproportionately affected those in lower income situations. Evidence points to larger contractions of youth employment in middle- and low-skilled occupations. Young workers holding tertiary-level qualifications have not been spared, with the number of unemployed graduates in Malaysia rising by 22.5% in one year to over 200,000 in 2020. They have also withdrawn more significantly from labour participation, and have been more steeply compelled into self-employment – which has no doubt been a policy objective in line with structural changes in the economy and labour market, but has now transpired through an abrupt, crisis-induced shift. Available evidence also points to disproportionately larger salary declines among young workers.

Malaysia’s policy responses, launched under the various COVID-19 stimulus packages, have prioritized the retention of the existing workforce, with some attention to job creation, which benefits new labour market entrants, and a few programmes specifically targeted at fresh graduates and young workers, most of which have fallen short of the targeted number of beneficiaries. It is fair to say that the efforts have mitigated labour market woes, although the effects are difficult to quantify. What is clear is that Malaysia’s youth have become restive, and more vocal about their pandemic-deepened plight. The incoming government will need to respond decisively and effectively on this matter.

LABOUR MARKET IMPACTS

Unemployment and withdrawal from the labour force

The unemployment rate remains the macro yardstick of the labour market impacts of an economic recession. Quarterly figures trace out the job displacing effects of economic closures enforced to contain the pandemic. Malaysia’s extensive lockdown – the first Movement Control Order of March-June 2020 – resulted in a staggering 17.1% GDP contraction in Q2 2020. Correspondingly, overall unemployment rose from 3.2% in 2019-
Q4 to 5.1% in 2020-Q2. Unemployment for 15-24 year-olds increased from 9.9% in 2019-Q4 to 12.5% in 2020-Q2, from 2.9% to 5.2% for the next age bracket (25-34 years), and rose relatively steeply as well for older workers (Figure 1). Based on these data, unemployment levelled off by end 2020, and even moderated in 2021 for youth.

There may be some undercounting of job loss, caused by certain factors. First, the number of foreign worker permits plummeted by about half a million in 2020, and the vast majority have not been replaced by Malaysian workers. Official unemployment rose from 3.5% in 2019 to 4.6% in 2020 for Malaysians, and more markedly for non-citizens, from 1.7% to 4.2%, but in terms of number of workers, there was a net decrease of only 146,000 non-Malaysian workers. Second, in announcing the Pemulih stimulus package on 28 June 2021, the government noted that, based on EPF and SOCSO data, 1 million account holders in social protection institutions had incurred income losses and would be offered cash assistance. The extent to which these income losses derive from unemployment was not disclosed, but the overall figure far exceeds the official increase in the number of unemployed, which registered the widest margin of 300,000 between February 2020 and May 2020. Whether youth unemployment has been more severely undercounted than other age groups is also hard to ascertain. It suffices at this juncture to note that the labour market downturn for all, including youth, is probably more severe than the official account.

Following international convention, Malaysia defines the unemployed as those who are not working but are looking for work, and the labour force is defined as the population aged 15-64 who are either working or unemployed. Those who withdraw from the labour force — who are not working and are not seeking a job — are omitted from the statistics. In the first three quarters of 2020, at the peak of economic downturn and job loss, young Malaysians withdrew from labour force participation at a relatively high rate (Cheng 2021).
years old) that are either working or looking for work, fell marginally from 68.9% (2019-Q3) to 68.4% (2020-Q3). Among youth (15-24 years), however, the LFP decline was substantial, from 46.0% (2019-Q3) to 41.8% (2020-Q3). Some patterns based on educational qualifications are also noteworthy. The decline in labour force participation among the young, from 2019 to 2020, was steepest among male degree holders (85% to 75%) and female diploma holders (64% to 56%). The increased numbers of youth not even looking for work, and hence are excluded in the unemployment equation, underscore the need to look beyond the official unemployment rate.

**Employment: Amount and distribution of jobs**

Employment data, which tells us how many jobs exist and where they are located, are instructive. Young workers experienced a precipitous drop in the number employed, on a year-on-year basis, at a far steeper rate than for other age brackets (Figure 2). In the third quarter of 2020, the number of employed 15-24 year-olds was 11.6% lower compared to the third quarter of 2019. The latest figures, for 2021-Q2, however, show that the number of employed stayed the same over the preceding year (zero percent change from 2020-Q2) for workers under 35 years, but grew for workers aged 35 and above.

![Figure 2. Total employed, year on year change (%), by age group](source)

Disaggregating these data further by employment status and occupation yield further insights. These data are only available on an annual basis, but we may observe the 2018-2020 interval to deduce COVID-19 recession impacts. Based on employment status (Figure 4), we can see marked differences in the decrease of young employees alongside growth in the self-employed, who operate solo without any employees. The drastic slowdown in recruitment has induced young workers to start their own businesses, whether as a new enterprise or perhaps in subcontracting or outsourcing arrangements.

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7 The drastic slowdown in recruitment has induced young workers to start their own businesses, whether as a new enterprise or perhaps in subcontracting or outsourcing arrangements.
Patterns of employment growth by occupation concur with the realignment toward more self-employment, confirming that young workers have generally borne the brunt of the economic downturn. In almost all occupation groups, employment of 15-25 year-olds either expanded or remained stable between 2018 and 2019. However, the number of managers, which includes employers and the self-employed, grew noticeably in 2020 – and even more so for the 25-34 year category, as expected, due to their greater capacity to venture into new business. Simultaneously, in categories typically filled by employees – professionals, clerical workers, craft workers, machine operators, and elementary jobs – employment of young workers declined, with the exception of service and sales workers (Figures 4a and 4b). The decline in youth employment has therefore affected all levels of skills and educational qualifications, but is more pronounced in lower skilled occupations.

Steady demand for skilled labour, based on job advertisements, are consistent with this impression that more skilled labour – especially those suited to technological transformation – are disproportionately benefiting in the current milieu. Comparing the last three quarters of 2020 with the corresponding period in 2019, the number of employed with tertiary education grew by 8.7%, while those with only primary education declined by 13.5% (Cheng 2021).
Data breakdowns by industry show that worse-affected sectors have tended to reduce youth recruitment. Looking at sub-sectors, particularly services most impacted by the COVID-19 recession and the succession of MCOs, is quite instructive. In general, the GDP of services sub-sectors contracted, with a select few enjoying growth. Employment of 15-24 year-olds in food and accommodation sectors plummeted in 2020, while wholesale and retail and transportation barely changed, registering zero to 1% growth. Transport services took a -21.9% impact in terms of GDP, but also saw a surge in the ‘postal and courier’ category – amounting to a bonanza 16.6% growth – reflecting the proliferation of delivery services. However, the ability to engage in these new activities is largely contingent on owning or accessing motorized vehicles. These factors likely explain the higher growth in employment in transport among workers above 35 years.

Under-employment

A further aspect of labour market impact on the young pertains to under-employment, of which there are two varieties: time-related under-employment, referring to those who are
working less than 30 hours per week, and skill-related under-employment, referring to those who are holding a job that is below their qualifications, most saliently degree holders in routine low-skilled jobs (Figure 7). The rise in time-related under-employment in 2020 was widest among young workers, but appears to have recovered by 2021-Q1. These patterns capture transitory impacts of the economic downturn. Skill-related under-employment, however, raises more concern if it translates into structural, enduring problems of skills mismatch. There was an increase in skill-related under-employment in 2020, and the incidence remains high, although in view of some fluctuation in recent quarters, it is hard to tell whether the problem will stabilize or worsen in the near future.

![Figure 5. Under-employment: skill-related and time-related, by age group](image)

**YOUNG WORKERS’ INCOME**

The dreary employment scenarios above can be expected to correspond with declining income, and various journalistic and local investigative accounts attest to family hardships. However, the impact of the COVID-19 recession on income is harder to gauge on a national scale.

Graduate tracer studies, based on disclosures about employment status and the salary range of employed fresh graduates who report these data prior to their graduation ceremonies – typically 3-6 months after completing their studies – provide one available reference. We can observe patterns consistent with a modest decline in fresh graduates’ salaries from 2019 to 2020, but not a drastic drop. The proportion of degree graduates earning under RM2,500 rose marginally, from 69.4% to 70.3% (Figure 6). What is of concern is the sizable decline in the share of degree graduates earning RM2,001-2,500, from 18.7% in 2019 to 16.7% in 2020, while the share earning under RM1,500 increased from 32.6% to 35.2%. Among diploma graduates, those earning below RM1,500 increased from 6% in 2019 to 64.3% in 2020. The increase may be slight, but the staggeringly large share in these low salary brackets reflects chronic labour market issues.
The severer drop in youth employment and in lower-skilled jobs exerts downward pressure on wages in these categories. Statistics from the just-released *Salaries and Wages Survey Report 2020* concur (Figure 7). This survey specifically captures the salaries of Malaysian employees or fixed income recipients, in both private and public sectors. Employees aged 15-24 encompassing all education levels endured the widest decline in mean salary, registering a -13.7% change from RM1,793 in 2019 to RM1,547 in 2020. The next most affected is the 25-34 age group with a -12.9% change, from RM2,916 to RM2,538. The decline for both age groups significantly exceeded the overall average of -9.0%. Based on educational attainment (of all ages), the evidence suggests that employees with tertiary education have been more able to weather the storm, compared to those with only secondary or primary education. While the salary figures for educational attainment do not differentiate by age, we can presume that the effects apply across the board. In line with the relatively greater contraction in lower-skilled employment, we may deduce that the wages of lesser-educated youth have declined by wider margins.
Malaysia introduced various programmes to relieve economic distress, retain existing jobs and stimulate new jobs. The unique adversities of the pandemic have inclined policies to prioritize job protection and income protection, which do not target by age and would relatively benefit more experienced workers. The discussion that follows highlights measures that explicitly designate fresh graduates or young workers, or that are more likely by design to benefit them. The Bantuan Prihatin Rakyat cash assistance primarily benefited households but also provided for non-married Malaysians. However, the meagre RM100 provided can barely qualify as relief. The following, however, merit an overview, with a summary in Table 1.

Penjana hiring incentives

The Penjana stimulus package of July 2020, succeeding the Prihatin package of March 2020 which focused on preserving jobs, introduced a menu of allowances for employers to generate jobs. This is especially pertinent to youth, who comprise a large segment of new labour market entrants, whereas the massive wage subsidy programme focused on already hired workers, and reportedly benefited 2.5 million employees. Penjana incentives have not explicitly targeted workers by age group, but young adults are poised to benefit from the Penjana Kerjaya (work generator) programme that boosts recruitment, especially in the form of apprenticeships. Youth may also be better matched, in terms of being able-bodied and suitably skilled, for the Malaysianization scheme seeking to induce employers to hire locals in place of non-citizens.

Information on these programmes’ outreach have been disclosed, including by age bracket, but the efficacy of these programmes remains difficult to appraise. Penjana Kerjaya 2.0, a continuation of the programme for January-July 2021, reportedly benefited 153,000 workers under 40 years at end July, surging from 25,000 at end-March. Clearly, the full lockdown from June drove participation in Penjana Kerjaya, but the adequacy will need to be rigorously evaluated. As a general reference, the unemployed in the age range of 15-34 numbered 546,400 in the second quarter of 2021 (April-June). Take-up of the apprenticeship...
also saw a spurt in June-July, counting 34,000 participants by end July, a steep rise from about 13,300 in mid-May. Again, participation has not reached the target of 50,000. Malaysianization, a slim prospect given the low pay and exacting work conditions imposed on foreign workers, unsurprisingly drew a meagre 2,870 by end July (EIAS 2021a, 2021b).

*Ministry of Higher Education – Career Advancing Programme (MOHE-CAP)*

Under the Penjana stimulus package of June 2020, the Ministry of Higher Education (MOHE) implemented a RM100 million Career Advancing Programme (CAP) to reduce unemployment among graduates. Under the scheme, each participant would be given a choice to be equipped with job competencies or geared up for self-employment in one of the following three pillars namely, Place and Train, Entrepreneurship and Gig Economy. Trainers were to be recruited from universities and industry players, and the programme cost of RM4,000-5,000 per participant fully borne by MOHE. While this programme is on paper commendable for retraining graduates and enhancing their employability, the ministry has not provided follow-up data on whether participants have secured employment or their salary incomes. In addition, based on the expenditure required per participant, CAP is estimated to benefit only 20,000 unemployed graduates or a mere 10% of the overall unemployed graduates in Malaysia.

*Place and Train by Human Resource Development (HRD) Corp*

The Place and Train programme was further boosted in the recently announced Pemulih stimulus package whereby HRD Corp was allocated with RM125 million to assist school leavers between the age of 18 and 40 and graduates who are unemployed. Apart from a month-long training course, participants would have six months of Placement Job Training (PJT) with a firm. Companies participating in the Place and Train programme can receive up to six months of PJT allowance, as an incentive to participate and offset the cost of hiring trainees. Candidates in the programme would be hired by the company for at least a year, inclusive of the six months PJT period. The programme has targeted 30,000 beneficiaries, but it is as yet too soon to evaluate its impact.
Table 1. Key information of selected relief and stimulus programmes: youth-related and youth-targeted

<table>
<thead>
<tr>
<th>Programme</th>
<th>Ministry / agency</th>
<th>Key elements</th>
<th>Number of intended recipients</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General programmes (youth-relevant)</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Penjana Kerjaya</td>
<td>Ministry of Human Resources (MOHR) and Social Security Organisation (SOCSO)</td>
<td>RM2 billion of incentives for employers and employees to increase employment through wage co-share and grants for mobility assistance and training</td>
<td>250,000</td>
<td>EIAS 2021a, 2021b; news reports</td>
</tr>
<tr>
<td>Malaysianization (subset Of Penjana)</td>
<td></td>
<td>Incentive for firms and employees when Malaysians take over job positions which are typically filled by foreigners</td>
<td>n.a.</td>
<td>(July 2021)</td>
</tr>
<tr>
<td><strong>Youth-targeted programmes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apprenticeship (subset of Penjana)</td>
<td>MOHR and SOCSO</td>
<td>Wage subsidy for firms to hire young Malaysians as apprentices for three or six months</td>
<td>50,000</td>
<td>(July 2021)</td>
</tr>
<tr>
<td>Career Advancing Programme</td>
<td>Ministry of Higher Education</td>
<td>RM 100 million for fresh (or unemployed) graduates to attend fully-subsidied courses on employability, gig economy or entrepreneurship</td>
<td>20,000</td>
<td>n.a.</td>
</tr>
<tr>
<td>Place and Train</td>
<td>MOHR, Human Resource Development Corporation</td>
<td>RM 125 million of incentives for firms to offset the cost of a six months Placement Job Training (PJT), employees to be hired for at least one year.</td>
<td>30,000</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Sources: EIAS 2021a, 2021b; news reports. Note: n.a.=not available.
CONCLUSION

The COVID-19 recession of 2020 and continuing sluggish conditions in 2021 have compounded employment and income difficulties for Malaysia’s young workers. Youth experience higher unemployment, and greater withdrawal from labour participation. Contraction in the number of young workers from occupational and sectoral angles show more adverse impacts in lower-skilled jobs and in most industries except wholesale and retail. Young workers have also, on average, experienced worse impact than other age groups in terms of wage decrease and under-employment.

The higher priority accorded to the already-employed is an appropriate response to the economic shock of the lockdown, and in view of the fact that older workers are more likely to be supporting dependents. Nonetheless, it is also imperative to buffer the adverse effects on young workers and fresh graduates. Malaysia has implemented various programmes, mostly for the general populace but with a few addressing young worker concerns.

It is difficult at this still early stage to ascertain the efficacy of these policy responses, specifically on youth. Available evidence shows some inadequacies in the extent and amount of assistance, and reveals possible structural labour market challenges in the years ahead. Malaysia’s youth have boldly expressed their discontent with Malaysia’s political dysfunction and economic exclusion, and the burden now falls on the new government to pay due attention to the capability, employment, wages and economic security of the nation’s young.
Graduate tracer studies have found that, in the months after completing their studies, fresh graduates from lower income backgrounds are less likely to be working, compared to counterparts from middle- and high-income families. On the demand side, Malaysia’s labour market also insufficiently generates skilled jobs. The share of young workers holding skilled occupations declined from 11.8% in 2016 to 11.3% in 2019 (Lee 2020b).


It is noteworthy that the 55-64 bracket saw unemployment worsen continuously into 2020-Q3, but across all age categories, unemployment stayed quite constant from 2020-Q3 until 2021-Q1, the most recent age-disaggregated statistics.

A recurrent theme in socioeconomic statistics in recent times is the disconnect between the data and the reality on the ground. This is a complex matter; surveying methods have advanced, but so has social media, which may inflate anecdotal observations of social problems and discontent. Caveats therefore run both ways; both the official statistics and critiques must be taken with
circumspection. Importantly, doubts about the veracity of headline indicators such as the unemployment rate must be empirically grounded.

5 This rough estimate of a half million decline in the number of foreign worker permits in 2020 is based on public disclosures of the total count: 2.0 million in August 2019, 1.6 million in October 2020, and 1.3 million in Feb 2021. The sources are, respectively, Chester Tay, “Malaysia has 1.99 million foreign workers registered as at Aug 31”, The Edge Markets, 8 October 2019 (https://www.theedgemarkets.com/article/malaysia-has-1-99-million-foreign-workers-registered-aug-31); “More than 90% of foreign workers in Malaysia not provided with regulation-compliant housing: Minister”, Channel News Asia, 3 December 2020 (https://www.channelnewsasia.com/news/asia/malaysia-foreign-workers-not-provided-housing-regulations-13691408); and unpublished data anonymously shared with the authors.

6 The sampling mode of the household-based Labour Force Survey from which unemployment is calculated, by omitting dormitories and work sites surely undercounts the migrant worker population, and hence also understates the increase in unemployment in the past year, although we are unable to estimate the precise margin.

7 We use the more readily understandable term ‘self-employed’ term instead of ‘own account worker’, although the latter remains the term of choice in Malaysia’s labour market reports.


9 The definitions of time-based and skill-based under-employment are not mutually exclusive. Hence, some workers may be classified as under-employed in both contexts, time-based and skill-based.


11 The data reported here were obtained from http://great.mohe.gov.my/Statistik. Graduate Tracer Study reports have not been published for 2019 and 2020, but the 2018 report is available (https://www.moe.gov.my/en/muat-turun/laporan-dan-statistik/pendidikan-tinggi/laporan-kajian-pengesanan-graduan), reporting that 299,723 out of 341,311 graduates participated in the survey, for a response rate of 87.8%.

12 Statistics from this source have circulated in public, albeit with a rather misleading way that warrants an explanatory note. News reports, in stating that a ‘majority’ of graduates earned RM1,000-1,500 in 2020, but a ‘majority’ of graduates earned RM2,000-2,500 in 2019, suggested that the starting salary of fresh degree graduates had shifted from a concentration in a higher bracket to a concentration in a lower bracket. The actual scenarios of declining starting salaries, as explained in this Perspective, are noticeable but more moderate (Danial Dzulkifly, ‘Report: Fresh grad salaries fell to minimum wage level in 2020, says Stats Dept’, 1 April 2021, Malay Mail (https://www.malaymail.com/news/malaysia/2021/04/01/report-fresh-grad-salaries-fell-to-minimum-wage-level-in-2020-says-stats-de-1962896).

13 Notably, an increase in the share of the RM1,001-1,500 range is accompanied by a drop in the share of the lowest (<RM1,000) bracket.

14 The survey omits the self-employed, employers, casual workers and part-time workers.

15 The Bantuan Prihatin Rakyat (BPR) cash assistance benefits households with a monthly income of less than RM5,000, and non-married Malaysians (above the age of 21) earning below RM2,500. Presumably, numerous young adults, employed or otherwise, have received BPR. For young Malaysians who are married, the cash amount of BPR can reach up to RM1,800 depending on the
number of children. However, the amount provided for singles is a mere RM100 for the July 2021 disbursement.

16 To be eligible for MOHE-CAP, the student must have graduated in 2020 or unemployed as of 2019 (should they have graduated from earlier cohorts).