



**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF YOUTH  
UNEMPLOYMENT RATE IN  
MALAYSIA**

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## **ABSTRACT**

The high youth unemployment rate in Malaysia is not something new in the country's economic problems since it has been going on for several decades. Due to COVID-19, economic performance has been slowed down as many sectors are forced to shut down. However, when the economy starts to get better with many people getting vaccinated, the number of employed starts to increase, but not the unemployment rate. The Department of Statistics Malaysia mentions that the youth unemployment rate is higher than adult unemployment in Malaysia. The determinants of youth unemployment are the main objective of this research. The variables used are the inflation rate, gross domestic product, foreign direct investment, and population. This study focuses on Malaysia, with annual data for 30 years from 1991 to 2020. Data analysis will be done using 3 tests, which are descriptive analysis, correlation analysis, and multiple regression analysis on EViews software. Four assumption tests are also done for linear regression. The results showed that the inflation rate and population have a positive and significant relationship with the youth unemployment rate, whereas GDP and foreign direct investment have an insignificant relationship with the youth unemployment rate. The results of the study also suggested that policymakers need to take the youth unemployment rate seriously by creating a better understanding and making sure there are enough job opportunities in the labour market.

Keywords: Youth unemployment rate, Inflation rate, Gross domestic product, Foreign direct investment, Population, Malaysia

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

The future appears uncertain for Malaysian youngsters, who are enduring one of the most significant obstacles in their journey from school to professional life, as the Covid-19 pandemic continues with no end in sight. The economy was unstable due to Covid-19 as many sectors were forced to shut down to decrease Covid-19 transmission among people. However, students are still ongoing with their studies on distance learning (ODL) which means the number of graduates will keep increasing despite the economic downturns.

The percentage of the labour force aged 15 to 24 who are unemployed but looking for work is referred to as youth unemployment. In Malaysia, on average, one out of every six graduates find work six months after graduation (The Edge Market, 2021).

This research focuses on the factors that influence youth employment in Malaysia, as well as potential solutions. A total of 30 annual data from the year 1991 to 2020 will be used in this research to find out the determinants of youth unemployment. This research consists of 5 chapters which are the introduction, literature review, research methodology, research analysis and lastly, conclusion and recommendation.

### **1.2 Background of Study**

Despite the country's economic stage of growth, assuring that young people are properly utilized is a crucial concern for policymakers. Youth is referring to young men and women in the age range of 15 to 24 years old. Unemployment is a circumstance in which an individual who is aggressively looking for a job has been unable to seek jobs. Unemployment is seen as a significant indicator of the economy's health. High youth unemployment indicates economic instability, whereas exceptionally low jobless rates indicate an unstable economy.

Youth in today's modern society face rising obstacles, increased expectations