

The Looming Challenge: Youth Unemployment and it's Political Implications

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Youths are supposed to be future tech-savvy leaders, bringing nations forward. Yet in Malaysia, we have nearly half a million young people who are jobless or at least that is what the number tells us. This is the harsh reality we face. From an economic perspective, the national unemployment rates may seem deceptively low at 3.4% but digging beneath the surface would unearth a brewing crisis.

As of October 2023, over 310,000 young Malaysians, aged 15-24 are unemployed with that number soaring to nearly 440,000 when we consider a wider youth scope, aged 15-30.¹ While some see them as mere numbers, we see faces. Over 187,000 graduates with hard-earned certifications could not find a job in 2022, pointing to a deeper problem in the system, suggesting a structural mismatch. This issue is only expected to get worse with number of graduates steadily increasing over the years where 5.92 million graduated in 2022.² Is the government implementing enough initiatives beyond job fairs to effectively address this issue?

Think of the ripple effect, how will youth unemployment trickle over to other aspects? Businesses moving forward would be indirectly dipping into a consumer market that is shrinking while the social safety net along with unnecessary government expenditure would experience further strains. In the long run, our economic growth, which has already been slowing down, would be further dampened.

This could eventually fuel political disaffection among our youth. If these issues are not addressed by the administration, the disillusionment of the youth with the government in power could intensify, as they may no longer view them as a viable avenue for meaningful change and action. They would seek for political powers whom are able to constructively offer genuine reforms and not just hollow and empty promises.

¹ <https://www.dosm.gov.my/portal-main/release-content/monthly-principal-statistics-of-labour-force-dec>

² <https://www.dosm.gov.my/portal-main/release-content/graduates-statistics-2022>

Youth Unemployment: A Brief Global Context

Unemployment, considered to be a key measure of a nation's economic health, refers to a situation where a person actively searches for employment but is unable to find work.³

Generally, global unemployment figures have pretty much fallen to pre-pandemic levels as it currently stands at 5.77% as a share of the total labour force in 2022.⁴ However, the youth labour market has seen a rather disproportionate impact affected by the recent pandemic, geopolitical conflicts and macroeconomic risks such as supply chain impacts where global youth unemployment figures are still standing at worrying levels.

Youth, as defined by the United Nations, are individuals aged 15–24 years. As of 2022, this group is experiencing an unemployment rate of 15.58% globally. Although this is a decrease from the pandemic years (2019-2021), it still remains higher than the 12-14% range observed from 2000 to 2010.⁵

The International Labor Organization (ILO) highlights that the recovery in youth labour markets post-pandemic is not yet globally evident. The youth employment rate was at 34.5% in 2022, down 0.7 percentage points from 2019 but the rate of young individuals neither employed nor in education or training (NEETs) was still higher than pre-crisis levels.

High-income economies are recovering faster but low and middle-income economies are lagging, with the latter seeing a 1 percentage point increase in young NEETs to 27.7% in 2022. This underscores the uneven impact of global events on youth unemployment.⁶

³ <https://www.investopedia.com/terms/u/unemployment.asp>

⁴ <https://www.statista.com/statistics/279777/global-unemployment-rate/>

⁵ <https://www.statista.com/statistics/269636/global-youth-unemployment-rate/>

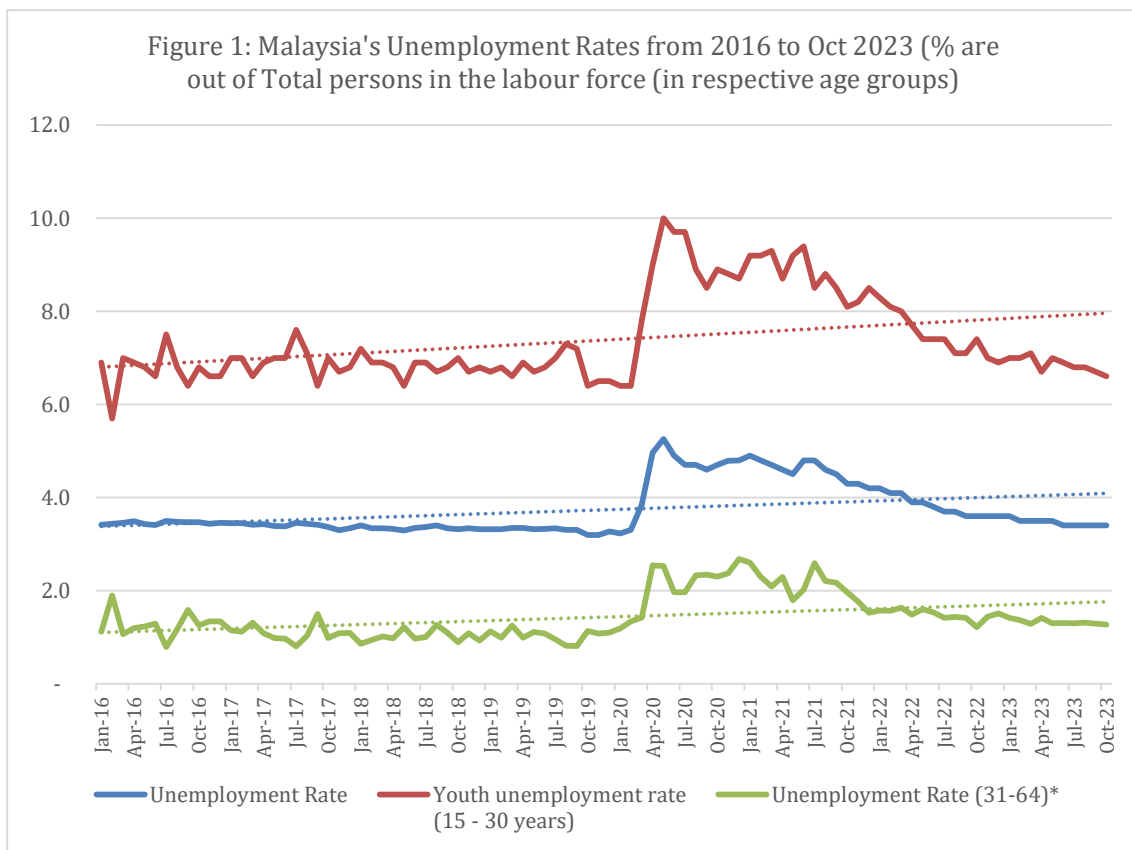
⁶ https://www.ilo.org/employment/Whatwedo/Publications/policy-briefs/WCMS_885192/lang--en/index.htm

Youth Unemployment in Malaysia: The current situation

As a middle-income country, Malaysia is also grappling with youth unemployment. These trends are similar to those seen in the Southeast Asian and Pacific region, where youth unemployment has fared worst, on average compared to elsewhere.⁷

The rising tide of youth unemployment is a grave concern. Without substantial policy interventions to mitigate its holistic impact, both macro and micro levels face a surge in detrimental consequences.

Figure 1: Malaysia's Unemployment Rates from 2016 to Oct 2023



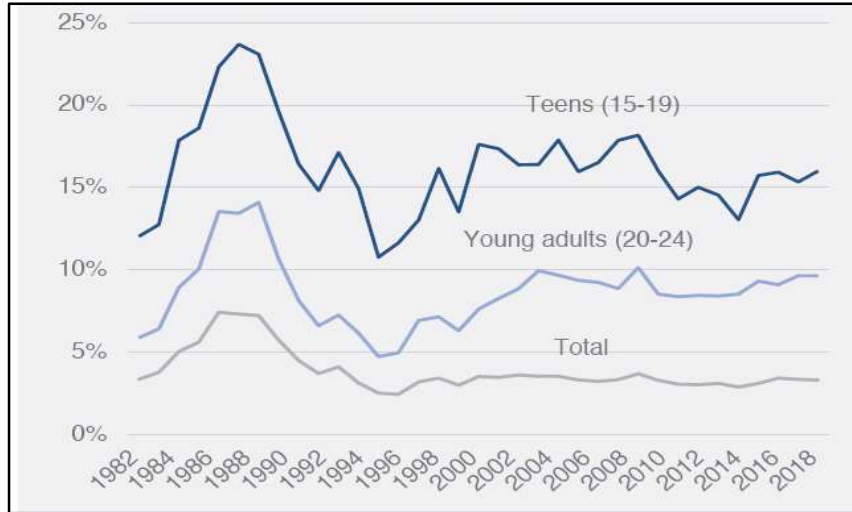
Source: Principal Data from Monthly Principal Statistics of Labour Force⁸ and Labour Market Review, Department of Statistics Malaysia⁹. Calculations* and visualization - Edwin Oh.

⁷ Report: Global Employment Trends for Youth 2022: Investing in transforming futures for young people (ilo.org)

⁸ <https://dev.dosm.gov.my/portal-main/release-content/labour-market-review-lmr-third-quarter->

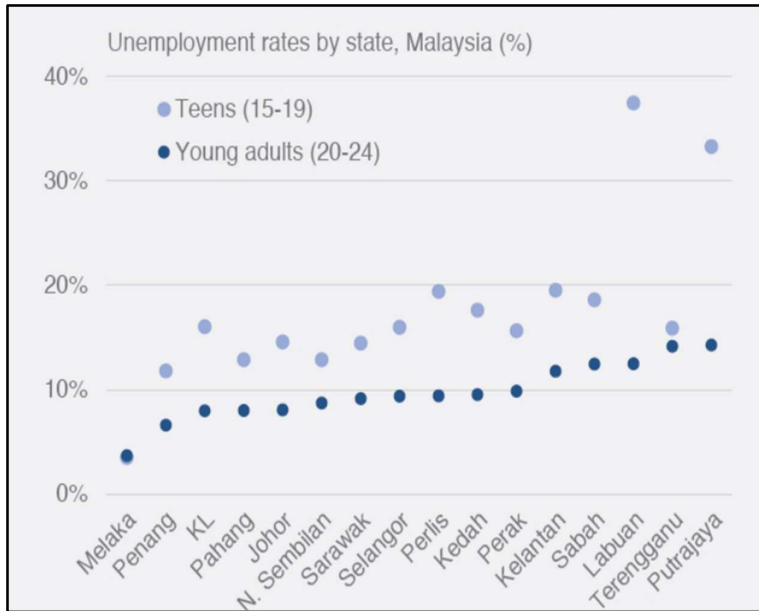
⁹ <https://www.dosm.gov.my/portal-main/release-content/monthly-principal-statistics-of-labour-force-dec>

Figure 2: Unemployment Rates (Teens vs Young Adults), Malaysia



Source: Data from Department of Statistics Malaysia & International Labour Organization (ILO).
 Visualization from ISIS Malaysia¹⁰

Figure 3: Unemployment Rates by State

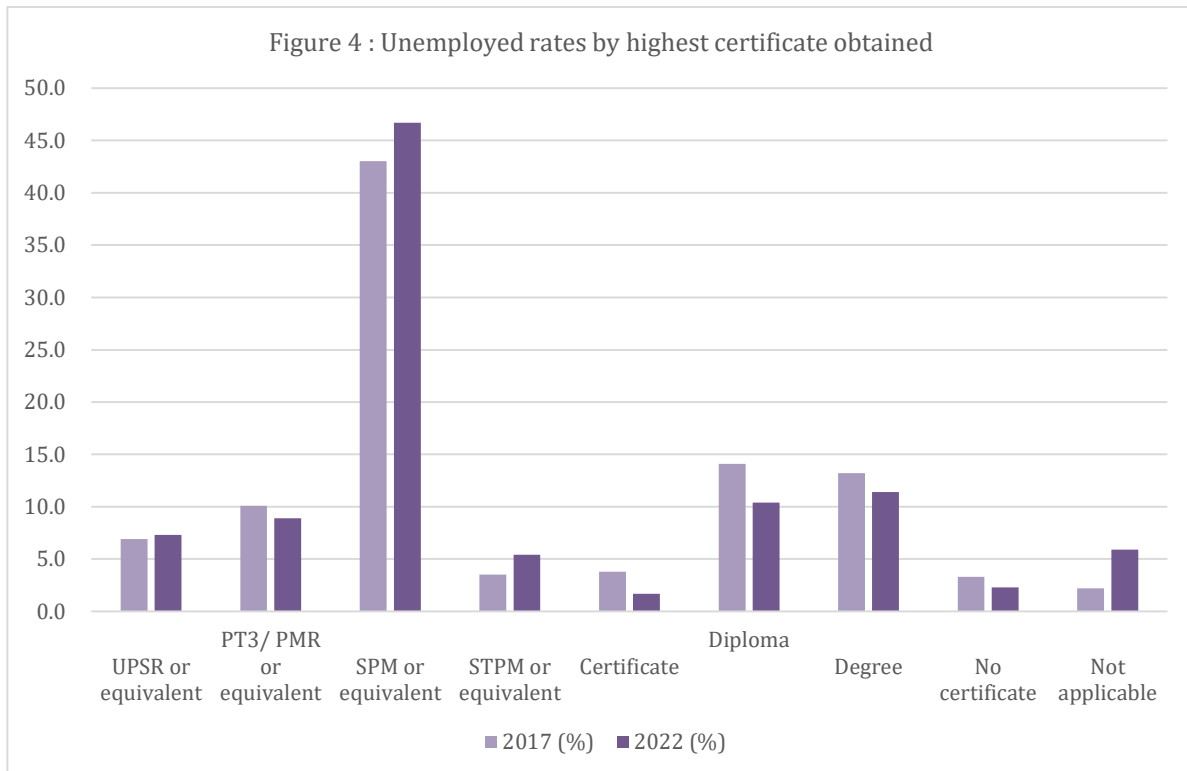


Source: Data from Department of Statistics Malaysia & International Labour Organization (ILO).
 Visualization from ISIS Malaysia¹¹

¹⁰ <https://www.isis.org.my/2020/01/10/youth-unemployment-in-malaysia-the-region/>

¹¹ <https://www.isis.org.my/2020/01/10/youth-unemployment-in-malaysia-the-region/>

Figure 4: Unemployed rates by highest certificate obtained



Source: Labour Force Statistic Report, Department of Statistics Malaysia¹². Compilation and Visualization

– Edwin Oh

Based on Figures 1-4, the obvious patterns are: -

1. The youth unemployment rates have been higher than the total labour force unemployment rate throughout the period while also showing greater volatility. As of October 2023, youth unemployment rate (15 - 30 years) is at 6.6%, nearly double the country's overall rate at 3.4%.
2. With unemployment rates among those among the Malaysian working adults (31-64 years) constantly lingering below the total unemployment rate, it is evident that youth unemployment rates contribute to pushing the overall unemployment rate up.

¹² <https://newss.statistics.gov.my/newss-portalx/ep/epFreeDownloadContentSearch.seam?cid=189984>

3. The highest youth unemployment rate was recorded in May 2020, reaching 10% for the 15-30 age group, significantly higher than the 2.53% among adults. This shows that the pandemic and the prolonged movement control order imposed by the Malaysian government appeared to have a more severe impact on the economy and the labour market, especially for the young and vulnerable workers.
4. Youth unemployment is skewed towards teenagers (15-19) suggesting that they face specific challenges entering the workforce that are different and more drastic compared to young adults (20-24).
5. While there are slight improvements in unemployment rates among degree holders, the levels still remain above 10% which are significantly high. In contrast, certificate and diploma holders' employability show visible improvements. Does this mean that degree holders whom supposedly possess more advanced knowledge and specialized skills are not being adequately valued in the current job market? This shows a skills-mismatch, perhaps having a demand over-qualified group of youths and a supply of low and semi-skilled jobs. In fact, almost half or 40.5% of graduates are underemployed in semi-skilled and low-skilled occupations, based on the Placement Data for 2022 under MyFutureJobs based on Social Security Organisation (Socso) findings.¹³
6. SPM and STPM holders are also faring worse with higher unemployment rates in 2022 compared to in 2017. This suggests that despite having a basic level of education, their struggles to secure employment worsens. These could be individuals whom cannot afford or are unable to pursue further education. Could the lack of government support to this group contributed to the diminishing situation?
7. Unemployment rates among youths are generally higher in the 2 East-Coast states (Terengganu, Kelantan), Kedah, Perlis and Sabah. This suggests a disparity in employability opportunities between youths and young adults, potentially linked to the state's development.

¹³ <https://www.thestar.com.my/news/nation/2023/06/06/grads-too-good-for-their-jobs>

On the macro level, long term youth unemployment would result in an adverse impact on the nation's working force moving forward, resulting in a lost in potential economic contribution indirectly leading to slower economic growth as aggregate demand and subsequently production is reduced.

Given Malaysia's track record on incentives and one-off cash aids, there would also be increased government spending via social programs which would bring further pressure to Malaysia's already narrow fiscal position.

In a long run, this could lead to a spike in "brain drain" effects where skilled workers would migrate to regions with better job opportunities. In fact, it is estimated that the number of Malaysians choosing to work overseas stands at 5.5% at any one time as compared to the global average of 3.3%.¹⁴ Thus, if this is not addressed, we risk losing our skilled youths.

As for the micro level, prolonged youth unemployment can lead to a variety of negative outcomes. There could be adverse effects on their general individual development and well-being. A damage to their self-esteem is not something to be taken lightly off given they are the face of our nation for decades to come. Moreover, youth unemployment can also lead to financial instability and hardship.

Without a steady income, young people may struggle to afford basic necessities, let alone save for the future. This bleak picture is further compounded by the possibility of young people inheriting the burden of supporting the country's elderly who cannot afford their own retirement. According to a recent report, 48% of Malaysians aged 55 and below have less than RM10,000 in their EPF accounts, raising concerns about their ability to support themselves in their later years.¹⁵

¹⁴ <https://themalaysianreserve.com/2023/03/07/malaysias-brain-drain-significantly-higher-than-global-average-says-minister-sivakumar>

¹⁵ https://www.malaymail.com/news/malaysia/2023/11/29/over-94000-epf-members-aged-54-have-less-than-rm10000-in-savings-parliament-told/104852#google_vignette

Youth Unemployment in Malaysia: Why?

The youth unemployment situation in Malaysia can be attributable based on a complex interplay of factors: -

1. Structural Mismatch in Supply and Demand in the Labour Market

Former Human Resource Minister V.Sivakumar has stated back in mid-2023 that from the 4.7 million vacancies advertised in 2022 on MyFutureJobs, the national employment portal for job seekers and employers – 86% required only Sijil Pelajaran Malaysia (SPM)-level academic qualifications.

Additionally, nearly half of that number was for low-skilled occupations, with the service and manufacturing sectors having the highest demand, concentrated in cities in Selangor, Johor and Kuala Lumpur. However, most graduates working in this group possess a diploma (56.6%) or bachelor's degree (41.2%).”¹⁶

This essentially depicts potential mismatches between the demand and supply sides of the labour market in Malaysia where there is a dominant demand for low or semi-skilled labour, despite a highly educated workforce aspiring towards employment in high-skilled professions. Thus, there is an “over-supply” of graduates in sectors where demand isn’t there. Bank Negara Malaysia (BNM) has also highlighted this as one of the main factors underlying high youth unemployment.¹⁷

The structural mismatch in supply (graduates) and demand (what the industry really needs) in the labour market concerning youths is also connected to the issues in our education system. The glaring weaknesses in our education system remains one of the pivotal reasons for unemployment among youths, as highlighted by Malaysian Trades Union Congress (MTUC).¹⁸ For instance, the failure to sufficiently prepare school leavers to face the labour market, irrespective of whether they are going to start work immediately or pursue higher education. There should be greater efforts to ease

¹⁶ <https://www.thestar.com.my/news/nation/2023/06/06/grads-too-good-for-their-jobs>

¹⁷ https://www.bnm.gov.my/documents/20124/829203/cp04_003_box.pdf

¹⁸ <https://mtuc.org.my/blame-education-system-for-unemployment-among-youths-says-mtuc/>

the transitional phase between learning and the reality of the job market as well as a holistic focus on other aspects rather than focusing on just scoring high grades.

This is where the Technical and Vocational Education (TVET) has the potential to play a role in closing this gap of failing to prepare school leavers to face the labour market. However, the lack of efforts in reshaping the public's misled views on the Technical and Vocational Educational Training (TVET) system also contributes to the root of this issue. Generally, there is a perception that the public views TVET graduates are usually involved in less desirable and demeaning jobs as opposed to the white-collar jobs their traditionally educated counterparts will get.

Enrolment in technical and vocational education and training (TVET) is generally very low especially among non-Bumiputeras. As a share of secondary school students, only 4% of Indians, compared to 15% Bumiputeras, are enrolled in TVET.¹⁹ However, a recent study by the Ministry of Higher Education found that, in 2022, 46.3% of TVET graduates entered high-skilled jobs.²⁰

This implies a serious lack of communication between the government and the public. Thus, there should be policies in place to reform the TVET system to ensure misled views are reshaped, ensuring that there is sufficient focus in providing practical skills and trades through certificates, rather than diplomas and degree as well as ensuring these programs are able to reach states and areas where youth unemployment is relatively higher (Figure 3).

2. Aggregate Demand

Aggregate demand refers to the total demand for final goods and services in an economy at a given time²¹, influenced by various components like consumption, investment, government spending and net exports. The swing in aggregate demand seems to affect youth unemployment on a greater magnitude as studies have shown

¹⁹ Khazanah Research Institute (KRI). 2018. The School-to-Work Transition of Young Malaysians. Kuala Lumpur: Khazanah Research Institute.

²⁰ <http://great.mohe.gov.my/Statistik>

²¹ Sexton, Robert; Fortura, Peter (2005). Exploring Economics. ISBN 0-17-641482-7.

that youths are more likely than the older workers to leave their jobs voluntarily.²² Thus, any dampening in aggregate demand in aggregate demand as seen during the major financial crisis periods like the COVID-19 pandemic and the 2008 GFC which results in economic slowdown would cause unemployment rates to spike where as noted earlier, have a larger impact on youths.

3. Lack of attention towards hidden segments

Statistics and studies often cover those that are in the pool of potential workers where they are actively seeking employment. However, this essentially leaves out hidden segments or groups of individuals.

One example would be youths whom are legal to work but are still dependant on their parents for support and are yet to enter the workforce. According to notable thinker Murray Hunter, they can be labelled as urban youths.²³ He stated that the unemployment among these youths is significant in Malaysia's "kampungs", with estimates suggesting up to 75,000-90,000 unemployed youths, many of whom are uncouncted as they live with their families and are not actively seeking work.

Education levels are generally lower in "kampungs" where the potential lack of access to proper learning could create lack of skills, limiting their job opportunities.

Furthermore, language barriers may further complicate prospects in employment.

Murray further stated that employers in rural areas tend to lean towards older employees as they are seen to be more reliable, further exacerbating the issue.

The Power of Youth: Brief Context on Arab Spring

Arab Spring was a collection of anti-government pro-democracy protest and uprisings which took place in two regions, namely the Middle East and North Africa in the early 2010s for approximately two to three years.²⁴

²² O'Higgins, N. (2015). IZA Policy Paper No. 103. Youth Unemployment, 1–24. <http://ftp.iza.org/pp103.pdf>

²³ <https://www.malaymail.com/news/what-you-think/2019/09/10/malaysia-faces-youth-unemployment-crisis-murray-hunter/1789238>

²⁴ Anderson, C. W. (2013). Youth, the "Arab Spring," and Social Movements. *Review of Middle East Studies*, 47(2), 150–156. <http://www.jstor.org/stable/43741449>

Things kickstarted in Tunisia where Mohamed Bouazizi, a young Tunisian vegetable seller set himself afire as a form of protest against police harassment which sparked nationwide protests with citizens against the high living costs and the country's administration. This led to the then President, Zine El Abidine Ben Ali to step down by fleeing to Saudi Arabia. He was said to be the first leader to be ousted out of power in the Arab world via citizens protests. This became a catalyst that spread across other Arabian countries such as Egypt, Yemen, Libya and eventually gave rise to the Syrian Civil War.²⁵

Youths played a central role in sparking protest movements across the Middle East. Many scholars have argued that the youth bulge in the Arab world is one that brought about many issues. This demographic bulge, coupled with rising education levels, created a generation of young Arabs fuelled by discontent. High unemployment, limited economic opportunities, and a yearning for change fostered a spirit of rebellion against entrenched authoritarian regimes. This frustration found fertile ground in the potent tools of social media, where Facebook and Twitter became platforms for organizing protests, sharing grievances, and bypassing censorship.

These tech-savvy youth, comfortable with the digital world, created online communities, disseminated information through captivating images and videos, and circumvented government restrictions, amplifying their voices and uniting a generation under the banner of change. For example, Egyptian activists used Facebook to organize the 2011 Tahrir Square protests, while Twitter served as a platform to share updates and bypass government censorship.²⁶

From the streets of Tunisia to the squares of Egypt, young people formed the backbone of the massive demonstrations that defied authoritarian rule. Their courage and resilience were on display as they faced down security forces, demanding democratic reforms and social justice. Beyond brute force, they employed creative and non-violent forms of resistance – from flash mobs and sit-ins to artistic expressions – capturing the

²⁵ <https://www.aljazeera.com/news/2020/12/17/what-is-the-arab-spring-and-how-did-it-start>

²⁶ <https://ro.uow.edu.au/cgi/viewcontent.cgi?article=1002&context=meme>

world's attention and garnering international support for their cause. For example, the Yemenis used street art and music to inspire and mobilize protesters.²⁷

The fall of authoritarian regimes did not mark the end of the story. Young activists, empowered by their experiences, actively participated in shaping the new political landscapes. They advocated for policies that addressed their concerns, ensuring their voices were heard and their needs considered. For instance, Tunisian youth founded the "I Watch" party, advocating for transparency and accountability.²⁸ Despite the challenges and setbacks faced after the initial wave of the Arab Spring, the movement's impact remains undeniable. Young people's courage, creativity, and commitment to a better future continue to inspire generations to come. The Arab Spring serves as a testament to the power of youth to be catalysts of change, demonstrating their ability to challenge the status quo.

Youth Unemployment and Politics

From the perspective of political dynamics, it becomes imperative to address the pressing concerns that pertain to the younger demographic, such as unemployment. This is because young people represent the future electorate, and ignoring their concerns risks jeopardizing one party's electoral victories for years to come.

In fact, the youths represent a significant voting bloc in many countries. In Malaysia, youth held the largest electoral bloc in the 15th General Election (GE15) with the voting age being lowered from 21 to 18 under Undi18 contributed heavily to this.²⁹ This new batch of voters took up approximately 6.8%, on average of total registered voters as of August 2022 while approximately 28.5% of eligible voters were below 30 years old on average (Figure 5).

Close to 30% of young voters represents a significant number of voters who could potentially swing the outcome of a close election. There were seven state

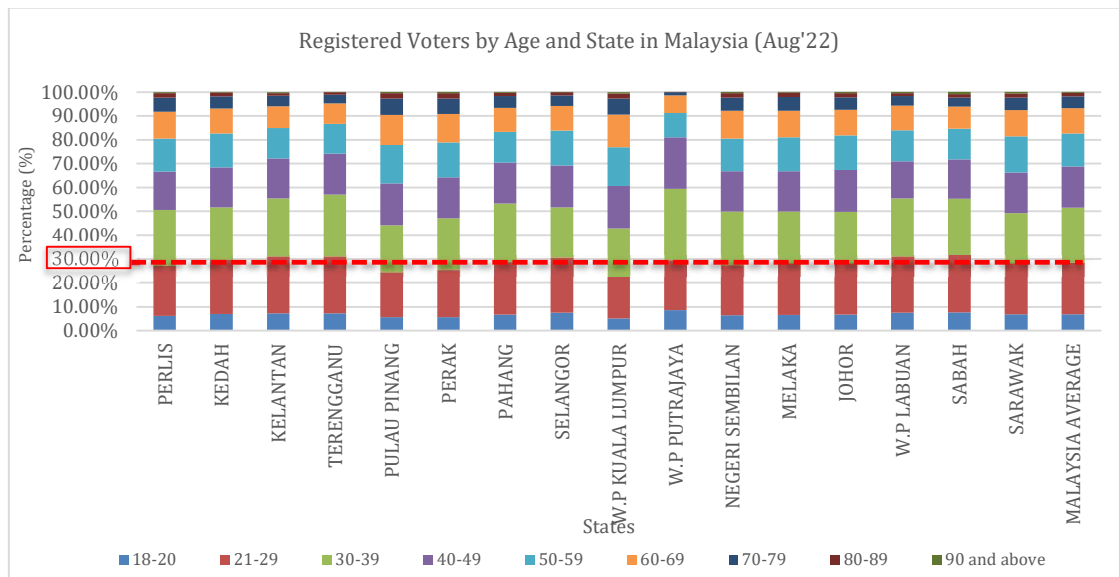
²⁷ https://www.psa.ac.uk/sites/default/files/page-files/Alles_EP_No34.pdf

²⁸ <https://www.ifes.org/news/young-leader-tunisia-looks-forward>

²⁹ <https://www.theguardian.com/world/2022/oct/27/malysias-youth-election-will-the-biggest-ever-cohort-of-under-40s-voters-make-a-difference>

constituencies where younger voters comprise 40 percent (or over) of the vote share (Figure 6). Given that state constituencies have considerably smaller numbers of voters, except those in Selangor, so even small swings among the younger youths can impact electoral outcomes.

Figure 5: Registered Voters by Age and State in Malaysia (August 2022)



Source: Institute of Strategic Analysis and Policy Research (INSAP), 2023

Figure 6: The seven state constituencies where younger voters comprise 40 percent (or over) of the vote share in GE15.

Parliament Constituency	State Seat	Share Younger Voters 30 and below in GE15
094/ HULU SELANGOR	07/ BATANG KALI	41%
097/ SELAYANG	13/ KUANG	41%
101/ HULU LANGAT	24/ SEMENYIH	41%
096/ KUALA SELANGOR	12/ JERAM	40%
032/ GUA MUSANG	45/ GALAS	40%
102/ BANGI	26/ SUNGAI RAMAL	40%
113/ SEPANG	55/ DENGKIL	40%

Source: Bridget Welsh's post-GE15 analysis based on utilization of polling station data and the electoral roll in different polling streams to make statistical estimates on voting patterns.³⁰

Generally, youth voter turnouts globally remain fairly low. A study has shown that recent national general elections for heads of government in two dozen countries revealed that

³⁰ <https://bridgetwelsh.com/articles/youth-drivers-in-the-state-polls/>

the general population's voting rate exceeds the voting rate for young people in every single one of them.³¹

However, in Malaysia, the voter turnout for Malaysians aged between 18 and 30 in GE15 was a surprising and robust 75.6 percent, almost matching the turnout among the 41- to 50-year-old group.³² As for Undi18 voters, voters came out at an estimated rate of 79 percent, putting this into context, they were among the highest participants of GE15.³³

Many speculated that the young voter base was one of the main reasons of Perikatan Nasional (PN)'s surprisingly strong performance in GE15 where they latched on the utilization of social media campaigning via TikTok.^{34 35}

Prior to GE15, many media outlets resonated on the following to be the main areas of concerns among youth voters where many of them are first-time voters: -

1. Greater efforts to manage living cost and raise standards of living.

Multiple surveys have pointed out that many youths want an administration in power that is able to contain the inflation sweeping across the nation whilst keeping social needs like healthcare and quality education at affordable levels.³⁶ This also ties back to the main pressing issue stated earlier, youth unemployment.

2. No more corruption

There has been a myriad of corruption cases that has flooded the nation and placed our country in the wrong spotlight at the global stage, from the 1MDB case to various other scandals among political personal. 91% of Gen Z voters surveyed see corruption as "never justifiable".³⁷ PN's manifesto tagline of "Concern, Clean and Stable: Malaysia

³¹ <https://www.nytimes.com/2020/10/08/upshot/youth-voting-2020-election.html>

³² <https://prn.bernama.com/news-en.php?id=2215285#:~:text=But%20during%20GE15%2C%20youth%20voters.and%2023%20percent%20for%20BN.>

³³ <https://www.malaysiakini.com/columns/662221>

³⁴ <https://www.malaymail.com/news/malaysia/2022/12/17/singapore-paper-says-youth-votes-behind-swing-to-perikatan-in-ge15/45754>

³⁵ <https://www.imanresearch.com/wp-content/uploads/2023/01/Election-Sentiments-Analysis-of-Malaysias-15th-General-Elections.pdf>

³⁶ <https://www.channelnewsasia.com/asia/malaysia-ge15-what-do-youth-voters-want-politicians-3060316>

³⁷ Ibid.

Gemilang” and their profile of staying close to their Islamic roots via their component party Parti Islam Se-Malaysia (PAS) could have resonated with a portion of the youth electorate, particularly those who value clean and stable government over other factors.

3. Equal Opportunities across all races

Albeit being a sensitive topic, this indirectly ties back to the issue of youth unemployment in Malaysia which brings about other side-issues like the brain drain effect. One might argue that the Malays and Indians face discrimination where they face more hurdles to secure job interviews compared to Mandarin-speaking Chinese applicants who topped all callback rates from hiring companies.³⁸

In contrast, the lack minority representation in Malaysia’s civil service where ethnic Malays, comprising 57 per cent of Malaysian citizens, account for 78 per cent of federal government staff - and 80 per cent of top decision-making positions might prompt youths among the minority group to seek for an administration that can offer greater representation while maintaining policies that protect the Bumiputera, ensuring stability among the community.³⁹

Another story of despair or an urgent call to action?

All in all, Malaysia’s growing youth unemployment crisis might just seem to be just another hiccup for the progress of the nation. However, beneath the surface lies a match waiting to be ignited at the slightest chance with youths, generally characterized by their adaptability and resilience, are at the heart of this issue. Their feedback and views, especially those who are not employed, are critical in shaping the future of the nation.

These young people are stewing with frustration, disenfranchisement, and they want to voice out their opinions. Take the Arab Spring movement for instance, where a fruit and vegetable vendor practically triggered a regional movement; a stark symbol of how a

³⁸ <https://www.malaymail.com/news/malaysia/2019/03/07/survey-malay-indian-jobseekers-likely-to-face-discrimination/1729984>

³⁹ <https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/2023-34-diversity-in-malysias-civil-service-from-venting-old-grouses-to-seeking-new-grounds-by-lee-hwok-aun/>

single spark of discontent can ignite an inferno. Hence, political parties that just claim to be reformist parties need to do more than just hollow promises to draw the support of youths. They need to offer genuine changes.

With such a level of risk, the question arises - what is Malaysia doing? If the youth unemployment figure continues to rise, and more importantly, if the number of unemployed youths, which stood at 439,600 as of October 2023, continues to increase, what does the government expect young voters to think at the ballot box? Will their disillusionment ignite a demand for change?

The political implications are clear. The youth, with their potential to bring about significant change, cannot be ignored. Their voices need to be heard, their concerns -- proper skill development initiatives, economic inclusion and opportunities beyond the low-skilled, low wage, gig and informal jobs need to be addressed. It is not just about providing jobs, it's a bigger picture- providing constructive reforms and solutions. In this instance, meaningful employment that allows the youth to contribute to society and lead fulfilling lives.

The government needs to take proactive steps to address this issue, or risk facing the consequences at the next election. Youths are not just the leaders of tomorrow but the voters of today. The party whom can leverage on this by providing tangible solutions and not just empty rhetoric, will be the one to gain the support of youths and obtain the mandate and power to govern the country.

Skilled-jobs creation, address high youth unemployment, review courses in local universities that do not meet market demand, and redirect attention to bridging the gap between urban and rural development should be the government's immediate priority.

January 2024

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