

Preparing For Youth Employment In Malaysia: The Influence Of Education And Training Policy

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ABSTRACT. Structural policies have a positive impact on employment elasticities. Countries can compete in the long run only by being more productive than low wage rate countries, therefore the high skills / high wage economic growth strategy is the ultimate goal of all nations. A higher youth share of the working-age population led to higher relative to adult unemployment. Nevertheless, Germany's 'Youth Guarantee' Programme is one of the most rapidly implemented programmes to tackle youth unemployment. However, Malaysia's human resource is below the country's overall competitiveness in meeting the needs of business. Though talent is cited as one of the top business challenges, the problem of youth employment is due to the lack of employment opportunities and the limited labour market linkages. In addition, communication skill, information technology skill, human relation and critical thinking skills are found useful in job placement. The rise in youth unemployment rates is particularly marked in emerging countries that have high unemployment rates and slow economic growth. Youth's share in the total population of Malaysia is rising in past decades. Unemployment among youth is a major policy concern. This paper provides a review of the documentation relating with the impacts to the employment of Malaysian youth. The study involved data from Department of Statistics' Labour Force Surveys. This paper attempts to examine the youth employment in the context of the population's demographic transition. Improvement in educational attainment has been analysed. Findings of the study show that rising share of youth in the total population has partially been translated through development of human capital and productive absorption in the local labour market. A high priority has to be placed on preparing the youth with the skills needed in the labour market. Employment prospects and labour market participation tend to be positively related to the level of educational attainment. The paper concludes with a discussion of policy recommendations. Three major categories in need of policy prescriptions are examined: employment, education, and skill training.

KEYWORDS: employment, education policy, employment policy, labour market, Malaysia, technical vocational education and training (TVET), youth.

Introduction

In a ranking of the 63 most competitive economies by the Institute for Management Development, Malaysia dropped five places in 2017 to 24; when measuring the extent to which basic, technological, scientific and human resources meet the needs of business, it came in at 32², meaning that items such as human resources are below the country's overall competitiveness in meeting the needs of business.

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² *K. C. Pooi, and S. Adam*, What Malaysia Has to Change to Keep Up With Its Neighbors. (2 August 2017).

Countries can compete in the long run only by being more productive than countries with low wage rate. The professionals trained at university level are the smallest segment of the high technology labour force, whereas the largest group is blue-collar technicians. Gray³ argued that promoting technical vocational education and training should be a major emphasis of national human capital development policy. Economists project that by 2020, more than 60 percent of jobs will require more than a high school diploma; only about half of those jobs will require a four-year degree⁴.

Reported by the *New Straits Times*, talent is cited as one of the top business challenges and a recent survey conducted by global consultancy Grant Thornton finds 62 percent of Malaysian firms have difficulty finding skilled workers, and 48 percent identify lack of talent⁵. Nevertheless, the problems of youth employment are lack of employment opportunities and the limited labour market linkages. According to Arif and Chaudhry⁶, the benefits of demographic transition has been partially translated to the development of their human capital and productive absorption in the labour market.

The International Labour Organisation⁷ estimates that the global youth unemployment rate is expected to increase to 13.1 percent in 2016 through to 2017, while in emerging countries, the unemployment rate is predicted to rise to 13.7 percent in 2017. In other words, the rise in youth unemployment rates is particularly marked in emerging countries. Similarly, according to United Nations Economic and Social Commission for Asia and the Pacific⁸, it is still more the case in Asia where emigration countries have the highest youth unemployment. It appears that migration countries have high unemployment rates and slow economic growth.

Particularly, unemployment among youth is a major policy concern. As reported in the *Malaysia Kini*, youth unemployment has become potentially menacing for the stability of democratic societies⁹, and high youth unemployment rate is causing serious social problems¹⁰, such as

³ Kenneth Gray, 'Skills Shortages, Underemployment and Youth: The Quiet International Dilemma', *Paper presented at the 2002 International TVET Conference*, Winnipeg, Manitoba, Canada, (2002).

⁴ F. Hrabowski and J. Dimon, 'Addressing Youth Unemployment: Creating A Pathway to Economic Success', (4 Mar 2016). *Forbes*.

⁵ 'High ratio of jobless youths to overall unemployment in M'sia: World Bank', (28 June 2014). *New Straits Times*.

⁶ G. M. Arif, and Nusrat Chaudhr, 'Demographic Transition and Youth Employment in Pakistan' *The Pakistan Development Review*. 47, 1(2008): 27–70.

⁷ International Labour Organisation (ILO), *Global Youth Unemployment to Rise Again in 2016-17: ILO Findings*. (Asia-Pacific Labour Market Update, ILO Regional Office for Asia and the Pacific: 29 August 2016).

⁸ United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), *United Nations Expert Group Meeting on International Migration and Development in Asia and the Pacific*, (Bangkok, Thailand: Population Division, Department of Economic and Social Affairs, 20–21 September 2008).

⁹ 'A need to tackle youth unemployment in rural areas', (31 March 2017). *Malaysia Kini*.

¹⁰ Y. C. Toh, 'Unemployment low but set to creep up: PM', (2 May 2017) *Straits Times*.

higher levels of crime¹¹, teenage pregnancy, illness and greater number of people going to prison, as reported by the South China Morning Post¹². The phenomenon of underemployment hints that educational and economic development policies have gone wrong. Therefore, researchers including Coenjaerts et al.¹³ stress the importance of justification of youth-specific interventions.

Literature review

The results of Crivelli, Furceri and Toujas-Bernat¹⁴ suggest that structural policies have a significant positive impact on employment elasticities and the structural policies have to be complemented with output and price policies. Specifically, the results show that employment elasticities tend to be higher in more advanced and closed economies, while the employment intensity of growth tends to be higher in countries with a larger service sector.

A study combining variation across OECD countries found that a higher youth share («cohort crowding») led to higher rate of adult unemployment; however, an increase in the youth share in US' states reduced the unemployment rate¹⁵. In contrast, Germany's 'Youth Guarantee' Programme is one of the most rapidly implemented programmes to tackle youth unemployment¹⁶, as reported in the Malaysia Kini.

Gomez-Salvador and Leiner-Killinger¹⁷ indicate that there is a positive correlation between the share of young people and the youth unemployment rate in Europe. Results show that higher employment protection and minimum wages imply a higher youth unemployment rate. The services employment is helping to reduce youth unemployment. The number of years of education, the number of young people with vocational training, and high scores in the PISA assessment are associated with lower youth unemployment rates¹⁸. Furthermore, the relationship between growth and employment varied within the

¹¹ A. H. Baharom, and M. S. Habibullah, 'Is crime cointegrated with income and unemployment?: A panel data analysis on selected European countries', *Munich Personal RePEc*, MPRA paper, (2008).

¹² 'The hard labour of beating youth unemployment', (18 October 2013). *South China Morning Post*.

¹³ Claudia Coenjaerts, Christoph Ernst, Mariangels Fortuny, Diego Rei, Markus Pilgrim, 'Youth Employment', In *Promoting Pro-Poor Growth Employment*. OECD, (2009): 119-131.

¹⁴ E. Crivelli, D. Furceri and J. Toujas-Bernat¹⁴, Can Policies Affect Employment Intensity of Growth? A Cross-Country Analysis, (WP/12/218, IMF Working Paper, International Monetary Fund, 2012.

¹⁵ David Lam, 'Youth bulges and youth unemployment', *IZA World of Labour*, (2014): 26.

¹⁶ 'A need to tackle youth unemployment in rural areas', (31 March 2017). *Malaysia Kini*.

¹⁷ R. Gomez-Salvador and N. Leiner-Killinger, An Analysis of Youth Unemployment in the Euro Area, (No 89 / June 2008, Occasional Paper Series, European Central Bank, 2008).

¹⁸ K. A. Akkemik, 'The Response of Employment to GDP Growth in Turkey: An Econometric Estimation', *Applied Econometrics and International Development*. 7, 1(2007): 65-74.

industries¹⁹. The existence of Okun's law suggests that countries should create more jobs based on labour intensive industries²⁰.

Dasgupta²¹ suggests that rebalancing Asian growth will require a greater emphasis on domestic consumption and investment; revising macroeconomic policies; tailoring education to skills; developing and promoting stronger institutions. The results indicate that Okun's Law has held in Korea, suggesting a rigid labour market²². Therefore, there is a need to find sectors that the youth actually wants to work in²³. On the other hand, the results in Pakistan indicate that unemployment has positive relationships with output gap, productivity and economic uncertainty while it has negative relationships with gross investment and openness of trade²⁴.

In ASEAN, communication skills, information technology skills, human relation and critical thinking skills are found very useful for job placement²⁵. As reported in the Channel News Asia, the annual average unemployment rate in Singapore rose to 3 percent in 2016, the highest since 2010²⁶. Youth unemployment rate is higher than overall unemployment rate, and is reflected in the unemployment rate of 7.4 per cent for degree holders below 30, compared to the overall unemployment rate amongst degree holders of 3.6 percent in June 2013, as reported in AsiaOne. The Singapore Manpower Minister said that the higher unemployment rate was attributed to new graduates joining the labour market and higher incidence of job switching²⁷. In contrast, Thailand has one of the lowest unemployment rates in the world which has attributed to the agricultural sector that absorbs labourers²⁸. In Cambodia, the developing country, youth employment is quite high at about 72 percent of the total population aged 15 to 24. Low level of

¹⁹ E. Aksoy, 'Relationships between Employment and Growth from Industrial Perspective by Considering Employment Incentives: The Case of Turkey', *International Journal of Economics and Financial Issues*, 3, 1(2013): 74–86.

²⁰ I. O. Abraham, and A. M. Ozemhoka, 'Youth Unemployment and Economic Growth: Lesson from Low-Income Countries in Sub-Saharan Africa', *European Journal of Economics, Law and Politics (ELP)*, 4,2 (2017): 1-15.

²¹ S. Dasgupta, 'Unemployment Issues and Problems in Kinta, Manjung and Kuala Kangsar, Perak, Malaysia. Jobless growth and economic productivity in Asia and the Pacific', *ESCAP Expert Dialogue on the Quality of Growth*, 14-16 November 2012, (2012).

²² P. Caraiani, 'The Relationship Between Unemployment and Output Cycles In Korea', *Romanian Journal of Economic Forecasting*, 1(2006): 51–64.

²³ H. Y. Kim, 'The Biggest Unsolved Problem Korea's Ex-Leader Park Leaves Behind'. (14 March 2017). *Bloomberg*.

²⁴ A. R. Cheema, and A. Atta, 'Economic Determinants of Unemployment in Pakistan: Co-integration Analysis'. *International Journal of Business and Social Science*, 5, 3(2014): 209–221.

²⁵ Maribeth G. Buenviaje, Galicano V. del Mundo, Ferdinand Añonuevo and Meinrado Martinez, 'Employability of Business and Computer Management Graduates of one Higher Education Institution in the Philippines', *APJMR*, (2015): 63–71.

²⁶ 'Singapore's 2016 average resident unemployment rate highest since 2010', (15 Mar 2017) *Channel News Asia*.

²⁷ 'Manpower Minister insists that S'pore youth unemployment rate is low'. (4 November 2014). *Asia One*.

²⁸ C. W. Mokhzani, 'Why are young people unemployed?' (4 February 2017) *The Star*.

education, skills mismatch and limited role of Technical Vocational Education and Training are found as the main challenges to youth employment²⁹.

Based on MIDF Research, Malaysia's youth unemployment rate at 10.5% in 2016 was considered normal³⁰. According to Hanapi and Nordin³¹, graduates' features, lecturers' competency and the quality of education are the internal factors that contribute to the unemployment. On the other hand, Osman, Bachok, Muslim and Bakri³² identified external issues that contribute to the unemployment. Based on the youth entrepreneurship study of Thirunaukarasu³³, the young entrepreneurs rely on close family members for financial assistance to start a business; the main motivators for the young entrepreneurs are family members; the major obstacle faced is related to investment in human capital: marketing and management skills. In addition, involvement in microenterprises helps the young entrepreneurs to boost employment.

Methodology

The purpose of this study derives from the need to examine the youth unemployment. Even though several studies addressing the youth unemployment have been carried out in Malaysia, however, examination of the integration of youth in the labour market in the midst of demographic transition is rather limited. The paper focuses on the overall policy framework for education by examining financing of public training institutions, their supply and role in the economy. Active labour market programs such as employment services, labour market training, job creation and entrepreneur development are also discussed. The main aim of this research is to fill the gap in the knowledge of youth employment in the context of both demographic and educational transition. The Department of Statistics, which collects data of Labour Force Statistics is the major source of data on the labour market.

²⁹ T. Seangmean, S. Sokheng and P. Somonich, *Youth Employment in Cambodia: Trends, Challenges and Policy Responses*, (Ministry of Labour and Vocational Training, Phnom Penh, Mekong Economic Research Network, 2015).

³⁰ A. M. Willy, 'MIDF: Malaysia's high youth unemployment rate is «normal»', (11 May 2017). *The Edge Financial Daily*.

³¹ Z. Hanapi and M. S. Nordin, (2014). Unemployment Among Malaysia Graduates: Graduates' attributes, Lecturers' Competency And Quality Of Education. *International Conference on Education and Educational Psychology 2013 (ICEEPSY 2013)*. *Procedia — Social and Behavioral Sciences*, 112, p. 1056–1063.

³² M. M. Osman, S. Bachok, S. A. Muslim and N.I.M. Bakri, 'Unemployment Issues and Problems in Kinta, Manjung and Kuala Kangsar, Perak, Malaysia', Asia Pacific International Conference on Environment-Behaviour Studies, Sirius Business Park Berlin-yard field, Berlin, 24–26 February 2014, *Procedia — Social and Behavioral Sciences* 168(2015): 389–399.

³³ S. Thirunaukarasu, 'Micro Enterprise and Employment Creation among the Youth in Malaysia', *Jati*, 15, December (2010): 151–166.

Data Analysis

Vocational capability development has been given attention because of the economic transformation to knowledge-based economy. The technical education system, Technical University Colleges Network is a 'practice oriented' approach preparing students for professions³⁴.

Malaysian Qualifications Framework indicates the programs at TVET, the highest level being advanced diploma that is equivalent to a general degree³⁵. Bakar and Hanafi³⁶ suggest that technical training institute has succeeded to equip its students with adequate employability skills to enter the world of work. According to MOHR, 80 percent of ILP, ADTEC, JMTI, CIAST skills training institutes' graduates are able to confirm job placement within three months³⁷. The employability of skills courses' graduates was high and effective. To enhance vocational capability, the Human Resource Development Fund operates the Apprenticeship Fund. Competency-based training is designed to meet the performance standard of the National Occupational Skills Standards. On the other hand, Skills Development Fund provides financial assistance to Sijil Kemahiran Malaysia trainees. National Dual Training System shares some of the underlying features and characteristics with the dual training system in Germany³⁸. The Star reported information from the Education Minister that there was only 10 percent of Malaysian students enrolled in local TVET institutions, and the Government hoped to raise the number to 20 percent. The revamp of the vocational studies would result in the rebranding of vocational schools into vocational colleges³⁹. The Sun Daily quoted that Malaysia was targeting to have 60 percent of its people take up science, technology, engineering and mathematics education and career⁴⁰.

Enrolment in higher education raised the participation rate of population in the age group of 17–23 years to 31.4 per cent, and achieved enrolment crossed the one million mark for the first time in 2009⁴¹. According to the Labour Force Survey Quarterly Report (Q2

³⁴ Universiti Malaysia Perlis (UNIMAP), *The Birth of the (then) Technical University Colleges (TUCs) (now 'technical universities')*, (2009)

³⁵ Malaysia Qualification Agency (MQA), *Malaysian Qualifications Framework (Kerangka Kelayakan Malaysia)*, (2007).

³⁶ A. R. Bakar, and I. Hanafi, 'Assessing Employability Skills of Technical-Vocational Students in Malaysia', *Journal of Social Sciences*, 3, 4 (2007), 202–207.

³⁷ Parliament, *Persidangan Parlimen: Mesyuarat Pertama, Penggal Keempat, Parlimen Kesebelas*, (9 May 2007).

³⁸ C. L. Pang, 'The Integration of the National Occupational Skills Standards (NOSS based Training System and the National Dual Training System', (PhD Dissertation. Universiti Tun Hussein Onn Malaysia (UTHM) / University of Bremen, Germany, 2010).

³⁹ «Move to boost vocational training», (11 May 2011). *The Star*.

⁴⁰ «Malaysia aims 60 % take-up rate for STEM subjects» (24 September 2014). *The Sun Daily*.

⁴¹ Economic Planning Unit (EPU), *Tenth Malaysia Plan*. (2010).

2010), Malaysia is a multi-racial society, with Bumiputras (predominantly Malays for 58.1 percent, and other indigenous people) accounting for 89.9 percent of the labour force, Chinese 23.9 percent, and 6.8 percent being Indians, while non-citizen population was 10.1 percent. Malaysia experienced demographic transformation in recent years. Based on DOS population and demography 2010, Malaysia's peak child share (0–14 years old) is 27.2 percent in 2000. Due to the decline in the proportion of child population in the total population, the working-age (15–64 years old) population share grew up to 34 percent between 2000 and 2010. Malaysia's rising working-age population and labour force will face widening challenges in absorbing them into employment. The unemployment rate which in 1970 was 8.1 percent fell to 4.9 percent of the labour force in 1984, declined further to 3.1 percent in 2000⁴². Considering shifts in technology and time taken in between job changes, this is a sign of nearly full employment for the country.

An analysis of the unemployment trends in terms of age, gender and education has been carried out. The *New Straits Times* reported that the World Bank concerned that the ratio of youth unemployment to overall unemployment appeared high⁴³.

Educated youth has faced relatively more difficulties in finding a suitable job during the last fifteen years, leading to relatively higher and rising levels of unemployment among them. According to Bank Negara Malaysia⁴⁴, the youth unemployment rate in Malaysia was estimated to have reached 10.7 percent in 2015. Notably, among those with tertiary education diploma, the unemployment rate was higher: at 15.3 percent (youth without tertiary education: 9.8 percent).

Between 2011 and 2015, the Public Services Commission received more than one million job applications annually. In 2013, it received a record 2.1 million applicants. But the number of successful applicants went down from 46,503 in 2011 to 30,964 in 2015⁴⁵. As reported in the *New Straits Times*, a total of 57,686 people were hired in the civil services in 2016⁴⁶. Overdependence on the government should be reduced and entrepreneurship encouraged⁴⁷.

The Singapore *Straits Times* reported that there was a total of 71,000 diploma or degree holders, or almost 20 percent of total unemployed

⁴² *Rusmawati Said, and Asmaddy Haris, 'Changes in Relative Demand for Labour in Malaysia (1984–1997) Using a Decomposition Approach', Int. Journal of Economics & Mgmt.*, 2, 1 (2008): 157–178.

⁴³ 'High ratio of jobless youths to overall unemployment in M'sia: World Bank', (28 June 2014). *New Straits Times*.

⁴⁴ Bank Negara Malaysia (BNM), *Annual Report 2016*, (2017).

⁴⁵ *WP. Tan and D. Ibrahim, 'Young, educated and jobless', The Malaysian in Sight.* (30 April 2017)

⁴⁶ '1.5 million applied to join civil service in 2016, 57k hired', (17 March 2017). *Bernama*.

⁴⁷ ASEAN, *New Strategies Needed for Sustainable Solutions to ASEAN Youth Unemployment*, (20 March 2003).

labour⁴⁸. Malaysia Chronicle reported that 75,800 graduates were unemployed⁴⁹. According to the statistics from the Ministry of Higher Education, there were 30,000 jobless graduates⁵⁰. By 2016, a total of 54,103 (23 percent) of graduates were unemployed, and the courses they finalized mostly were Business Administration, Applied Sciences, Human Resource Management, Accounting, Arts and Social Sciences⁵¹. Consequently, education does not seem to exert a positive influence on employment opportunities in the case of tertiary educated graduates. The economy suffers from serious structural unemployment as reflected by severe shortage of low-skilled labour and rising graduate unemployment.

On the other hand, growing of the labour-intensive manufacturing industry in the 1990s resulted in influx of foreign workers. Economic Report 2006/07 indicates that Malaysia had about 2 million foreign workers, representing about 13 percent of the labour force; about 1.2 million were working legally, and the remaining 800,000 — illegally. The dependency on foreign workers deepened in about a decade. Human Resources Ministry noted that there were 2.9 million registered foreign workers; it amounted to a total of almost 5.8 million foreign workers, as reported in the New Straits Times⁵².

There have been studies, which reveal employers' complaints about the graduate candidates. Based on the Report from Majlis Tindakan Ekonomi Negara, there are five factors that affect the chance of the graduates to get jobs, namely, lack of job skills and experience, mismatch between the industry needs and the graduates' field of study, ability to communicate well in English, negative attitude of some graduates towards work, and lack of awareness of job opportunities. Employers report of graduates lacking such skills as critical thinking, communication skills, and language proficiency (especially English), as well as requisite knowledge, attitudes and skills⁵³.

The New Straits Times reported that employers claimed many graduates have «unrealistic» salary expectations⁵⁴. Despite the fact that the workforce is becoming increasingly more educated, job creation in the Malaysian economy has prevailed in terms of low and mid-skilled jobs. Key findings from the 2015 Graduate Tracer Study Report indicate that the graduates from Sciences, and Literature and Social Sciences

⁴⁸ 'Malaysian graduates struggle to get good jobs'. (26 July 2011). *The Straits Times*.

⁴⁹ '1 in 10 among Malaysia's youth is JOBLESS', (16 August 2013). *Malaysia Chronicle*.

⁵⁰ 'Current Employment Trend Able to Reduce Graduate Unemployment', (29 June 2010). *BERNAMA*.

⁵¹ 'Over 54,000 grads jobless 6months after completing studies', (17 August 2017). *Bernamea*.

⁵² 'Nation to increase number of skilled workers by 2020', (3 September 2014). *New Straits Times*.

⁵³ Ministry of Higher Education (MoHE). *Malaysia Education Blueprint 2015–2025*. (2015).

⁵⁴ 'High ratio of jobless youths to overall unemployment in M'sia: World Bank', (28 June 2014). *New Straits Times*.

tend to have higher rates of unemployment. University graduates should have more industrial training, and 81 percent of companies surveyed rated communication skills as a major deficit among graduates⁵⁵. A study conducted by Yussuf and Wilkinson⁵⁶ revealed the existence of skills mismatch; there is an undersupply of TVET workers.

A study on unemployment among youth in Sabah by Thirunaukarasu⁵⁷ suggested such causes of unemployment as attitude, lack of experience, health issues, transportation problems and low qualification. Jobstreet Malaysia's 2017 survey revealed the top five reasons why the unemployment rate among new graduates in Malaysia is rising, namely: unrealistic salary or benefits' expectations, being too picky about the job or company, poor character, attitude or personality, and poor command of English⁵⁸. As reported in the Malaysian Digest, graduates cannot find employment mainly due to soft labour market combined with the increase of retirement age up to 60. Another intrinsic factor is communication skills, realistic starting pays, and experience⁵⁹. Based on Mokhzani⁶⁰, the reasons why young people cannot find a job, are: unwillingness to work hard; poor command of English and lack communication skills; not enough jobs that require the skills and qualifications the young people have; migrant labour; or, the rise in the retirement age up to 60. According to MIDF Research, there are multiple factors that contribute to youth unemployment, including: uneven growth between job creation and numbers of people looking for jobs; mismatch of a skillset; lack of experience and skills; competitive job market; technological advancement; and competition with foreign workers⁶¹.

According to the Ministry of Human Resources, graduate unemployment in 2015 was at 273,600⁶². Unemployment rate in 2016 rose by 0.3 percent up to 3.4 percent compared with 2015. In 2016, high unemployment rate was recorded for population aged 15–19, that was 15.9 percent in 2016, and followed by population aged 20–24 – at 9.1 percent. In terms of the unemployment numbers, the highest contribution was registered by the age group of 20–24 years, that is 37.7 percent out of the total number of the unemployed⁶³.

⁵⁵ Bank Negara Malaysia (BNM), *Annual Report 2016*, (2017).

⁵⁶ I. Yussuf and R. Wilkinson (2008) 'Shortage of Skilled Workers in Malaysia's Economy: A Mismatch Phenomenon', *The 2nd International Conference on Educational Economics (ICEE)*, 27–30 August, Athens.

⁵⁷ S. Thirunaukarasu, 'Unemployment among youth in Sabah: Causes and cures', *Jati*, 9 (2005): 159–170.

⁵⁸ B. Nandini, 'Survey Reveals Top Five Reasons Why Many Malaysian Youths Are Unemployed', (23 Aug 2017), *Says*.

⁵⁹ 'Got A Degree but No Job? Here's How You Can Turn Your Talent and Skills into Income'. *Malaysian Digest*, (19 May 2017).

⁶⁰ C. W. Mokhzani, 'Why are young people unemployed?' (4 February 2017) *The Star*.

⁶¹ W.I.M. Zakaria, (2017) Jobless youth an alarming trend. (28 March 2017). *The Sun Daily*.

⁶² V. Ragananthini, 'Youth unemployment comes under spotlight', (19 April 2017) *The Sun Daily*.

⁶³ Department of Statistics (DOS), *Labour Force Survey Report Malaysia 2016*, (2017).

Unemployment, particularly among graduates is rapidly increasing in Malaysia. According to the Prime Minister's Department, graduates aged between 20–24 number around 161,000 out of the 400,000 unemployed⁶⁴. Tracer studies conducted by the Ministry of Higher Education showed that about 25 percent of the 254,161 students who completed their studies in 2014 remained unemployed. The young people aged 20 to 29 years became the largest unemployed group. Other than that, findings by the MOHE and JobStreet in 2016 also showed that one out of four fresh graduates had been unemployed and one out of six who were unemployed were below the age of 24⁶⁵. The Department of Statistics stated that the unemployment rates among fresh graduates have increased from 30 % in 2013 to 34 % in 2016 and national unemployment was 3.5 %. In 2015, there were 405,000 youths with higher education, and 15.3 % were unemployed. Only 53 % of the 273,373 graduates in 2015 were employed. The three factors that contribute to unemployment among graduates are: delaying the employment hunt, not seizing the right opportunities on time, and having an entitled attitude⁶⁶.

More youths are now unemployed as the number of graduates is growing faster than the creation of high-skilled jobs. The findings on the problem of youth and graduate unemployment ties in with the findings that 2.2 million new jobs have been generated between 2011 and 2015. But high-skilled jobs fell while low-skilled jobs grew⁶⁷.

On the other hand, NEAC⁶⁸ reported that Malaysia faces an exodus of talent. About 20 percent of those working abroad were professionals. The total number of Malaysians working in Singapore totals close to 165,000, while 43 percent of foreign workers in Singapore were originated from Malaysia⁶⁹. Singapore came to account for 40 percent of all the brain drain as of 2000, with Singapore, Australia and the United States account for almost 80 percent of the brain drain⁷⁰.

The composition of highly skilled workers to be improved to 37 percent by 2015⁷¹. Another report by New Straits Times stated average 38 percent reported in the Organisation for Economic Cooperation and

⁶⁴ M. Hunter, 'Addressing Youth Unemployment in Malaysia: Turning Informal Sector into An Idea Economy', (11 December 2015). *Eurasia Review*.

⁶⁵ H. Ooi, E. Khor and J.Y. Saw, Working for a reasonable wage. *Malaysia Kini*. (2 Jun 2017).

⁶⁶ Wobb '3 Painfully Obvious Reasons Why Over 200,000 Uni Graduates Can't Find A Job in Malaysia', (28 July 2017) *BEAM.Biz*.

⁶⁷ I. Lim, 'Think-tank: More graduates unemployed with few high-skilled jobs', (9 October 2016). *Malay Mail Online*.

⁶⁸ NEAC. *New Economic Model for Malaysia Part 1 Report*. (2010)

⁶⁹ Rohayu Abd. Ghani, Rashidah Arshad, Fadzli Idris, Rozhan Othman, Noreha Halid, June M. L. Poon, and Ayu Trisna, 'Salary and Wages in Malaysia', *J. Comparative Int. Mgmt.* 4, 2(2001): 47–62.

⁷⁰ World Bank (WB). *Malaysia Economy Monitor*, (2011)

⁷¹ Economic Planning Unit (EPU), *Tenth Malaysia Plan*. (2010).

Development countries in 2010. The highest LFPR was achieved by the tertiary educated labour force at 65.1 percent. According to the Labour Force Survey Second Quarter 2010, the highest LFPR was achieved by non-citizen at 78.8 percent, and by Chinese among the three main ethnic groups at 62.5 percent.

There has been a shift as well to occupations requiring greater education levels. In 1970, 49 percent of the labour force comprised agriculture workers, 33 percent clerical, sales and service workers, 13 percent production workers and 5 percent professional, technical and administrative workers. In an analysis reported by Said and Haris⁷², during the 1980s and 1990s, the total job shares of the agriculture, forestry and fishing sectors declined from 30 percent to 18 percent over the period. On the other hand, the share of the manufacturing sector increased from 15 percent in 1984 to 23 percent in 2000. According to the Labour Force Survey the services sector accounts for 56.8 per cent of total employment by Second Quarter (Q2) 2010, employment in manufacturing industry registered 17.4 percent of total in Q2/2010, and agriculture, forestry and fisheries and construction industries recorded 13.1 percent and 9.0 percent in employment respectively. The Labour Force Statistics shows that the share of job categories that require high skills do not feature prominently in the work force. Demand for workers in the elementary occupational group has contracted from 12.7 per cent in 2000 to 10.8 percent in 2006 and 10.7 percent in 2010. This shows the limited achievement to transform from labour-intensive industry to capital-intensive industry only marginally in the last five years. «Professionals» made up only 5.5 percent in 2006 and 6.4 percent in 2010 of total employment. Another significant skilled category is «Technicians and associate professionals.» Its share in fact rose slightly from 11.9 percent in 2000 – to 12.7 percent in 2006, and 14.2 percent in 2010, which reflected success of TVET to certain extent. «Service workers and shop and market sales workers» account for 15.5 percent in 2006 and 17.2 percent in 2010 of total employment, which shows the growing importance of the services sector. The share of citizens with completed tertiary education went up considerably from 16 percent in 2001 to 22 percent in 2008, the fraction of citizens with higher skill occupations only changed slightly from 18.4 percent to 19.9 percent during the same period⁷³.

The government has developed a number of policies and commitments⁷⁴: (a) Employer involvement in training via a levy system,

⁷² Rusmawati Said, and Asmaddy Haris, 'Changes in Relative Demand for Labour in Malaysia (1984–1997) Using a Decomposition Approach', *Int. Journal of Economics & Mgmt.*, 2, 1 (2008): 157–178.

⁷³ World Bank (WB). *Malaysia Economy Monitor*, (2011)

⁷⁴ C. Martinez-Fernandez and M. Powell, *Employment and Skills Strategies in Southeast Asia*. (2009)

(b) Apprenticeship scheme, (c) Government to raise skills levels and develop entrepreneurial values, (d) Loans to unemployed graduates to obtain vocational skills and start-up new businesses, and (e) Training for the unemployed youth. Biavaschi, Costanza et al.⁷⁵ elaborate that an ideal-type is a dual vocational training model. The Malaysian-German Chamber of Commerce and Industry⁷⁶ has implemented the German Dual Vocational Training program in Malaysia.

The Government provides substantial resources for human capital development. The RM7 billion First Stimulus Budget 2009 revealed on November 4, 2008 allocated RM300 million for a skills training program fund; RM200 million for programs by private training institutions and RM100 million for youth programs. As part of the First Stimulus Budget 2009, Government allocated RM100 million to implement a development program from 2009. To the Second Stimulus Budget 2009 announced on March 10, 2009 mini budget, RM700 million was allocated. Of these re-trained workers or graduates, over one-third or 50,000 will be absorbed into the civil service. RM50 million was allocated in the 10MP to fund apprenticeships involving more than 8,000 students⁷⁷. In a report in BERNAMA, Economic Planning Unit had allocated RM36 million for Giat Mara-EPU Apprenticeship program targeted youths through the Giat Mara-EPU Apprenticeship program⁷⁸. As reported in the Star, the allocation for internship programs has also been increased to RM120 million in 2009⁷⁹. The RM50 million allocated in the Budget 2011 to MDeC. The implementation of PSMB 1Malaysia Training program was announced in the 2011 Budget with an allocation of RM500 million. However, there were complaints on social media about companies taking advantage of job seekers in the SL1M platform⁸⁰. 76,940 unemployed graduates, school leavers and displaced workers were trained under the two economic stimulus packages, compared with planned 163,000 training and job placement opportunities for retrenched workers and unemployed graduates under the stimulus package No. 2⁸¹.

Active Labour Market Programs consists of recruitment, labour market training job creation and entrepreneur development programs. In

⁷⁵ Costanza Biavaschi, Werner Eichhorst, Corrado Giuliatti, Michael Jan Kendzia, Alexander Muravyev, Janneke Pieters, Nuria Rodríguez-Planas, Ricarda Schmidl and Klaus F. Zimmermann, (2012). *Youth unemployment and vocational training*, Discussion Paper Series, Forschungsinstitut zur Zukunft der Arbeit, No. 6890

⁷⁶ Malaysian-German Chamber of Commerce and Industry (MGCC), *A new approach to develop and retain talent*, (2017).

⁷⁷ Economic Planning Unit (EPU), *Tenth Malaysia Plan*. (2010).

⁷⁸ 'Giat Mara trainees help flood victims', (6 February 2011). *BERNAMA*.

⁷⁹ 'R&D boost', Simrit Kaur. (14 September 2008). *The Star*.

⁸⁰ S. Rahim, 'Companies misusing SL1M name to "bully" job seekers warned with stern action', (11 September 2017) *New Straits Times*.

⁸¹ Economic Planning Unit (EPU), *Tenth Malaysia Plan*. (2010).

2004, the government started the Electronic Labour eXchange. Jobs Malaysia (jobsmalaysia.gov.my) is the job placement portal of the MOHR. As reported in the *New Straits Times*, Malaysia already has online portals such as Ready4Work.my and IWANT2B⁸².

Among the labour market training programs of the supply-oriented policies towards youth unemployment, the government also steps up Graduate Training Scheme (GTS) (SLG: Skim Latihan Graduan) introduced in 2001. The Graduate Employability Enhancement program started in 2006. Based on a BERNAMA report, Permodalan Nasional Bhd was on a retraining program for 450 unemployed graduates each year for three years⁸³. To increase graduates' employability, RM10.5 million had been allocated for the Graduate Employability Program managed⁸⁴. Reported in *The Star*, about 8,000 unemployed graduates will be given soft skills training under the 1Malaysia Training Scheme⁸⁵. The SLIM is focused to provide employees the opportunity to up skill and reskill themselves.

Various programs would be held under other ministries including the Industrial Scheme Enhancement Program, the Graduate Employability Management Scheme, the Business Process Outsourcing Program and SME-University Internship Program coordinated⁸⁶. More than 12,000 graduates were undergoing special programs to enhance graduates' employability⁸⁷. *The Star* reported that 18,304 graduates have undergone job placement, training and entrepreneurship programs from 2007, and estimated 23,260 places in these programmes would be available until 2011⁸⁸. Among the employment enhancement programs offered by Multimedia Development Corporation, there are: 'Graduate Trainee Programme' and 'Skills Training and Enhancement Program'. Securities Commission committed to training 500 graduates through Graduate Executive Training, the Islamic Capital Market Graduate Training Scheme, and the Graduate Development Program. Bank Negara Malaysia also spearheaded a two years development program⁸⁹. Financial Sector Talent Enrichment Programme embarked 2007 is an industry-driven training programme in the financial industry.

The 11th Malaysian Plan 2016–2020, Strategic Thrust 3⁹⁰ specifies the initiatives for accelerating human capital development. As reported in

⁸² 'High ratio of jobless youths to overall unemployment in M'sia: World Bank', (28 June 2014). *New Straits Times*.

⁸³ 'PNB-KPT Program For Unemployed Graduates', (24 March 2009). *BERNAMA*.

⁸⁴ 'Government launches new scheme for unemployed graduates', (17 July 2010). *The Star*.

⁸⁵ SIRIM Training Services Sdn Bhd., *Services*, (2010). 'Soft skills to firm up grads', (2 June 2011). *New Straits Times*.

⁸⁶ 'Current Employment Trend Able to Reduce Graduate Unemployment', (29 June 2010). *BERNAMA*.

⁸⁷ SIRIM Training Services Sdn Bhd., *Services*, (2010). 'Soft skills to firm up grads', (2 June 2011). *New Straits Times*.

⁸⁸ 'Govt concerned about finding jobs for 18,000 grads', (31 January 2009). *The Star*.

⁸⁹ Malaysia Jobs. *Jawatan Kosong Bank Negara*. (2009) 4 July 2009.

⁹⁰ Economic Planning Unit (EPU), *The 11th Malaysia Plan 2016-2020*. (2015).

the New Straits Times, Industrial Training Scheme, MSC Malaysia Undergraduate Apprenticeship and Development Programme and Structured Internship Programme may be used to promote higher quality industry exposure for students⁹¹. Recently, the higher education ministry had implemented the Integrated Cumulative Grade Point Average, Two Universities + Two Industries (2u2i) and the CEO Faculty in tackling the issue of unemployed graduates as reported in BERNAMA⁹². To overcome the dilemma of limited high-end jobs, according to the Economic Transformation Program, 3.3 million additional jobs will be created by year 2020. 46 percent of new jobs created require vocational and diploma qualification from the sectors of information communication technology and Islamic finance.

Entrepreneurship skills were given priority as an effort to enable active participation of the poor in commerce and industry. In schools, elements of entrepreneurship skills along with technical skills were introduced⁹³. Galloway and Brown⁹⁴ expected that individuals who have attended entrepreneurship courses have a higher tendency to start their own businesses⁹⁵. According to Thirunaukarasu⁹⁶, microenterprises are important in creating employment and entrepreneurial talent. Silva et al.⁹⁷ reported that contract farming can be undertaken to overcome unemployment. In Eighth Malaysia Plan, government agencies had provided entrepreneurship skills training and counselling to 156,850 potential candidates. The Ninth Malaysian Plan also intensifies efforts at stimulating enterprise creation. UUM Masters of Science in Technopreneurship program⁹⁸ and SIRIM Training Services sponsor new graduates and retrenched workers to Techno-Entrepreneur Development Program⁹⁹. To improve the chances for young people around the world, the four frontier areas to support opportunities¹⁰⁰ are digital age impact, skills gap, entrepreneurship and self-employment, and quality jobs.

⁹¹ 'High ratio of jobless youths to overall unemployment in M'sia: World Bank', (28 June 2014). *New Straits Times*.

⁹² 'Over 54,000 grads jobless 6months after completing studies'. (17 August 2017). *Bernama*.

⁹³ H. C. Hassan, *TVET and ICT Skills in Entrepreneurship as a Tool for Poverty Alleviation*, (2008). Retrieved 21 Dec. 2007.

⁹⁴ L. Galloway, and W. Brown, 'Entrepreneurship education at university: a driver in the creation of high growth firms', *Education and Training*, 44, 8/9(2002): 398-405.

⁹⁵ R. Adu, Y. Kamin, F. Balash, 'Technical Vocational Education: As a Veritable Tool for Eradicating Youth Unemployment', *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 8, 2(2013): 10-17.

⁹⁶ S. Thirunaukarasu, 'Micro Enterprise and Employment Creation among the Youth in Malaysia', *Jati*, 15, December (2010): 151-166.

⁹⁷ J. L. Silva, H. A. Mohamad Saffril, J. Uli & B. Abu Samah (2009). A review of contract farming and factors that

impinge youths acceptance to contract farming, *European Journal of Social Sciences*, 11(2), 328-338

⁹⁸ Universiti Utara Malaysia (UUM). *Masters of Science in Technopreneurship*. (2011) Retrieved 25 July 2011.

⁹⁹ SIRIM Training Services Sdn Bhd., *Services*, (2010). 'Soft skills to firm up grads', (2 June 2011). *New Straits Times*.

¹⁰⁰ World Bank (WB) *Addressing the Youth Employment Crisis Needs Urgent Global Action*. (13 October 2015).

Conclusion

Amongst the most challenging issues are the incidences of youth inactivity, the variety of trends in youth labour market, the generalizing of high quality outcomes for the youth, and the development of institutional. The energy, skills and aspirations of the youth are invaluable assets to a nation. Helping the youth to realize their full potential by gaining access to productive employment and decent work is, therefore, contributing element for poverty eradication, sustainable development and a peaceful society. Their underutilization has potential economic and psychological costs and may cause social conflict. Nevertheless, based on more variety provision of the youth programs, these programs have to be offered with caution to avoid moral hazards of inactivity and passing over job placement responsibility. Typically, these human capital investments have stressed basic, and then university education, neglecting TVET. The result is a «quiet dilemma» or labour market disequilibrium characterized by an oversupply of university graduates concurrent with a shortage of technician level workers.

To ensure that vocational education can be perceived as a preferred choice, the education of choice, the Ministry of Education (MOE) will enhance the vocational education system with the Vocational Education Transformation Program 2013¹⁰¹. In the economy crisis happened in 1998 and 2001, special re-training programs were introduced to make the unemployed graduates employable. However, program was also implemented even during relatively stable growing economy period of 2006–2008. It seems graduate retraining is becoming a norm rather than a special measure. Though entrepreneur development programs especially among the graduates have been intensified, the effectiveness in increased willingness in enterprise creation may need further analysis. Besides, to lure the diaspora back, Malaysia has established the Talent Corporation, which has been tasked to coordinate efforts in initiatives target expatriate and returning migrants. The Government has to response to the Forth Industrial Revolution (4IR) that will optimise the impact in the ear of digital age. The main limitation of this study is related to the methods of research utilized. Due to this paper is a review of documents, this paper aimed to examine the policies and plans for youth employment in Malaysia. Hence, the findings of this paper might not be comprehensive. E-Commerce entrepreneurship and self-employment sectors have the prospects. As the youth is still less

¹⁰¹ Ministry of Education (MOE) Technical and Vocational Division (TVED), 'Malaysia Ministry of Education Vocational Education Transformation Program'. *Paper presented at the National Conference on Technical and Vocational Education*, Kuala Lumpur, 29 May 2011, (2011).

involved in entrepreneurial activities with low youth self-employment rates, it is recommended that the research of youth employment in the future be focused on youth entrepreneurship development policy that fostering positive traits, right attitudes, entrepreneurial thinking and values among young people.

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