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STRUCTURAL UNEMPLOYMENT AMONG YOUTH IN MALAYSIA: CAUSES AND CURES

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ABSTRACT

Youth unemployment is a common phenomenon in developed and developing countries. Youths are a group of people who always exhibited a marginal attachment to the labour market. The reason for this marginal attachment is due to their transition from the schooling to the working environment. The objective of the paper is to analyse the existence of the problem of unemployment mainly structural in nature among youth in Malaysia. Data collected from secondary sources obtained from Social Statistics Bulletin and Yearbook of Statistics, Malaysia. The major reason for youth unemployment is due to mismatch between skill acquired and the availability of job openings in the labour market or widely known as structural unemployment. Due to globalization, slowdown of an economy will also have adverse impact on its trading partners. The recent economic slowdown in the United States for example led to the decline in the exports of manufacturing goods from Malaysia and further aggravated the problem of unemployment in Malaysia. Thus, it can be said that failure for proper manpower planning is the reason for structural unemployment. The authority failed to identify the need of human resources in various sector and to properly address the issue of human resource planning in the macro context. Reskilling, retraining and relocation are possible solutions for unemployment problem among youth in Malaysia.

Key word: *youth unemployment, structural unemployment, labour market*

INTRODUCTION

Youth unemployment is a common phenomenon in developed and developing countries. Youths are a group of people who always exhibit a marginal attachment to the labour market. The reason for this marginal attachment is due to their transition from the schooling to the working environment. This phenomenon should be given proper attention as this phenomenon will be a burden, a cost and a problem to a nation. Youth should be productive individuals that should contribute to the development of a nation. If youth are unemployed this represent a waste of resources in an economy.

In Malaysia, youth at the age bracket of 15 to 24 constitutes about 23.8 percent (1999) from the total labour force in Malaysia (Yearbook of Statistics Malaysia, 2000). They also constitute about 22.2 percent (1999) of employed persons in Malaysia and also 67.1 percent of the unemployed in Malaysia (Yearbook of Statistics Malaysia, 2000). Unemployed include both actively and inactively employed persons. The actively unemployed includes all persons who did not work during the reference week but were available for work and actively looking for work during the reference week. Inactively unemployed persons includes the following categories:

- a. persons who did not look for work because they believed no work was available or that they were not qualified,
- b. persons who would have looked for work if they had not been temporarily ill or had it not been for bad weather,
- c. persons who were waiting for answers to job applications, and
- d. persons who had looked for work prior to the reference week.

Youth unemployment is higher as they lack local experience and networks (EPAC, 1996). They also lack of skills as they are new entrants into the labour market. They also have to compete with experienced participants in the labour market. This group of people are in transition from school to the labour market. Unemployment especially long-term in nature is not good for youth as it represent a less effective source of labour supply (EPAC, 1996)..

This paper will only be focusing on youth in the age bracket of 15-24 years old as unemployment is higher among this group of people in Malaysia. This group of people should be in schools or colleges or universities at this age. They should be equipping themselves with sufficient skills and knowledge. If

youths are not acquiring any skills or knowledge or if they are not engaging themselves in any employment, they are considered as unemployed.

EMPLOYMENT AND UNEMPLOYMENT PATTERN AMONG YOUTH IN MALAYSIA

Table 1 shows a decrease in the labour force participation of youth in the age bracket of 15-24 years old. Labour force participation of youth has decreased from 23.8 percent in 1999 to 23.3 percent in 2000.

Table 1: Percentage distribution of labour force by age group , Malaysia, 1995-2000

Age group	1995	1996	1997	1998	1999	2000
Total	100.0	100.0	100.0	100.0	100.0	100.0
15-24	25.4	25.7	25.1	23.8	23.8	23.3
25-54	68.7	68.5	69.1	70.4	70.6	70.9
55-64	5.9	5.9	5.8	5.8	5.7	5.8

Source: Labour Force Survey Report, Malaysia, 2001

Table 2 also shows a decrease in the percentage of employed youth in the age bracket of 15-24 years old from 1996 to 1999. This is due to economic downturn where retrenchment was rampant. Youth became the first to be retrenched as they are lack of experience.

Table 2: Percentage distribution of employed persons by age group, 1995-2000

Age group	1995	1996	1997	1998	1999	2000
Total	100.0	100.0	100.0	100.0	100.0	100.0
15-24	23.8	24.6	23.9	22.5	22.2	22.0
25-54	70.1	69.5	70.2	71.6	72.0	72.1
55-64	6.0	5.9	5.9	5.9	5.8	5.9

Source: Labour Force Survey Report, Malaysia, 2001

Table 3 shows an increase in percentage of unemployed persons in the age group of 15-24 years old from 1998 to 1999 and further a reduction in 2000. Improvement in Malaysian economy due to various fiscal and monetary measures taken by the authority to combat the recession has resulted in an increase in employment and reduction in unemployment.

Table 3 : Percentage distribution of unemployed persons by age group, Malaysia, 1995-2000

Age group	1995	1996	1997	1998	1999	2000
Total	100.0	100.0	100.0	100.0	100.0	100.0
15-24	72.4	67.8	71.7	64.6	67.1	65.6
25-54	25.0	28.8	25.6	33.3	30.3	32.0
55-64	2.6	3.3	2.7	2.1	2.6	2.5

Source: Labour Force Survey Report, Malaysia, 2001

INTERNATIONAL SCENARIO OF YOUTH UNEMPLOYMENT

Table 4 shows the unemployment and labor force participation rates among youth in OECD countries. Only 2 of the 12 OECD countries have youth unemployment rates below 10%. Japan is the lowest, at 6%. Canada, the United States, Australia and New Zealand are in the 12-16% range, while in Europe the rate ranges from as low as 8.5% in Germany to over 40% in Spain. There is even greater variance in youth labour force participation, ranging from a low of 30% in France to two thirds or more in the United States, Australia and New Zealand (Lowe and Krahn, 1998).

Table 4: Youth¹ unemployment rates and labour force participation rates from selected OECD countries, 1995

OECD Countries	Unemployment rate(%)	Labor force participation rate(%)
Australia	14.4	69.7
Canada	15.6	62.2
France	25.9	29.8
Germany	8.5	52.4
Italy	32.8	38.8
Japan	6.1	47.6
Mexico	9.3	54.1
Netherlands	12.8	64.5
New Zealand	11.9	67.4
Spain	42.5	45.1
Sweden	15.4	50.0
U.K	15.5	63.7
U.S	12.1	66.3

Source: Lowe and Krahn (1998), p. 206

In Australia, young people were found to have the highest unemployment rates and other specific unemployment problems. Unemployment rates for those aged 15 – 19 are around 20 percent and even higher after the end of school year (EPAC, 1996).

CAUSES OF YOUTH UNEMPLOYMENT IN MALAYSIA

Various causes has been discussed as culprit for youth unemployment. This include increasing number of youth entering the labour market and the deteriorating youth employment opportunity (Levin, 1983). This simply means that the economy is unable to generate employment as fast as the entry of youth into the labour market. With the increasing number of institutions of higher learning in Malaysia which produces more graduates mainly youth increased the entry of job-seekers into the labour market.

Another reason that is always cited for youth unemployment is inadequate education and training as youth are becoming less and less equipped with the skills required for productive employment (Levin, 1983). Mismatch between jobs and educational qualifications (Betsey, Hollister and Papageorgiou, 1985) creates structural unemployment among youth. Youth that enters labour market do not have a training or skills that matches the need in the labour market.

Family influences do to a certain extent has influence on youth unemployment. Youth from wealthy families do not want to work as their families are able to meet their financial needs. But a study in United States by Meyer and Wise (1982) found that an increase of \$5000 in parental income is associated with an increase of more than three weeks in the number of weeks worked by teenagers.

Macroeconomic conditions or changes in the business cycle also do contribute to youth unemployment. Widely known as cyclical unemployment, this type of unemployment is caused by fluctuations in the economy (EPAC, 1996). Due to globalization, slowdown in any economy will have an adverse impact on its trading partners. The recent economic slowdown in the United States for example led the decline in the exports of manufacturing good from Malaysia and further aggravated the problem of unemployment in Malaysia.

IMPLICATION OF YOUTH UNEMPLOYMENT

Youth unemployment especially long-term in nature represent a waste of resources. Youth in the age bracket of 15 –24 years old who are unemployed or are not equipping themselves with sufficient

¹ Youth refers to 15-24 year olds in all countries except Spain, sweden, the United Kingdom(U.K.) and the United States(U.S.) where is defined as 16 –24 year olds.

knowledge and skills at this age will find difficulty as they enter the labour market. Unemployed youth should invest in human capital as a mean to enhance their career opportunity.

Long-term unemployment is hazardous to the skills and knowledge acquired by youth and also to the government in respect to fund spent on training of youth. The financial and social costs to the persons involved and government increase with the length of unemployment as the value of qualifications and previous experience can decline, by becoming out of date or obsolete (EPAC, 1996). Retraining of obsolete skills will incur cost to the government as well as the individual.

For youth who are long-term unemployed they might be finding difficulty in securing a new job as employers will be reluctant to take them as length of unemployment casts doubts on their suitability (EPAC, 1996). Increase in youth unemployment can also be associated with social problems of drugs, crime and suicide (EPAC, 1996). This will increase the cost to a nation to curb these social ills.

JOB VACANCIES IN MALAYSIA

Table 5 shows the new vacancies reported at Department of Manpower, Malaysia. Most of the vacancies reported are found in the production and related workers, transport operators and labourers.

Table 5: New vacancies reported at the employment service by occupation

Total at end period	1995	1996	1997	1998	1999
Professional, technical and related workers	3380	3234	3779	3362	3339
Administrative and managerial workers	666	349	537	767	1042
Clerical and related workers	12327	11785	12300	6454	6961
Sales workers	1472	1432	1681	2171	1740
Service workers	2391	2334	2325	3036	2526
Agriculture, animal husbandry and forestry workers, fishermen and hunters	1207	1105	948	2637	17188
Production and related workers, transport operators and labourers	36969	37300	42893	56183	75522

Source: Yearbook of Statistics, Malaysia, 2000

Table 6 shows that the number of unplaced registrants increased from 21 668 (1996) to 33 345 (1998). Male as unplaced registrants was found to be more compared to female.

Table 6 : Number of unplaced registrants and percentage by age group, educational level and employment status

At end of period	1995	1996	1997	1998	1999
Number of unplaced registrants	25546	21668	23762	33345	31830
Gender					
Male	13935	11596	12386	18832	16611
Female	11611	10072	11376	14513	15219
Age Group(%)					
15-19	30.5	30.2	27.1	23.3	23.6
20-24	42.9	44.1	44.8	46.0	46.8
25-29	14.0	13.2	13.3	15.6	16.7
30 and above	12.5	12.5	14.8	15.1	12.9
Educational level(%)					
Less than SRP	18.1	14.9	9.0	11.3	9.2
SRP	17.4	20.7	14.3	19.1	18.3
SPM and above	64.5	64.4	53.4	69.6	72.5
Employment status(%)					
Employed	17.1	n.a	15.5	13.3	15.4
Self-employed or family worker	2.7	n.a	2.8	5.2	6.4
Unemployed	80.2	n.a	81.7	81.5	78.2

Source: Compiled from Yearbook of Statistics, Malaysia, 2000 and Social Statistics Bulletin, 2000

Most of the unplaced registrants are SPM holder or lower (table 7). Lack of investment in human capital among youth can be a serious hindrance for their employability. Differences in skill and education acquired compared to skills used and education required will make the poorly educated difficult to adapt (Kasarda, 1990) especially in urban industrial sectors.

Table 7 : Number of unplaced registrants by level of education, Malaysia, 1995-1999

Year	Level of education				Total
	Below SRP/PMR	SRP/PMR	SPM	STPM and above	
1995	4048	5084	14044	2370	25546
1996	3232	4479	11768	2189	21668
1997	2797	4420	12448	4097	23762
1998	3752	6375	17139	6079	33345
1999	2936	5826	15904	7164	31830

Source: Social Statistics Bulletin, 2000

Table 8 shows that most of the registrants were placed in clerical and related works and production and related workers, transport operators and labourers. Low level of educational attainment and skills acquired by youth can be a hindrance for youth to be employed in high-paying jobs (Kasarda, 1990).

Table 8 : Placement of registrants by the employment service by occupation

Total at end period	1995	1996	1997	1998	1999
Professional, technical and related workers	965	1167	1275	1279	1436
Administrative and managerial workers	106	126	181	177	262
Clerical and related workers	7443	8369	8021	4560	4423
Sales workers	147	213	477	1060	973
Service workers	354	585	766	969	933
Agriculture, animal husbandry and forestry workers, fishermen and hunters	17	64	74	86	82
Production and related workers, transport operators and labourers	13520	14263	15439	14480	14986

Source: Yearbook of Statistics, Malaysia, 2000

Table 9 shows the distribution of new job-seekers and job vacancies by occupational group in Malaysia in 1999. There were 108 318 vacancies in Malaysia in 1999 and only 23 095 registrants were placed. This simply means that 85 223 vacancies were unfilled in 1999. This clearly shows there are two reasons for unfilled vacancies. The first is mismatch of skill and the second is mismatch of location. These two mismatch are also known as structural unemployment. The first mismatch namely mismatch of skill is due to no sufficient preparation to get into the labour market. Or the education gone through by youth do not prepare them to get into the labour market. The education system has also not responded adequately to the structural changes in employment and the evolution of knowledge (The Sun, 2 July, 2000).

Table 9: Distribution of new job-seekers and job vacancies by occupational group, Malaysia, 1999

Occupational group	Job vacancies	New job-seekers	Placement of registrants
Total	108318	122920	23095
Professional, technical and related workers	3339	18326	1436
Administrative and managerial workers	1042	7121	262
Clerical and related workers	6961	55698	4423
Sales workers	1740	1347	973
Service workers	2526	1972	933
Agriculture, animal husbandry and forestry workers, fishermen and hunters	17188	218	82
Production and related workers, transport operators and labourers	75522	38238	14986

Source: Social Statistics Bulletin, 2000

The second type of mismatch namely mismatch of location can further be proven by looking at table 10. Table 10 shows that most of the job-seekers are from Wilayah Persekutuan Kuala Lumpur (19363), Terengganu (14767) and Selangor (11618). Most of the job vacancies are available in Sarawak (59567). Is it possible to mobilise the job-seekers to the place where the job vacancies are available? Probably this is difficult as there are many factors to be considered before one make decision to move. Thus, it is evident that the second form of structural unemployment is mismatch of location

Table 10: Distribution of new job-seekers and job vacancies by state, Malaysia, 1999.

State	Job vacancies	New job-seekers	Placement of registrants
Malaysia	108318	122920	23095
Johor	8901	8178	1546
Kedah	2739	9556	1114
Kelantan	2291	6671	1769
Melaka	940	2401	350
Negeri Sembilan	2447	7412	850
Pahang	3122	7542	1984
Perak	3429	9132	2732
Perlis	473	2065	359
Pulau Pinang	6579	5978	1821
Sabah	2783	11409	1763
Sarawak	59567	6828	1801
Selangor	8781	11618	3404
Terengganu	3697	14767	2599
W.P Kuala Lumpur	2569	19363	1003

Source: Social Statistics Bulletin Malaysia, 2000

ADDRESSING THE ISSUE OF STRUCTURAL UNEMPLOYMENT AMONG YOUTH

As the problem of unemployment among youth in Malaysia is more of structural in nature, there are various ways to overcome this type of unemployment. The first reason for structural unemployment which is mismatch of skill can be dealt by reskilling or retraining the unemployed youths by identifying the needs in various industries. Constant upgrading or expansion of skills is necessary in order to be highly competitive in the labour market (The Sun, 22 April 2001). For example, if there are vacancies in information technology industry, graduates from arts and social sciences can be trained by attaching them to short-term training program in order to enhance their knowledge and equip them with necessary skills to meet the demand in information technology industry. In Malaysia, the information technology industry needs about 40 000 workers (The Sun, 22 April, 2001). Besides IT knowledge, other skills are also crucial for one to be employed. In Malaysian Employers Federation (MEF) July 2000 survey on 356 companies from both the manufacturing and non-manufacturing sectors, two-thirds of respondents stated that technical skills (that is scientific, mathematics and engineering skills) were lacking, while 55.6 percent of respondents cited the lack of written and communication skills in the labour market as reasons for being unemployed (Business Times, 3 August, 2000).

The second reason for structural unemployment which is due to mismatch of location can be dealt by relocating the graduates in places where there are job vacancies. Even though the issue of relocation is not a simple issue, it can be addressed by giving sufficient financial compensation to the job-seekers that are willing to be relocated. This may include cost of transportation and psychic costs that arises due to this mobility. Thirdly, the responsiveness of labour supply to labour demand can be enhanced by improving the education system, as well as enhancing labour mobility and access to information (Business Times, 3 August 2000). Implementation of Electronic Labour Exchange by the Government will be able to improve labour mobility through electronic job matching and greater dissemination of labour market information (Business Times, 3 August 2000).

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