

Youth Unemployment and Joblessness
by
SAMIRUL ARIFF OTHMAN
Senior Research Officer
Malaysian Institute of Economic Research (MIER)¹

“Young people ought not to be idle. It is very bad for them,” said Margaret Thatcher in 1984. However official figures from the International Labour Organization, World Bank and the Organisation for Economic Co-operation and Development (OECD) all suggest that a quarter of the planet’s youth are neither working nor studying.

The acronym NEET was first used in the United Kingdom, a NEET is a young person who is "Not in Education, Employment, or Training". A variety of causes have been attributed to youth unemployment. Firstly, the long slowdown in the West has reduced the demand for labour, and it is easier to postpone hiring young people than it is to fire older workers. Secondly, the existence of dysfunctional labour markets or inflexible labour market and regulations, that creates a situation of assistance and dependency. Finally, the quality and relevance of education, which is associated with the phenomenon of graduate glut.

Youth unemployment, a contentious issue in contemporary Malaysia, was brought into the spotlight. A feature article in Bank Negara’s 2016 Annual Report 2016, drew attention to labour market developments and policy concerns.

Contemporary Malaysian Scenario

From 2014 to 2015, the unemployment rate of Malaysia’s youth (aged 15-24) rose from 9.5% to 10.7%, by a greater margin than the concurrent change in the national unemployment rate, which rose up from 2.9% to 3.1%. The Report’s observation that youth unemployment is three times that of the national rate. However, it is noteworthy that the ratio generally holds through the past decade and a half. From 2001 to 2010, youth unemployment hovered around 11% while the national rate was close to 4%; from 2011-2014, both maintained lower levels of about 10% and 3%, respectively.

Putting things into perspective, young adults are more likely to be looking for work because they have just graduated from a learning institution and entered the labour market, or because they are changing jobs and being more mobile at the early stages of their work life. Therefore there is a tendency for youth unemployment to be higher.

¹ The views and opinions expressed herein are those of the author and do not necessarily reflect the views of MIER.

Whether or not the trend in Malaysia's youth unemployment rate continues to be on the rise this year, it is crucial to consider the structural barriers when resolving the problem. The Bank Negara report points out to both demand and supply issues of labour. On the demand side, the profile of new jobs offers is not in sync (does not match) with that of new job seekers. Between 2001 and 2015, 20 percent of jobs created were classified as high skilled, 52% as middle skill, and 28% low-skilled, although half of the increase in the labour force comprised of tertiary educated workers, and the other half had secondary level schooling. Growth of job listings on a major online job portal increased more for managers and executives than the offerings to fresh graduates. Correspondingly, wages for entry-level jobs of degree and diploma holders have stagnated.

On the supply side, some unemployment patterns among the young are cause for concern, with particular reference to employability of graduates and skills deficiency or mismatch. Tertiary educated youth register higher unemployment (15.3%) than non-tertiary educated youth (9.8%). This pattern is true in many Southeast Asian countries, including Singapore, Indonesia, Thailand and the Philippines, but the converse occurs in most advanced economies, such as Germany, Japan, the UK and France, where tertiary educated youth are less likely to be unemployed.

The report's recommendations mostly reiterate or call for expansion of various policies already in place.

Global Political Economic perspective

Looking at this issue from a Global Political Economic perspective, the recent rise of political unrest and anti-social behaviour in the world has been attributed to youth unemployment.

During the course of 2010/2011 it became a key factor in fuelling protests in the Arab World, and by the end of 2011, four regimes (Tunisia, Egypt, Libya, Yemen) fell in the wake of the protests led by young people.

Around the same time riots and protests broke out in a number of European and North American cities. This demonstrates that the lack of productive engagement of young people in society contributes to feeling of disenfranchisement.

Youth unemployment is also linked to emigration. Young people leave their countries in hope to find employment elsewhere. This brain drain has contributed to deteriorating countries' competitiveness, especially in certain European countries.

The current global environment exposes whatever weaknesses there are in our economic structure and makes it even more pressing for these weaknesses to be addressed and the production structure enhanced. In the final analysis, unmistakably youth unemployment has turned out to be a macroeconomic concern.