

Webinar Summary

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The event was opened by **Ms Cristita Marie Perez**, Senior Program Manager of Regional Program Social Economic Policies Asia (SOPAS) and **Ms Miriam Fischer**, Country Representative, KAS Malaysia. The panellists of the session were **Dr Muhammed Abdul Khalid**, Research Fellow, Institute of Malaysia and International Studies (IKMAS) National University of Malaysia; **Ms Tricia Yeoh**, Chief Executive Officer, Institute for Democracy and Economic Affairs (IDEAS); and **Mr Syed Saddiq bin Syed Abdul Rahman**, Member of Parliament (Muar, Johore), Parliament of Malaysia. The session then ended with a closing remark by **Dr Alan Hao Yang**, Executive Director, TAEF. The moderator of the session was **Mr Yuri Baral**, TAEF Non-Resident Assistant Research Fellow.

Speaker 1: Ms. Tricia Yeoh, Chief Executive Officer, Institute for Democracy and Economic Affairs (IDEAS)

Ms Yeoh provided a global overview of the employment market, noting that the job landscape has shifted from traditional roles to tech-related jobs. Malaysia hoped to follow a similar pattern of transition. Unfortunately, the COVID-19 pandemic has caused Malaysia's unemployment rate to increase at about 5%, the highest since 1989. The pandemic also caused an increase in the number of people who are not actively seeking a job. While the majority of those who lost their jobs are from the agriculture industry, up to 64.5% of jobs in the market as a whole are unable to be performed at home and 50.9% require a high level of proximity.

The Malaysian labor market also faces a skills mismatch; there is a lack of high-skilled jobs created in comparison to the number of university graduates entering the workforce annually. Up to 62.3% of the jobs in the market are semi-skilled; 24.4% are high-skilled and 13.3% are low-skilled, signalling a need for government policies that will allow Malaysia to move up the value chain and increase the availability of high-skilled jobs. Brain drain is also a prominent issue that Malaysia is facing. The 2011 World Bank report showed that one in five Malaysian graduates are lost through migration, primarily to Singapore. Malaysia also has a lack of clear policy on hiring foreign spouses, hence creating an untapped market of talent in that area. The Malaysian government has implemented multiple initiatives and resources to tackle the talent issues in the market, such as the SkillsMalaysia 2.0 program and has allocated RM1 billion in reskilling and upskilling programs in the 2021 Budget. Yet, there is a need for re-evaluation of the training initiatives across multiple agencies and organisations as mismatches are still occurring.

Ms Yeoh then focused on the landscape of SMEs in Malaysia. SMEs comprise 98.5% of Malaysian business establishments and provide 48% of the total employment. Job loss still happens at large despite the efforts towards digitalisation. The Institute for Democracy and Economic Affairs' paper highlighted implementation gaps and the need to widen the coverage of upskilling grants and the inclusion of soft skills in the upskilling efforts in addition to technical skills. The report also discussed the need for regulatory reforms for businesses to shift to the digital landscape quickly.

The gig economy in Malaysia is also discussed. The World Bank has reported that as of 2019, 26% of the total Malaysian workforce is considered as part of the gig economy. A huge issue is the lack of classification and minimum social protection plans for gig workers. Lastly, Ms Yeoh concluded her session by highlighting the long-term prospects of remote work creating large changes to job scopes; ways to ensure education and skills are better matched with future work needs; decentralisation of education policies with less bureaucratic regulations and regional standardisation among companies; and a shift towards hybrid remote-office work model with flexible arrangements, especially for women workers who are more affected due to the pandemic.

Speaker 2: Mr. Syed Saddiq bin Syed Abdul Rahman, Member of Parliament (Muar, Johore), Parliament of Malaysia

Mr Syed Saddiq focused on the lack of access to stable and fast Internet and digital infrastructure for students to attend virtual classes. The Ministry of Education Malaysia reported that only 39% of students have the access to laptops and smartphones with Internet connection for online classes; only one out of two students from states such as Sabah have access to such digital infrastructure. This creates a fear of losing a generation due to an uncertain education structure and system implemented in response to the pandemic. While the Malaysian government has decided to expand the education channels to include television as it is more accessible for all, the plans are still at the infancy stage. To date, most of the classes are still conducted online. A key question raised was how to bridge the digital divide between the rich and the poor, between the states such as East and West Malaysia and among the interstates as well. The Malaysian government has allocated RM 150 million to address the digital divide through government-linked companies, but such allocation is insufficient as it could only provide about 150,000 laptops while there are about 2.5 million students.

The speaker advised that the government should embark on a consolidated national experiment of providing free digital devices to students across Malaysia. The government should also start providing access to education via television channels immediately tapping the best educators to organise it. For the long-term, underemployment needs to be addressed as well as the lack of safety nets within the gig economy. A large number of young Malaysians are forced to take a significant amount of pay cut due to the pandemic. With the policy of preventing the employees from withdrawing their EPF savings unless proof that they have taken a 30% pay cut is given, many youths have started venturing into the gig economy and small businesses.

However, the pandemic caused digital acceleration, as well as disruptions in the workforce. Comparatively, young people benefited more from the changes as they are more well-versed digitally and are quicker to adapt compared to their older counterparts. Traditional businesses that fail to adapt are also disrupted. While issues on unemployment, underemployment and lost generation due to the pandemic remain unresolved, the post-Covid workforce will provide a unique opportunity for the young generation. The most important investment Malaysia needs to focus on is education, where a consolidated state government, the federal government, government linked companies and private sectors can come together to address the issues.

Speaker 3: Dr. Muhammed Abdul Khalid, Research Fellow, Institute of Malaysia and International Studies (IKMAS) National University of Malaysia

Today's Malaysian youths are three times more likely to be unemployed compared to other generations. Globally, 90% of youth work is unsecure and in the informal economy. The pandemic only worsened the situation. In Malaysia, 13% of youths between the age of 15 to 24 are unemployed; underemployment among young people also rose by 23%, leaving 36% of the entire youth population underemployed. Parental income is also directly linked to the youth unemployment rate. In particular, when parents earn below RM 1000 per month, 1 out of 3 youths do not have a job; when the parents' income increases, the unemployment rate drops.

One of the main causes of high unemployment and underemployment rate in Malaysia is the insufficient number of high-skilled jobs created in the market in comparison to the number of high skilled graduates entering it. In 2010, for every graduate, there is one high-income job vacancy in the market; by 2020, the ratio increased to four graduates for every high-income job. The speaker further emphasised the difficulties that will be faced in the labor market by youths in Malaysia as it might take at least another four to five years to recover the pre-Covid era economic performance. The economy has to recover before Malaysia can effectively tackle this issue.

The suggested policy options are:

1. Firms should not only incentivise the low-skilled model only for low-cost labours as Malaysia needs to move up the value chain. For example, Singapore effectively imposes a higher tax on companies that employ more low-skilled labourers.
2. Companies need to pay employees more. For every RM 100 created economically by companies in Malaysia, only RM 36 goes to employees; RM 4 to government and RM 60 to the firms. In

comparison, the firms in the US and Singapore take less for the firms, which are about 40% and 53% respectively.

3. Social protection among the self-employed is needed as they make up 2.3 million individuals among the 14 million labour force. The majority do not have employee protection and forced savings.
4. Cash assistance and fiscal injection by the government are needed. The government budget allocated to create jobs for youths is only 0.4%, which is severely insufficient.
5. A combination of high-tech, mid-tech and low-tech solutions are needed to provide effective education for every student equally, closing the digital divide.

Question & Answer Session

Question 1 to Mr Syed Saddiq: How can government and business create equitable access to work opportunities for the youth?

First, education should be the focus. A consolidated effort to bridge the digital gap needs to be executed immediately. Second, as Malaysia moves away from low-wage jobs, there should also be less reliance on foreign workers. For example, providing matching grants for SMEs to be upskilled in the digital scene to reduce their reliance on foreign workers. Third, a more equitable economic framework needs to be created, where fair taxing comes into the picture, especially among companies that thrived during the pandemic but are cutting wages and benefits to their employees. Fourth, Malaysia's economy needs to be restructured such as increasing the corporate tax, implementing the capital gains tax and the inheritance tax.

Question 2 to Ms Tricia Yeoh: How will the rise of the youth's participation in the gig economy shape the future of their job security and social protection?

It depends on how fast the government can adapt to the accelerating change of trends so that a framework can be created to accommodate each stakeholder. For example, when Uber came to Malaysia, (although it was bought by Grab eventually) it took two years for the government to create a framework to allow taxi drivers to serve as Uber or Grab drivers. AirBnB is a similar case, where a mutual understanding among the companies, staff and government need to be reached before the gains from the investment can be realized. In addition, tax reform is needed; progressive capital gains tax is welcomed.

Question 3 to Dr Muhammad: The proliferation of higher education enrollment may cause credential inflation. Having a degree in the current time is not as valuable as in the past. Should we reconsider the intake into certain courses which are associated with low employment outcomes; or how do we make sure that the labour market can absorb the supply of graduates? Where is the big mismatch between the courses of studies offered by the university and the needs of the labour market?

The declining bachelor premium is not just an issue in Malaysia, but in many countries too. With a bachelor's degree now, the wage premium is less than the generation who received the same degree 20 years ago (after deducting for inflation). One of the causes is the huge increase in bachelor degrees in the market. Another the key issue is the structure of financing higher education in Malaysia. Both public and private institutions have a steady and increasing supply of students, even for those with low qualification as they can take up education loans without needing to guarantee their employment after graduation.

The structure of Malaysia's labour market that depends on a low-cost and low-skilled model needs to be changed. Short-term and long-term approaches are needed to address the underemployment and unemployment issues. Losing a job due to a pandemic is considered short-term. The common theme is that the economy needs to recover first so that Malaysians can go back to work. But before achieving economic recovery, the health pandemic needs to be taken care of first. The government should attain the capability to provide a nationwide solution. Cash assistance also needs to be provided for the affected workers to survive this pandemic.

Question 4 to everyone: With the rise of youth unemployment due to the pandemic, many have called for the youth to pursue entrepreneurship. Should entrepreneurship among youths be encouraged during this unprecedented period? What should the youth focus on?

Mr Syed Saddiq mentioned that while entrepreneurship is encouraged, many Malaysians currently have a huge financial burden and little savings, both conditions are unfavourable to start a business since economic capital is needed. For the lower-income groups, that would be extremely difficult. For those who can afford, it is a very unique and disruptive time to venture into entrepreneurship revolving around digital transformation. Ms Yeoh encouraged those with digital skills to embark on this journey but cautioned about the tough competition that entrepreneurs will face in the market. She advised individuals with the digital skills to pitch their skills to the companies as most of them are still trying to pivot into the digital economy.

Question 5 to everyone: Do you think young people nowadays are less ambitious than the previous generation?

Dr Muhammad believes that every generation is ambitious in a different way to strive for better lives. It is up to the policymakers to create conditions that will ensure that these ambitions are fulfilled. Commitment from the public and the youth is needed too. People should demand that their opinions be heard.

Ms Yeoh believes that this pandemic is the pivotal moment for the young generation to transform themselves. The youth today have to face more challenges due to the higher level of expectations as well as the need to combine both soft skills and hard skills. In addition, the education system has not been able to educate sufficiently according to the demand and changes.

Mr Syed Saddiq believes that the youth of today are more ambitious than the previous generations because of the ongoing challenges such as the lack of experiences, financial and political capital. Knowing that, the youth have to proceed creatively to disrupt their respective fields. Many young disruptors across the globe have made their mark in leading positions, but Malaysia is still lacking in that aspect.

Closing Session: Dr Alan Hao Yang, Executive Director, TAEF

Dr Yang mentioned that the webinar highlighted two approaches:

- Differences - learning from everyone's differences in both governmental and private industries
- Brainstorming - Figuring out the common difficulties and prioritise solutions and suggestions

The discussion has evolved beyond the discussion over employment, underemployment and skill sets. It also focuses on the sense of security and well-being among youths during the pandemic era and how the government and private sectors can implement effective policies to tackle such issues.