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# UNDEREMPLOYMENT IN MALAYSIA: HOW EDUCATION QUALITY CONTRIBUTES TO THE CHALLENGES AND ISSUES

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Underemployment is a situation where individuals are employed but not fully utilized in their jobs, often due to working fewer hours than desired or being in positions that don't match their skills or education level. Highlights job quality and individuals' dissatisfaction with their employment due to factors like being overqualified for their current role. For example, someone with a bachelor's degree who only manages to secure a job meant for an STPM graduate. Despite the skills and qualifications they may possess, many young people struggle to find jobs that match their level of education or experience, leading to underemployment or even prolonged unemployment. The issue is compounded by various factors.

Does this underemployment problem prove that the quality of education in Malaysia is still at a low level? Several key indicators and pieces of evidence support the notion that the education system in Malaysia is of high quality. Every year there is an increase in the number of graduates in Malaysia.

Malaysian universities have gained recognition internationally for their academic quality, such as QS World University Rankings and Times Higher Education (THE). For example, UM has consistently placed in the top 100 in Asia and the top 200-300 worldwide. Besides that, Malaysian students consistently excel in international academic competitions, especially in the fields of mathematics, science, and technology. For instance, Malaysia has earned numerous gold and silver medals at the International Mathematics Olympiad (IMO) and International Science Olympiad (ISO) every year, demonstrating the high academic potential of students within Malaysia's education system. Malaysia has participated in the PISA (Programme for International Student Assessment) and TIMSS (Trends in International Mathematics and Science Study) conducted by the OECD (Organisation for Economic Co-operation and Development), which evaluates the performance of students in reading, mathematics, and

science. This improvement reflects that Malaysia's education system is increasingly competitive globally.

The underemployment problem in Malaysia is heavily intertwined with the disconnect between higher education and industry needs. Graduates often face difficulties finding relevant jobs because they lack the practical, industry-specific skills that employers value or possess qualifications not aligned with market demands. Some studies provide insights into the gap that exists between the education offered in Malaysian higher education institutions and the actual skills required by the industry. Yusoff, R. (2018) examines the concerns surrounding the employability of Malaysian graduates and the skills mismatch between university education and industry requirements. The study finds that graduates often lack the practical, technical, and soft skills needed by employers, resulting in a disconnect between higher education and industry demands. Chin & Lee (2019) and a study by



Abdullah, & Jamil (2016) that explores the disconnect between the education provided by higher education institutions in Malaysia and the skills required by industries. It highlights the mismatch in the curriculum, which often fails to meet the practical needs of the workforce and discusses the implications for graduate employability in Malaysia.

The first factor that influences the underemployment problem is skills mismatch. Many young graduates find that their education does not align with the demands of the job market. They may lack the practical skills or experience that employers seek. Many employers report difficulty finding candidates with the necessary skills, suggesting a gap between academic education and industry requirements. A low unemployment rate, often considered a sign of full employment, indicates that a country provides sufficient job opportunities for its workforce. However, in reality, the available jobs may not be suitable for highly educated and skilled graduates. There is a significant mismatch between graduate qualifications and job opportunities, particularly in semi-skilled and low-skilled positions. According to the DOSM report, throughout July - September 2024, the majority of jobs created include semi-skilled (63.3%) and low-skilled (10.3%). On the other hand, the number of skilled jobs created is only 26.4%. In fact, the percentage of skilled job

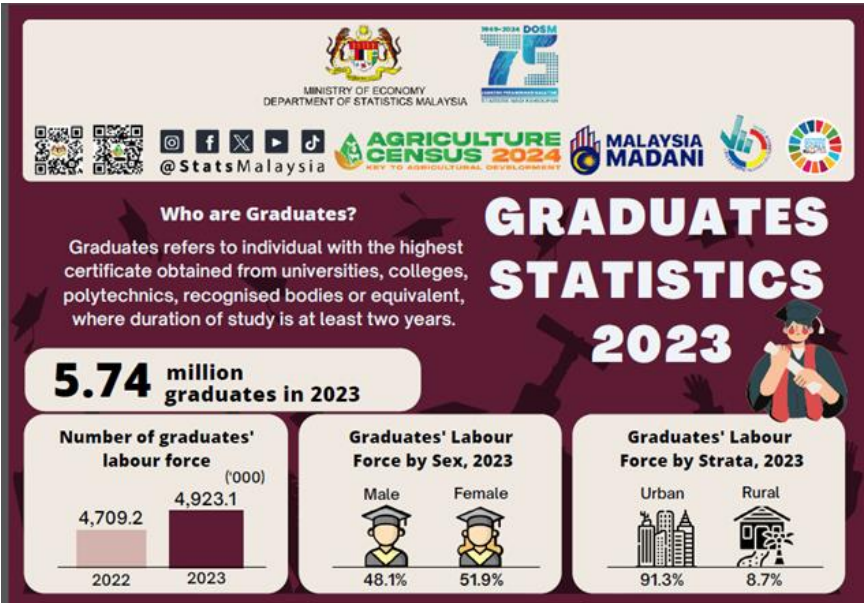


Figure 1: Number of graduates in the labour force in 2022 and 2023 (source: DOSM)

creation has decreased by 9.1% compared to a year ago. While semi-skilled jobs have increased by 3.5%.

Next factor is the limited number of jobs available. The number of available jobs often does not meet the number of graduates entering the workforce, leading to high competition for available positions. With a large number of graduates entering the job market, competition for available positions remains fierce, leading to underemployment among many young professionals. Many jobs on the market are in low-wage sectors, while more highly skilled jobs are scarce and highly competitive. For example, many youths are forced to accept jobs in the service sector, such as restaurant waiters, cashiers, or grocery store workers, that pay low wages and offer no opportunities for career

advancement. This causes underemployment, where youths work in jobs that do not match their qualifications or skills.

For the first 6 months of 2024 (January - June 2024), the amount of approved investment is RM 160 billion, with almost 80,000 new job opportunities. Despite such a large amount of investment, the amount of job opportunities that can be created is only a small amount. The issue of underemployment also highlights the true reality regarding the many investments that Malaysia receives; it is more geared towards low value-added activities that do not require high skills. Although it involves high-tech industry, it does not create many high-skilled job opportunities, and current investment no longer creates many job opportunities due to the use of technology and automation.

Chart 9: Skill-related Underemployment, Malaysia,  
First Quarter of 2019 - First Quarter of 2024

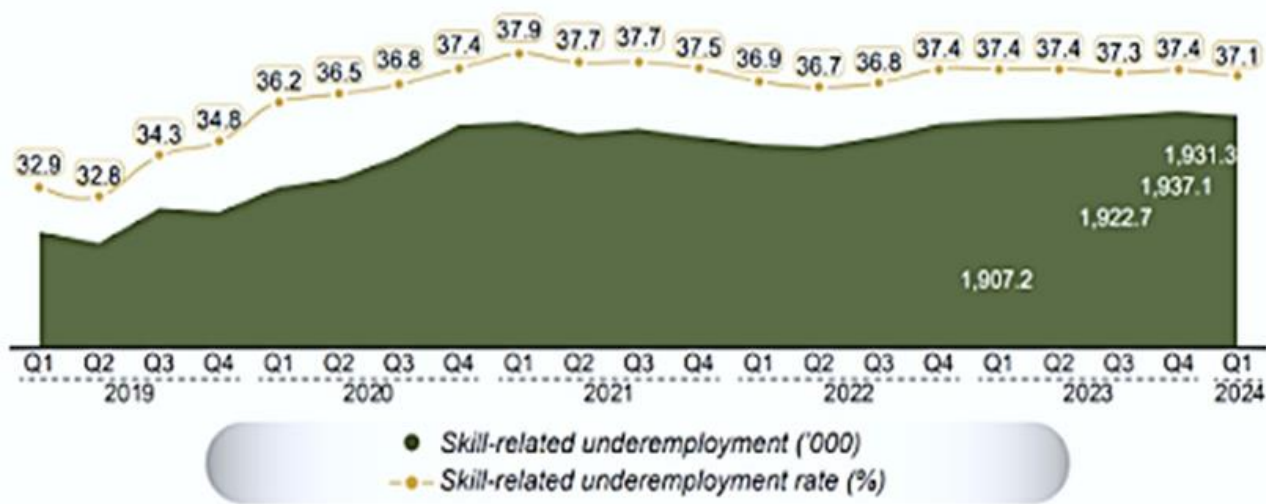


Figure 2: Skill-related underemployment in Malaysia (source: DOSM)

Another factor is related to the GIG economy. While the GIG economy provides flexible work options, it often lacks stability and benefits, leaving many young people in precarious employment situations. Although the GIG economy offers flexibility and freedom in employment, it also creates a number of challenges that contribute to the problem of underemployment. In some ways the GIG economy is impacting the youth in Malaysia because jobs that do not utilize skills or qualifications, uncertain income, lack of job protection and social benefits, competing with other workers in an open market, lack of career development. They may work in jobs that do not match their qualifications, receive low



Figure 3: GIG Economy (source: Google)

wages, and have no financial stability or clear career advancement opportunities. Therefore, to curb this problem, several measures must be taken. First, strengthening the governance of TVET is essential for better management, along with enhancing the quality and delivery of TVET programs to improve graduate employability. Additionally, the government should rebrand TVET to make it more attractive. Improving the quality

of TVET programs will lead to better student outcomes and institutional excellence.

Besides that, strengthening lifelong learning for skills enhancement or skills development programs by implementing training and internship programs that focus on in-demand skills can help bridge the gap between education and employment.

From the tertiary education level, students must be involved in networking events. For example, organizing events that allow graduates to network with professionals can help them build connections that are crucial for job opportunities, or encouraging collaboration between educational institutions and businesses to create job placement programs or internships can provide graduates with valuable experience. Before students graduate, they should get a career counselling session to help them better understand the job market and prepare effectively for employment.

As conclusion, we must realize that underemployment is a form of loss to the country. It is a waste of human resources. If underemployment can be eliminated and skilled workers have the opportunity to work in jobs that match their skills, then they will be able to contribute much greater productivity to the economy. Bridging the gap between education level and industry requirement requires a concerted effort from both the government and higher education institutions to ensure that curricula are updated to reflect industry requirements, promote practical learning experiences, and enhance soft skills development. By tackling these issues, we can empower the next generation to thrive in the workforce and contribute to a more prosperous and equitable society.

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